

VA Home Loans and Guidelines For Bankruptcy

Contributed by admin
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I receive a lot of VA loan questions in regards to bankruptcies (BK) and foreclosures. Most of the time the questions are determining how long a borrower has to wait after their bankruptcy before they become eligible for a VA loan? Or is there anything they can do while they wait to help their chances of getting approved for a VA loan once the waiting period is up. So let's dig in because as of right now the VA underwriting guidelines are much more flexible than conventional or FHA loan guidelines.

First, a chapter 7 bankruptcy involves a complete discharge of debtors. Once the petition is filed and accepted by the court and the BK is finalized the borrower is released from liability from the creditors. Generally, with a chapter 7 bankruptcy the VA underwriting guidelines require a 2 years waiting period from the discharge date of the bankruptcy before financing becomes available. There are, however, certain uncontrollable circumstances such as medical conditions or job loss that allow for financing 1 year after the discharge date but these are very rare. To contrast this with conventional guidelines at the time of the article Fannie Mae is now requiring a 4 year waiting period after a chapter 7 BK. A chapter 13 on the other hand is called a wage earners plan. A trustee is appointed from the court and a repayment plan is negotiated. A veteran may actually be eligible for a VA mortgage while in the chapter 13 bankruptcy; but will need to have at least made 12 on time payments and have approval for the loan by the court trustee. Also, after the chapter 13 is finished the veteran borrower is eligible immediately. Fannie Mae requires a 2 year waiting period after the discharge.

Tips for after a Bankruptcy

As a top VA lender that has dealt with their fair share of bankruptcies we've put together a few tips that borrower can put to go use.

- I strongly recommend after the bankruptcy has been discharged that you mail in a full copy of your discharge paperwork with all of the appropriate schedules the three credit bureaus Equifax, Experian and TransUnion. Often time some of the accounts included in the bankruptcy won't reflect that accurately.
- I also suggest you start by pulling your credit at least once a year from each of the nationwide consumer credit reporting companies. Keep track of what's gone on and make sure there are no inaccuracies by the time you are ready to apply for a VA loan.
- In addition, if you don't have any remaining creditors after your bankruptcy we strongly recommend reestablishing your credit if you have not already done so. Sometimes a borrower with a lack of credit is just as hard as approving borrowers with poor credit. And of course always, always, make your payments on time!