



Last Reviewed: 12/10/2024

## Waiting Periods for Significant Derogatory Credit Events

Note: This document does not include all documentation requirements for derogatory credit; it is solely designed as a quick reference for waiting periods only.

Note: All waiting periods are dependent on accurate completion of the declarations section of the URLA.

### CONVENTIONAL

\*MUST RECEIVE AN AUS APPROVE/ACCEPT/ELIGIBLE, INCLUDING THOSE WITH EXTENUATING CIRCUMSTANCES

#### Previous Loan Modification

##### Refinance:

- Fannie Mae/Freddie Mac: Permitted with previous modification (restructured mortgage to adjust the principal balance) provided the credit worthiness of the borrower and LTV are acceptable.

##### Purchase:

- Fannie Mae/Freddie Mac: Acceptable with both agencies, qualification based on payment history and remaining underwriting considerations.

##### Payment History:

A borrower must have completed their Trial Period Plan to qualify for either a refinance or purchase.

- A Trial Period Plan is a temporary forbearance plan that sets forth in a written notice those terms and conditions which the borrower must comply with during the trial period in order to obtain a permanent modification.
- The Trial Period is normally a 3-to-6-month period during which the borrower makes payments that are an estimate of the anticipated modified payment amount, as one of the preconditions to modification. For borrowers in bankruptcy, the Trial Period may be extended up to an additional 2 months.

If any Existing Mortgage...	Eligibility Requirements	Use of Proceeds if the Transaction is a Refinance
Is in a repayment plan, loan modification Trial Period Plan or Payment Deferral:	The new Mortgage is ineligible unless the amounts outstanding on any existing Mortgage are resolved by meeting the applicable <b>additional eligibility requirements</b> below.	N/A
<b>Additional Eligibility Requirements</b>		
Is subject to a repayment plan:	The Borrower must either: <ol style="list-style-type: none"> <li>Have successfully completed the repayment plan, OR</li> <li>Be performing under the plan (i.e., has not missed any payments due under the plan) and must have made at least three consecutive payments.</li> </ol>	In connection with the Mortgage being refinanced, proceeds may be used to pay off the remaining payments under the repayment plan
Is subject to a Payment Deferral:	The Borrower must have made at least three consecutive timely payments following the approval of the payment deferral agreement.	In connection with the Mortgage being refinanced, proceeds may be used to pay off the deferred amount under the Payment Deferral.
Is subject to a modification Trial Period Plan:	The Borrower must have successfully completed the Trial Period Plan.	In connection with the Mortgage being refinanced, proceeds may be used to pay off the modified Mortgage.
Is subject to a loss mitigation program not mentioned above:	The Borrower must either: <ol style="list-style-type: none"> <li>Have successfully completed the loss mitigation program, OR</li> <li>Be performing under the program (i.e. has not missed any payments due under the program) and must have made at least three consecutive full monthly payments</li> </ol>	In connection with the Mortgage being refinanced, proceeds may be used to pay off the remaining payments under the program.



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## Foreclosure

Home was given to the bank – No owner participation.

- **7 years** from the date foreclosure completed and transferred back to the bank if they had NO extenuating circumstances.
- **Fannie Mae Only\*: 3 years** from the date foreclosure completed and transferred back to the bank with acceptable extenuating circumstances (1) AND 10% Down Payment. Primary home purchase and rate/term refinances only. Non-owner occupied and second homes not allowed.
- **Freddie Mac Only** - When a loan receives an Accept risk classification, the loan does not need to be reviewed for waiting period requirements.
  - Essent and NMI will follow this guidance however Arch MI will not and still requires verification that waiting periods are met.

If the home is a timeshare, please refer to the "[Timeshares](#)" section of this guide.

## Short Sale, Deed in Lieu of Foreclosure, Mortgage Debt Charge-Off Accounts (effective 8/16/14)

**Short Sale:** Home sold but sales price did not cover amount owed.

**Deed in Lieu:** Home returned to lender in exchange for cancelling loan.

- **4 years** from the date sale closed and transferred to new owner or transferred back to the bank as standard.
- **Fannie Mae Only\*: 2 years** from the date sale closed and transferred to new owner or transferred back to the bank, possible with **acceptable** extenuating circumstances.
- **Freddie Mac Only** - When a loan receives an Accept risk classification, the loan does not need to be reviewed for waiting period requirements.
  - Essent and NMI will follow this guidance however Arch MI will not and still requires verification that waiting periods are met.

## Bankruptcy, Chapter 7

Debts are discharged through BK; therefore, client does not pay any debts owning.

- **4 years** from discharge date.
- **Fannie Mae Only\*: 2 years** from discharge date possible with acceptable extenuating circumstances (1).

## Bankruptcy, Chapter 13

Debts are paid back on a monthly scheduled payment plan by client.

- **2 years** from discharge date.
- **4 years** from dismissal date.

## Bankruptcy Including a Mortgage

Refer to Bankruptcy Guidelines with one exception:

- Refinances: Borrower may refinance a property included in a bankruptcy and not reaffirmed, provided the timely payment history (VOM) can be obtained to current.

## Conventional Mortgage Insurance Requirements

THE ABOVE GUIDELINES ARE BASED ON AGENCY GUIDANCE. IN THE EVENT A LOAN REQUIRES PRIVATE MORTGAGE INSURANCE, WAITING PERIODS EXTEND FROM 4 TO 7 YEARS DEPENDING ON THE COMPANY AND MAY INCLUDE ADDITIONAL REQUIREMENTS (REESTABLISHED CREDIT GUIDELINES, RESERVES, ETC.). CHECK WITH EACH MORTGAGE INSURANCE PROVIDER PRIOR TO ORIGINATION, **IF THE LTV IS GREATER THAN 80%.**

\*Loans with shorter time frames require verification of extenuating circumstances and may not go to Freddie Mac. The extenuating circumstance must be supported by a letter of explanation and verification of the circumstance.



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## FHA (DETERMINED BY DATE OF CASE NUMBER ASSIGNMENT)

### Previous Loan Modification

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#### Refinance:

- Standard modifications (interest rate modifications) are acceptable with a 12-month waiting period. Qualification is based on payment history and remaining underwriting considerations.
  - The modification must have taken place at a minimum 12 payments in advance of the refinance and reflect a satisfactory payment history.
  - The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.
  - Deferred interest (per restructure agreement) may be included in the maximum loan amount calculation for rate and term refinances provided all standard conditions and qualification parameters are met.

#### Purchase:

- Acceptable with both agencies. Qualification is based on payment history and remaining underwriting considerations. Please note, files will be underwritten with a higher level of scrutiny.
  - The modification must have taken place at a minimum 12 payments in advance of the purchase and reflect a satisfactory payment history.

### Foreclosure or Deed in Lieu of Foreclosure

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**Foreclosure:** Home was given back to the bank – No owner participation.

If the home is a timeshare, please refer to the [“Timeshares”](#) section of this guide.

**Deed in Lieu:** Home returned to lender in exchange for cancelling loan.

- **3 years + 1 Day** from date foreclosure completed and the deed is transferred back to the bank, for the request of an FHA Case Number.
- **With manual downgrade to Refer: Less than 2 years, but not less than 12 months**, from date foreclosure completed and the deed is transferred back to the bank may be acceptable if the result of acceptable extenuating circumstances (2).

### Short Sale

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**Short Sale:** Home sold but sales price did not cover amount owed.

- **3 years** from date sale closed and transferred to new owner.
- **With manual downgrade to Refer: No waiting period** if borrower had no late payments on any mortgages and consumer debts within the 12-month period preceding the short sale AND they are not taking advantage of declining market conditions.

### Bankruptcy Chapter 7

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#### General Requirements

Debts are discharged through BK; therefore, client does not pay any debts owing.

- **2 years** from date of discharge with re-established credit paid as agreed or no new credit obligations occurred.
- **With manual downgrade to Refer: Less than 2 years, but not less than 12 months**, from date of discharge may be acceptable if the bankruptcy was caused by acceptable extenuating circumstances (2) and borrower has since exhibited a documented ability to manage financial affairs in a responsible manner.

### Bankruptcy Chapter 13

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Debts are paid back on a monthly scheduled payment plan by client.

- **The Borrower must have 2 years or more from the date of discharge.**
- **With manual downgrade to Refer:**
  - A minimum of 1-year within the payout period under the bankruptcy has elapsed, and
  - There is documentation covering the most recent 12 months to support the following:
    - the borrower’s payment performance has been satisfactory and that all required payments have been made on time, and
    - The Borrower has received written permission from the bankruptcy court to enter into the mortgage transaction.

Less than 2 years since discharge requires manual downgrade, but Chapter 13 does NOT require a minimum period since discharge to approve under manual underwrite. Loan just needs to meet all other manual underwriting requirements.



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## Bankruptcy Including a Mortgage

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### Assuming No Reaffirmation:

- BK, stayed in home, purchase: Permitted 3 years from the date of deed transfer post-foreclosure.
- BK, stayed in home, refinance: Not permitted.
- BK, stayed in home for a portion of the time-frame, purchase: Permitted 3 years from the date of deed transfer post-foreclosure.
- BK, vacated home immediately after discharge: Permitted 3 years from the date of deed transfer post-foreclosure.
- BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid or 3 years from the deed transfer date.

### Assuming Reaffirmation:

- If the home is foreclosed upon after reaffirmation, a 3-year waiting period from the date of deed transfer is required.

\*All remaining traditional qualification and underwriting parameters apply in all instances.

**Important Note:** The dates listed will be based on the new FHA case number assignment, not the application or closing date.

## VA (DETERMINED BY DATE OF CREDIT APPROVAL)

## Previous Loan Modification

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### Refinance:

- Not permitted with previous modification (considered restructured mortgage) to adjust the principal balance. Standard modifications (interest rate modifications) are acceptable with no waiting period. Qualification is based on payment history and remaining underwriting considerations.
  - VA requires a reduction of interest rate, for the refinance to qualify.
  - The modification must have taken place a minimum of 12 payments in advance of the refinance and reflect a satisfactory payment history.
  - The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.

### Purchase:

- Acceptable with both agencies. Qualification is based on payment history and remaining underwriting considerations. Please note, files will be underwritten with a higher level of scrutiny.
  - The modification must have taken place a minimum of 12 payments in advance of the purchase and reflect a satisfactory payment history.

## Foreclosure or Deed in Lieu of Foreclosure

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**Foreclosure:** Home was given back to the bank – no owner participation.

If the home is a timeshare, please refer to the "[Timeshares](#)" section of this guide.

**Deed in Lieu:** Home returned to lender in exchange for cancelling loan.

If the foreclosure or deed in lieu was on a VA-guaranteed loan, then a borrower may not have full entitlement for the new VA loan.

Ensure that the borrower's COE reflects sufficient entitlement to meet any secondary marketing requirements of the lender.

- **2 Years** from date foreclosure completed and transferred back to bank.
- **12-23 Months** from date of foreclosure, if credit is re-established and paid as agreed and was caused by acceptable extenuating circumstances (3).
- If the borrower's payment history on the property was not affected before the deed in lieu and the borrower was voluntarily communicating with the servicer or holder, **then a waiting period from the date transfer of the property may not be necessary.**
  - Gain complete understanding of the circumstances in which the borrower voluntarily surrendered the property.



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## Short Sale

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**Short Sale:** Home sold but sales price did not cover amount owed.

- If the short sale was on a VA-guaranteed loan, then a borrower may not have full entitlement available for the new VA loan. Ensure that the borrower's COE reflects sufficient entitlement to meet any secondary marketing requirements of the lender.
- **No waiting period** if borrower had no late payments on any mortgages and consumer debts within the 12-month period preceding the short sale AND they are not taking advantage of declining market conditions.
- If the borrower's payment history on the property was not affected before the short sale and the borrower was voluntarily communicating with the servicer or holder, **then a waiting period from the date transfer of the property may not be necessary.**
  - Gain complete understanding on the circumstances in which the borrower voluntarily surrendered the property.
- A waiting period of 12 months will apply when there are any derogatory credit events including, but not limited to, late payments on the mortgage prior to the short sale.
  - The borrower must have 12 months of reestablished credit since the date the short sale property was transferred to the new owner.

### General Requirements:

Debts are discharged through BK; therefore, client does not pay any debts owing.

- **2 years** from date of discharge.
- **12-23 months** from date of discharge, if credit is re-established and paid as agreed and was caused by acceptable extenuating circumstances (3).
- **If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy**, use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit.
  - If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

### Bankruptcy Chapter 13

Debts are paid back on a monthly, scheduled payment plan by client.

- **1-year payout period** under bankruptcy has elapsed and the borrower's payment performance has been satisfactory, and all required payments made on time. If the borrower(s) has satisfactorily made at least 12 months' worth of the payments and the trustee or bankruptcy judge approves of the new credit, the loan can be considered favorably.
- **If foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy**, use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit.
  - If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

## Bankruptcy Including a Mortgage

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- **2 years** from the date of discharge.
- **If a foreclosure, deed in lieu, or short sale process is in conjunction with a bankruptcy**, use the latest date of either the discharge of the bankruptcy or transfer of title for the home to establish the beginning date of re-established credit.
  - If there is a significant delay in the transfer of title, the lender should contact the RLC of jurisdiction for guidance.

## USDA (DETERMINED BY DATE OF CREDIT APPROVAL)

## Previous Loan Modification

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### Refinance:

- Not permitted with previous modification (considered restructured mortgage) to adjust the principal balance. Standard modifications (interest rate modifications) are acceptable with no waiting period. Qualification is based on payment history and remaining underwriting considerations.
  - The modification must have taken place a minimum of 12 payments in advance of the refinance and reflect a satisfactory payment history.
  - The modification agreement needs to be reviewed and underwritten with the file. The modification terms may supersede UHM guidelines.

### Purchase:

- Acceptable with both agencies. Qualification is based on payment history and remaining underwriting considerations. Please note, files will be underwritten with a higher level of scrutiny.
  - The modification must have taken place a minimum of 12 payments in advance of the purchase and reflect a satisfactory payment history.



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## Foreclosure or Deed in Lieu of Foreclosure

**Foreclosure:** Property was given back to the bank – No owner participation.

If the home is a timeshare, please refer to the "[Timeshares](#)" section of this guide.

**Deed in Lieu:** Home returned to lender in exchange for cancelling loan.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **3 years** from date foreclosure completed and transferred back to bank. A foreclosure discharged, or a repossession reported 36 months prior to the date of loan application is not adverse credit.
- **Less than 3 years** from date the foreclosure was completed and transferred back to the bank may be considered with acceptable extenuating circumstances (4).

## Short Sale

**Short Sale:** Home sold but sales price did not cover amount owed.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **3 years** from date sale closed and transferred to new owner.
- **No waiting period** if borrower had no late payments on any mortgages and consumer debts within the 12-month period preceding the short sale AND they are not taking advantage of declining market conditions.

## Bankruptcy Chapter 7

Debts are discharged through BK, therefore, client does not pay any debts owing.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **3 years** from date of discharge. Note: The 3-year rule does not apply to GUS approval.
- **Less than 3 years** from date of discharge may be considered with acceptable extenuating circumstances (4).

## Bankruptcy Chapter 13 – Plan in Progress

Debts are paid back by the client, satisfactorily and on time, utilizing a documented monthly scheduled payment plan and the client received written permission to enter into a mortgage transaction, from the bankruptcy court/trustee.

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- **1 year** from the start of the satisfactorily paid debt restructuring plan, with all payments made on time.

## Bankruptcy Chapter 13 – Completed Plan

Loans that receive an Accept from GUS are acceptable and do not require a credit exception. Verification of the waiting period is not required.

- Plan completed at least 1 year prior to application, do not require a credit exception.

## Bankruptcy Including a Mortgage

- **3 years** from the date of discharge. Refer to USDA credit matrix.
- BK, previous Government Loan: The later of 3 years from the date the CAIVRS claim is paid, or 3 years from the discharge date.
- Note: UHM will not provide refinance financing for a borrower who stayed in a home and did not reaffirm the mortgage.

## Previous USDA Loss

- A previous USDA loss within seven years prior to the date of submission to the Agency is considered significant derogatory credit. The following information must be provided:
  - Document the circumstances that led to the loss paid on the Borrower's behalf. I.e., in the case of a loss due to reduced wages, IRS tax transcripts are considered sufficient documentation.
  - Explain why the loss is unlikely to recur.
  - Provide supporting documentation and recommendation for loan approval along with the final and complete application submission to USDA.

Note: Medical explanations are not required when submitting private health information.



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## Extenuating Circumstances

Examples of acceptable extenuating circumstances (circumstances must be verified and documented):

1. **Conventional:** (extenuating circumstances, for Conventional loans, are only acceptable through Fannie Mae.) Nonrecurring events that are beyond the borrower's control that result in a sudden, significant, and prolonged reduction in income or a catastrophic increase in financial obligations.
2. **FHA:** Traditionally, serious illness or death of a wage earner. Divorce and the inability to sell a property due to job transfer or relocation to another area does not qualify as an extenuating circumstance. Refer to FHA's "back to work, extenuating circumstances guidance", found in the 4000.1 handbook, if applicable.
3. **VA:** Unemployment, prolonged strikes, medical bills not covered by insurance, etc. Divorce is not viewed as beyond the control of the borrower and/or spouse.
4. **USDA:** Loss of job; delay or reduction in government benefits or other loss of income; increased expenses due to illness, death, etc. Circumstances surrounding the adverse information must have been temporary in nature and beyond the applicant's control and have been removed so their reoccurrence is unlikely, or the adverse action or delinquency was the result of a refusal to make full payment because of defective goods or services or as a result of some other justifiable dispute relating to the good or services purchased or contracted.

## Timeshares

**All Agencies:** A timeshare should be treated as an installment debt regardless of how it is reported on the credit report or other documentation (that is, even if reported as a mortgage loan). The loss of a timeshare is equivalent to adverse credit of a long-term obligation and not a foreclosure. Refer to the Ask Alice/Ask UHM question, "How is a timeshare addressed?"