

When Does It Make Sense To Move Toward Homeownership Again?

If you have been through the difficulties of giving up your home, you may wonder when to start thinking about homeownership again. What should you consider and how can you plan for success?

Realistically, it may be hard to get a mortgage after foreclosure. If you do qualify for a mortgage, you may pay a higher interest rate or may be required to make a higher-than-average down payment. When you begin planning your return to homeownership, consider the following tips:

- ▶ Save as much as you can for the down payment. With a lower credit rating, your best chance of a reasonable interest rate is having at least 20% saved for your down payment.
- ▶ Work with a housing counselor at a HUD-approved housing counseling agency to be sure you're taking the right steps and to keep you on track. (See the link at the end of this fact sheet.)
- ▶ If you have not been a homeowner for 3 or more years, federal programs — and many others — will consider you a first-time homebuyer. This means you may be eligible for assistance with down payment and/or closing costs under some programs. Be sure to mention this when working with a housing counselor.
- ▶ Refer to the “Re-establishing Your Credit Record” fact sheet for considerations in improving your credit record and score.

How long do I need to wait?

If you want to buy another home after a foreclosure or deed-in-lieu takes place, it can take from 3 to 6 years for you to be eligible for a reasonable interest rate.

If you went through a short sale, you may be able to get a mortgage sooner (starting about 2 years after the short sale), especially if you were current on your mortgage payments at the time of the sale.

Consider applying with a local bank or credit union, which may have more flexible lending guidelines than large national banks.

Credit considerations

- ▶ A foreclosure will appear on your credit report for 7 years.
- ▶ Check your credit record and FICO score at least once a year to see how they're improving and to make sure any errors are promptly resolved. (See the link to the only free annual credit report website at the end of this fact sheet.)
- ▶ Add a note explaining the circumstances (job loss, medical issues, or other) of your home loss so that potential creditors can take this into consideration. You can do this by writing to the three credit-reporting bureaus and asking them to add your note to your record.
- ▶ It's important to have at least a year of credit with **no** late payments before you apply for a new mortgage.

- ▶ Many housing counseling agencies have workshops on money management that can help you in repairing your credit. Check with your HUD-approved housing counselor for additional resources.

Emotional considerations

Losing a home often causes stress for all family members. It can affect health and well-being and even lead to divorce, substance abuse, or illness. Consider whether your family is confident and ready for the responsibilities of homeownership. Open communication can reduce stress and help family members to rally behind the decision to buy again.

If you think you and/or family members would benefit from working with a counselor to resolve family stress or emotional difficulties, the Mayo Clinic provides helpful information in finding an appropriate one. (See the website at the end of this fact sheet.)

Future considerations

As you consider homeownership again, take note of what you've learned from your previous experience.

- ▶ Can you put aside savings for future bumps in the road?
- ▶ Can you create a lower monthly payment by purchasing well below the maximum mortgage amount you're approved for?
- ▶ Are you sure this a good loan with good terms from a reputable mortgage source?

For more details

- ▶ Annual Credit Report (the only website to order your free annual credit report): www.AnnualCreditReport.com
- ▶ Federal Reserve's *A Resource Guide for Foreclosure Recovery*: www.frbsf.org/community/issues/toolkit/resource_guide.pdf
- ▶ Mayo Clinic's webpage "Mental health providers: Tips on finding one": www.mayoclinic.com/health/mental-health-providers/MY01650
- ▶ To find a local housing counseling agency, call 1-800-569-4287 or visit http://portal.hud.gov/hudportal/HUD?src=/i_want_to/talk_to_a_housing_counselor

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