

A New Group of Consumers looking for Mortgages

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When the real estate market took its downward turn in 2007, distressed homeowners began short selling their homes in an effort to avoid foreclosure and try to save their credit. These people form a unique group, who are now returning to the market looking to buy another home.

Just as the sub- prime lending market grew, we will see an increase from this unique group of potential mortgage customers, as enough time has passed since their sales and improvements in their financial standings has allowed them to look into buying another home. This is a new group of potential consumers and how will we get these clients? How will we capitalize on their very specific criteria and histories? What criteria will lenders have them meet in order to offer them a mortgage?

This group has its own distinguishing markers. They are those who have good payment history throughout the short sale, and who have re-established good credit. The majority of those who short sold their homes had legitimate reasons for not being able to keep the homes. Consider those employees who were transferred due to work and had to sell their homes. Keeping two homes was not an option, but selling in a soft market created a short fall from the purchase price. These forced short sales may have initially hurt their credit score, but continued good payment on other loans and accounts have re-established their credit.

Additionally, this group is not made up of retirees. This group predominately includes people who bought their homes between 2005- 2007; young families, couples, and single professionals who bought their properties towards the top of the housing bubble and lost them due to any number of critical situations. This group is young enough to place them in a position to pay off a mortgage of set for 20- 30 years.

So what are the criteria for this group to get another mortgage? A short sale with FHA allows a mortgage right away, barring if there was a default at closing. However, the norm seems to be 2 years with Fannie Mae and 4 years with Freddie Mac, conceding the buyer is able to put 20% down on the property. Time increases with the less the buyer is able to put down.¹

Foreclosures are far more inhibiting to the repurchasing of a home and vary from 3 to 7 years depending upon the particular circumstances.¹ (For more detail check out <http://massrealestatenews.com/buying-a-home-after-short-sale-or-foreclosure/>) The circumstances surrounding the short sale or foreclosure have bearing on the new application for the next mortgage. Again, credit scoring is not an exact science. The number of other accounts that have good payment histories and the way accounts are reported can affect a score. Credit counselors can advise ways to improve your score or check online.

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At this point will lenders be willing to take a chance on this group again? Renee Marie Smith, real estate expert, attorney, and author of [My Short Sale Guru's Guide to Healing and Financial Recovery for Discouraged Homeowners](#), thinks they should. "After talking with thousands of distressed homeowners and processing hundreds of short sales, I recommend the short sale client to lenders. This group chose the responsible option by resolving their debt in the best way possible without any benefit to themselves other than the satisfaction that they made an honorable choice. Lenders should give them priority because these people have proven they take their credit and debt responsibilities seriously."

People in this group who short sold their homes two or three years ago are now coming back to the market looking to buy another home, and as time passes, this particular group of buyers will only grow, as more and more of the short sellers wait their time and become eligible to buy a new home with FHA, Fannie Mae, and Freddie Mac backed home mortgages.

1 Gasset, Bill Buying a Home After Short Sale or Foreclosure

<http://massrealestatenews.com/buying-a-home-after-short-sale-or-foreclosure/>

2 Smith, Renee Marie [My Short Sale Guru's Guide to Healing and Financial Recovery for the Discouraged Homeowner](#) www.smithtitleservices.com