

**Bankruptcy**

If a Bankruptcy has not been discharged at least 2 years, the AUS will provide a refer rating and must follow manual underwriting guidelines. If the AUS provides an approve/eligible but the Bankruptcy has not been discharged 2 years or more, the file will be downgraded to a manual underwrite.

\*\*Delinquency after a Bankruptcy will be reviewed by FSB Underwriting and analyzed to determine if the borrower has experienced financial mismanagement or if the circumstances are supported to show the circumstances are out of the borrower's control. A detailed letter of explanation with the details and dates must be provided at the initial submission of the loan.

**CH 7**

- Min 2 years from discharge date with AUS approve/eligible
- Re-established credit needed. UW reserves right to request as applicable
- Re-established credit is defined as 2 or more tradelines open for a min of 12 months with a paid as agreed history.

**CH 13 – currently in CH 13**

- CH 13 does not disqualify a borrower from financing an FHA loan
- Borrower can currently be in CH 13 and finance an FHA loan
- One year of the payout period must have elapsed
- The borrower's payment performance has been satisfactory, and all required payments have been made on time. Payment history from Trustee required
- BK payment must be verified and included in DTI
- Borrower must have written permission from the court to enter into the mortgage transaction. Terms of mortgage must be approved and this written permission provided to the underwriter prior to a clear to close
- Full set of BK papers are required\*\*
- If the loan is during a BK, this will be a manual underwrite and adjustments will apply. An approve/eligible will not be received until the CH 13 is 2 years old.

**CH 13 – Discharged and within 2 years of event date**

- CH 13 must be discharged
- Full payment history for payment on CH 13 required
- Full set of BK papers needed with discharge paper\*\*
- Re-established credit needed. This may be provided in traditional trade lines or non-traditional tradelines
- Manual underwriting guidelines apply

\*\*Bankruptcy papers will be required to support significant events dates. If a property is identified as included in a bankruptcy, a sheriff's sale deed will be needed to show proper time period has elapsed to allow borrower to qualify for the loan.