



Prior Derogatory Credit Event: Borrower Eligibility

To be eligible for a mortgage loan, Fannie Mae requires borrowers to demonstrate that they have re-established credit following a significant derogatory credit event, such as a foreclosure, bankruptcy, preforeclosure sale (commonly known as a short sale), or deed-in-lieu (DIL) of foreclosure. Fannie Mae has minimum waiting periods that must be met before the borrower is eligible for a new loan following such an action. Fannie Mae is focused on helping lenders to provide access to mortgages for creditworthy borrowers while supporting sustainable homeownership.

This policy:

- Provides opportunities for borrowers to obtain a loan to Fannie Mae’s maximum LTV after the required waiting period for most derogatory credit events. The only exception is for borrowers with a prior foreclosure action due to extenuating circumstances.
- Allows flexibility for borrowers who can demonstrate that the action was due to extenuating circumstances.
 - Extenuating circumstances are 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.
 - In many cases, extenuating circumstances are required for a creditor to have agreed to certain actions, such as a preforeclosure sale or deed-in-lieu of foreclosure; therefore, many borrowers will be eligible under the shorter waiting period.

Eligibility After a Derogatory Credit Event

See Fannie Mae *Selling Guide* [B3-5.3-07: Significant Derogatory Credit Events – Waiting Periods and Re-establishing Credit](#)

Derogatory Credit Event	Waiting Period Requirements	Waiting Period with Extenuating Circumstances
Bankruptcy — Chapter 7 or 11	4 years	2 years
Bankruptcy — Chapter 13	2 years from discharge date 4 years from dismissal date	<ul style="list-style-type: none"> • 2 years from discharge date • 2 years from dismissal date
Multiple Bankruptcy Filings	5 years from the most recent discharge or dismissal date if more than one filing within the past 7 years	3 years from the most recent discharge or dismissal date if more than one filing within the past 7 years
Foreclosure ¹	7 years	3 years Additional requirements after 3 years up to 7 years: <ul style="list-style-type: none"> • 90% maximum LTV ratios² • Purchase, principal residence • Limited cash-out refinance, all occupancy types
Deed-in-Lieu of Foreclosure, Preforeclosure Sale, or Charge-Off of Mortgage Account	4 years	2 years

¹ When both a bankruptcy and foreclosure are disclosed on the loan application, the lender may apply the bankruptcy waiting period if the lender obtains the appropriate documentation to verify that the mortgage loan in question was discharged in the bankruptcy. Otherwise, the greater of the applicable bankruptcy or foreclosure waiting periods must be applied.

² References to LTV ratios include LTV, CLTV, and HCLTV ratios. The maximum LTV ratios permitted are the lesser of the LTV ratios in this table or the maximum LTV ratios for the transaction per the Eligibility Matrix.