

# Short Sale? Buy Again Today with FHA!

Typically FHA requires a prospective buyer wait 3 years from the time a short sale is complete to qualify for a FHA mortgage. However, in December 2009 FHA issued a mortgagee letter (ML 09-52) which allows FHA-insured financing in less than 3 years in certain situations. The following is a brief summary of ML 09-52 and the guidance lenders must follow to determine if a buyer is eligible.

**Borrowers are not eligible for new FHA financing if they pursued a short sale agreement on his or her principal residence simply to:**

- ◆ *Take advantage of declining market conditions, and*
- ◆ *Purchase, at a reduced price, a similar or superior property within commuting distance.*

**Borrowers are eligible for new FHA financing if:**

- ◆ *All mortgage payments due on the prior mortgage were made within the month due for the 12 month period preceding the short sale, and*
- ◆ *All installment debt payments for the same time period were also made within the month due.*

**Borrowers in Default at the time of Short Sale:**

- ◆ *Borrowers in default on their mortgage at the time of the short sale (or pre-foreclosure sale) are not eligible for a new FHA-insured mortgage for 3 years from the date of the pre-foreclosure sale.*
- ◆ *Borrowers who sold their property under FHA's pre-foreclosure sale program are not eligible for a new FHA-insured mortgage from the date that FHA paid the claim associated with the pre-foreclosure sale.*

**Exceptions: Lenders may make exceptions to this rule for borrowers in default on their mortgage at the time of the short sale if:**

- ◆ *The default was due to circumstances beyond the borrower's control (such as death of primary wage earner, long term un-insured illness, etc.), and*
- ◆ *The review of the credit report indicates satisfactory credit prior to the circumstances beyond the borrower's control that caused the default.*

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