

Contact Information:

Suburban West Realtors® Association
Steve Farace
610-560-4800
sfarace@suburbanwestrealtors.com

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Buyers Returning to Homeownership After Facing Foreclosure

(MALVERN, PA) – During the Great Recession, the National Association of Realtors® analyzed that nearly 9.3 million homeowners underwent a foreclosure, deed-in-lieu of foreclosure or a short sale. After sitting out of the market for several years to rebuild their credit, these former homeowners are slowly coming back to the market looking for another chance at homeownership.

NAR research has found that nearly a million of those former owners have likely already purchased a home, and another 1.5 million are likely to purchase over the next five years. These second-time buyers will create new sources of buyer demand for the housing market.

“In spite of the difficulties and hardships they faced, these return buyers still aspire to homeownership,” said Leann Murphy, chairman-elect of the Suburban West Realtors® Association and a Realtor® with RE/MAX Preferred in West Chester. “In addition to its many social benefits – such as fostering strong communities– the benefits of owning a home are still obvious to these return buyers. They still see homeownership as one of the best ways to build equity over the long term.”

Here are some tips for return buyers hoping to once again become homeowners:

Make sure your credit is clean. All buyers should carefully evaluate their finances before beginning the search process. A homeowner who has experienced a foreclosure on a conventional loan can expect to be negatively impacted for at least seven years if the future loan will be purchased by Fannie Mae and five years if purchased by Freddie

Mac. The impact is three years for a foreclosure on a Federal Housing Administration loan if the consumer wants to obtain subsequent financing through FHA, though that wait can be waived if the borrower qualifies for FHA's 'Back to Work' program. The impact for an owner in a short sale can vary widely, but it can be a much shorter timeframe if the owner was current on his or her mortgage payments and has an otherwise favorable credit history.

"Return buyers should look at their income, savings and credit report, and collect documentation of income and cash available to prepare for the mortgage application process," said Murphy. "If you are reentering the market after a foreclosure, it is even more important that you have all of your financial ducks in a row."

Get preapproval for a mortgage. Preapproval is a written statement from a lender stating the amount of money you have been approved to take out as a loan. Having this information will help the home buying experience go much smoother and make you a more attractive buyer to sellers.

Have a down payment ready. Many return buyers purchased their first home when little-to-no down payments were needed. Having a sizable down payment is now an important part of the homebuying process. An FHA loan requires a down payment of at least 3.5 percent of the purchase price and a conforming loan without mortgage insurance is a minimum of 20 percent of the purchase price.

Find a Realtor®. "Most importantly, contact a Realtor®, a member of the National Association of Realtors®, in your area," said Murphy. "Realtors® are the most trusted resource for real estate information and can give return buyers the advantage they need in today's market."

As the leading advocates for homeownership, Realtors® believe that anyone who is able and willing to assume the responsibilities of owning a home should have the opportunity to pursue that dream, and return buyers are coming back to the table with a thorough understanding of the challenges and rewards of homeownership.

Suburban West Realtors® Association is the largest local real estate association in Pennsylvania, representing over 4,900 real estate professionals in Chester County, Delaware County and the Main Line.

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