

MORTGAGE Q&A GUIDE

50 real questions from Capital Region homebuyers and homeowners, answered in plain English.

Brian Marchand | Sr. Loan Consultant | NMLS #481563
518-396-7392 | brian.marchand@naf.com | themarchandteam.com

Questions in this guide

These are the questions people actually ask me, with the answers I give them. Every situation is different, so treat this as a starting point and call or text me with yours.

01 Can I use a VA loan after a bankruptcy or foreclosure?

Yes, and the waiting periods are shorter than most programs. Chapter 7 is generally two years from discharge, and 12 months is possible with documented circumstances. Chapter 13 can work after 12 months of on-time plan payments with court approval. Foreclosure is two years, not three. And if the foreclosed loan was itself a VA loan, part of your entitlement stays tied up until the government's loss is repaid, which reduces what you can borrow without a down payment rather than blocking you entirely.

02 How long after Chapter 7 bankruptcy can I buy a home?

With FHA or VA, typically 2 years from your discharge date, with re-established good credit. Non-QM programs may allow 12-24 months, and specialized "Fresh Start" products allow even sooner with a larger down payment.

03 Can I buy a home while still in a Chapter 13 repayment plan?

Yes, after 1 year of satisfactory, on-time payments, with written permission from your Bankruptcy Trustee.

04 Are veterans treated differently for bankruptcy seasoning?

VA allows the standard 2-year wait for Chapter 7, but can shorten it to 12-23 months with documented extraordinary circumstances like the death of a primary wage earner.

05 How long after a foreclosure can I buy a home again?

FHA requires 3 years from the completed sale date. VA requires 2 years, plus a CAIVRS check. Non-QM programs may allow 12-24 months, with a reduced max LTV if the event was recent.

06 Is there ever a way to buy sooner after a short sale?

Yes: FHA can waive the 3-year wait to 0 days if you were current on all payments at the time of the short sale and are relocating for a new job.

07 Does a prior VA loan foreclosure affect my eligibility now?

It can restrict your remaining VA entitlement unless the loss to the government has been fully repaid. I'll check your CAIVRS record before we start.

08 Can I count rental income from my old house to help me qualify for a new one?

Yes, if an appraisal or AVM shows at least 75% equity in the departing home and you have a fully executed 1-year lease with proof the deposit was received.

09 What if my old house is already under contract to sell?

If it's under contract to close at or before your new mortgage, the existing mortgage payment is completely excluded from your DTI, no rental documentation needed.

10 Do I need to have already sold my current home to qualify for a new mortgage?

No. You can qualify while keeping your current home as a rental, or while it's still on the market, depending on which documentation path you use.

11 Can I remove my ex-spouse from the mortgage after divorce?

Yes: this is typically done through a rate/term refinance in your name only, using your divorce decree or separation agreement as the equity-buyout documentation.

12 Does my ex's debt still count against me if the divorce decree assigned it to them?

No, if you can show 12 months of their canceled checks proving they've been paying it, along with the decree showing the assignment.

13 I'm still married but buying without my spouse: does their debt matter?

In community-property states, yes: their monthly liabilities are included in your DTI even though they're not on the loan. This generally doesn't apply in New York.

14 Can I use child support as income to qualify for a mortgage?

Yes, if you can show 12 consecutive months of consistent receipt and the support is legally obligated to continue for at least 3 years after your closing date.

15 What documents do I need to prove child support income?

A copy of the divorce decree, settlement agreement, or court order, plus 12 months of bank statements or a court payment ledger showing consistent receipt.

16 Does child support I pay hurt my chances of qualifying?

It's included as a monthly liability in your DTI, per the court-ordered amount. It doesn't disqualify you, but it does factor into how much you can afford.

17 Can my parents give me the entire down payment?

Yes: FHA allows gift funds to cover up to 100% of your required down payment and closing costs, as long as the donor and paper trail meet FHA's documentation rules.

18 What has to be in a gift letter?

The donor's name, address, phone number, relationship to you, the exact dollar amount, and a clear statement that no repayment is expected or implied.

19 Can the seller give me gift funds toward my down payment?

No: sellers, real estate agents, and anyone with a financial interest in the transaction are not eligible gift donors under FHA rules.

20 Can a family member co-sign without living in the house?

Yes: FHA allows a non-occupying co-borrower, and if they're a family member (or have a family-like relationship), you keep the standard 3.5% down payment.

21 What if my co-borrower isn't related to me?

FHA caps financing at 75% LTV (25% down) when the non-occupying co-borrower isn't a family member.

22 Does the co-borrower's debt count against me?

Yes: income and liabilities from both of you are blended into one DTI calculation for the loan.

23 How long after Chapter 7 can I get an FHA loan in Albany?

Two years from discharge in most cases, sometimes less with a documented extenuating circumstance like job loss, a medical event, or divorce.

24 Which loan program has the shortest wait after bankruptcy?

Non-QM portfolio programs can work as soon as one day out of bankruptcy in some cases. Among standard programs, FHA and VA (2 years) are fastest; conventional is 4 years.

25 Does rebuilding credit after discharge really matter?

Yes: clean credit rebuilt since discharge is one of the two biggest factors underwriters weigh, alongside documented extenuating circumstances.

26 Can I buy a house while I am going through a divorce?

Often yes, and the decree and support orders drive everything. Before the agreement is final, underwriting has very little to work with, so timing is usually the real obstacle.

27 Can I buy before my divorce is final?

Sometimes, depending on the state of the agreement, how assets and debts are assigned, and whether support is established. Pending separation agreements are the hard cases. Bring the paperwork and we will look at it honestly.

28 Can I qualify if I am paying alimony or child support?

Yes. Payments you make count as monthly obligations, which reduces what you qualify for, but they are simply part of the math, not a disqualifier.

29 Can I keep the house in the divorce?

Frequently, through a refinance that buys out your ex's equity and removes them from the loan. You have to qualify on your own income including any support, and the decree has to support the buyout.

30 Can I buy again right after selling the marital home?

Yes, and the proceeds are usually your down payment. Documentation is straightforward: the closing statement from that sale, plus the decree explaining the split.

31 My spouse has rough credit. Can I buy the house alone?

Yes, and sometimes you should. Qualifying on one income limits the loan amount, but it can improve your pricing dramatically. In New York your spouse may still need to sign certain documents at closing even when they are not on the loan.

32 I am still on a mortgage with someone I no longer live with. Can I buy?

Usually. That payment counts against you unless we can document that the other party has made it for at least twelve months, or that a decree removed your responsibility. Bring both and we will see what can come out of the math.

33 When should I fix my credit before applying instead?

I close loans other people decline, and credit is the most common reason they declined them. But honest is honest: there are times when waiting or fixing something first is the right move, and I'll tell you so. You have an open, unresolved bankruptcy. A Chapter 7 has to be discharged and a Chapter 13 has to be discharged or at least twelve months into a payment plan with trustee approval. Mid-filing, there's nothing to underwrite. Buying after bankruptcy -> You have delinquent federal debt. Unpaid federal student loans, IRS debt, or an SBA note will block government financing through CAIVRS and create problems on conventional. This has to be in a documented repayment plan first. Credit game plan -> Your credit issues are still active and getting worse. New late payments arriving each month means the file will decline no matter who submits it. Stabilizing first, even for 90 days, changes the answer. Credit game plan -> A single fixable item is the only problem. Sometimes a 611 score becomes a 640 by paying one collection or correcting one reporting error. It would be easy to put you on an expensive program instead. I'd rather fix it and

save you money. Credit game plan -> You have no down payment and no gift available. Credit-challenged files need equity or a gift. FHA at 3.5% needs 580; below that it's 10% down. With poor credit and no funds there isn't a program to reach for yet. Gift funds -> SONYMA + DPAL -> Your score is fine and the real problem is income or DTI. Plenty of people are told their credit is the problem when the actual issue is a miscalculated debt ratio or self-employment income. That's a different fix entirely.

34 What income helps most on a credit-challenged file?

On a credit-challenged file, income documentation becomes more important, not less. Strong, clearly documented income is the compensating factor that gets a manual underwrite approved. Counts toward qualifying: W-2 wages with long tenure. Years in the same job is one of the strongest compensating factors in manual underwriting. Self-employment income: Two years of returns, or a bank statement program if returns don't reflect the real income. Documented rent payment history: Twelve months of on-time rent is a recognized compensating factor and can substitute for thin credit depth. Non-traditional credit: Utilities, insurance, phone, and rent assembled into an alternative credit file when there's no score at all. Social Security, disability, pension, Documented and continuing, grossed up when non-taxable, stable income that manual underwriters view favorably. Reserves, Not income, but months of reserves is the single most persuasive compensating factor on a weak-credit file. A co-borrower: A spouse or family member with stronger credit and income, including a non-occupying co-borrower on many programs. Doesn't count (or counts against you): Undocumented cash income, On a weak-credit file especially, an underwriter will not extend benefit of the doubt. A brand-new job in a new field. Job stability carries extra weight here. A career change mid-process is a real problem. Income you can't explain the gaps in. Employment gaps need a letter and a plausible story. Unexplained, they compound the credit concern. A new business: Under two years is a hard sell on any file and harder on this one. Promises of improvement: Underwriters credit what's documented today, not what you expect next quarter. The real work on these files is the compensating-factor case: reserves, rent history, job tenure, payment shock, and a credible letter of explanation. Assembled right, files that look declined get approved.

35 Why do credit-challenged files get denied?

Credit-challenged files get declined for a handful of reasons, and the most common one is that nobody built the case properly. The file was submitted without a compensating-factor case. A manual underwrite needs reserves, rent history, job tenure, and a real letter of explanation assembled and presented. Submitted bare, it declines. What I do: This is the work. I build the compensating-factor package and write the explanation letter with you rather than asking you to draft it alone. A collection or judgment broke the debt ratio. Large collection balances can trigger an imputed monthly payment that pushes DTI over the limit, and judgments have to be resolved or under a documented plan. What I do: I model the imputed payments before submission and we decide strategically what to pay and what to leave. Sometimes paying a collection is the wrong move, and I'll explain why. Delinquent federal debt showed up in CAIVRS. Federal student loans, IRS debt, or a prior FHA claim. It blocks government financing until it's resolved or in a documented repayment plan. What I do: I run the check early so we see it before you're under contract, and we get the repayment plan documented while there's still time. Score dropped mid-process. A credit

card ran up close to its limit, a new inquiry, or a collection that reported after pre-approval. Pricing tiers and program eligibility both move with the score. What I do: I tell you exactly what not to touch at pre-approval, and on tight files I monitor the score rather than assuming it holds. Recent late payments. Most programs want twelve months clean on housing and generally clean on everything else. A late payment two months ago is a much bigger problem than a collection from 2019. What I do: We look at the timeline honestly. If waiting 90 days changes the answer, I'll tell you that. It's a better outcome than a decline and a wasted appraisal fee. The wrong program was attempted. A 590-score borrower submitted on conventional, which has a hard 620 floor. Declined for a reason that had nothing to do with the borrower's actual ability. What I do: I match the score to the program that can actually approve it: FHA below 620, portfolio below 580, and the compensating-factor path where it's needed.

36 When should I wait longer after a bankruptcy?

A bankruptcy doesn't end your ability to own a home: it starts a clock. Knowing where you are on that clock tells you whether to apply now or wait, and waiting is sometimes worth thousands. Your case hasn't been discharged. A Chapter 7 must be discharged. A Chapter 13 needs either a discharge or twelve months of on-time plan payments plus written trustee permission to take on new debt. Mid-case, there's no loan to write. Talk to Brian -> You're a few months from a better program. FHA opens at two years post-Chapter 7, conventional at four. If you're three months from a cheaper program, the honest advice is to wait and save the money. FHA loans -> Conventional loans -> You've had new late payments since discharge. Post-bankruptcy credit has to be clean. New lates after discharge are far more damaging than the bankruptcy itself, and most underwriters will decline on them. Credit game plan -> You have no reserves and no down payment. Post-bankruptcy files need compensating factors, and reserves are the strongest one. With nothing down and nothing saved, the case is very hard to make. Gift funds -> SONYMA + DPAL -> A mortgage was included in the bankruptcy. If a home went through the bankruptcy or a later foreclosure, the foreclosure waiting period may govern instead, and it's longer. The dates need to be established carefully. Buying after foreclosure -> You haven't reestablished any credit. Underwriters want to see how you handle credit after the discharge, typically two or three small accounts paid on time. With no new tradelines there's nothing to evaluate.

37 What income and factors carry a post-bankruptcy file?

Income and reserves carry a post-bankruptcy file. The stronger and more clearly documented they are, the shorter the conversation about what happened. Counts toward qualifying: W-2 wages with stable tenure. Time in the same job after a bankruptcy is a powerful signal to a manual underwriter. Self-employment income: Two years of returns. If the bankruptcy came from a failed business, be ready to document that the current business is separate and stable. Documented twelve months of on-time rent. One of the most persuasive compensating factors on these files. Reserves, Not income, but months of payments in the bank changes an underwriter's read of the whole file. Social Security, disability, pension: Documented and continuing, grossed up where non-taxable. A co-borrower with clean credit. A spouse or non-occupying co-borrower can shore up both credit depth and income. Doesn't count (or counts against you): Income from a business that's still winding down, If the entity involved in the bankruptcy is still generating the income, expect hard

questions. Undocumented cash, Never usable, and least of all here. A job started last month. Stability is the whole argument on a post-bankruptcy file. New employment weakens it. Expected debt forgiveness or settlements, Not income and not a compensating factor. Promises to reestablish credit: Underwriters credit tradelines that exist, not plans. The letter of explanation matters here more than on any other file type. A clear, specific, non-defensive account of what happened and what changed, medical event, divorce, business failure, job loss, does real work in manual underwriting. I write these with my clients.

38 Why do post-bankruptcy files get denied?

Post-bankruptcy denials come down to dates, documents, and what happened after discharge. The waiting period was measured from the wrong date. Filing date, discharge date, and dismissal date are different, and the clock runs from discharge, not from when you filed. A file submitted a month early declines. What I do: I confirm the discharge date off the court documents before we do anything else, then tell you the exact date each program opens up for you. Missing bankruptcy documentation. Underwriting needs the full petition, the schedules, and the discharge order. Partial documents stall the file and court retrieval takes time in New York. What I do: We pull the complete court package at the start. If it has to come from PACER or the court clerk, we start that in week one instead of week five. New derogatory credit after discharge. A collection, a late payment, or a charge-off after the bankruptcy. Underwriters read that as an unresolved pattern rather than a one-time event. What I do: We review your post-discharge credit honestly before applying. If there's a recent item, I'll tell you whether it's survivable or whether 90 days of clean history changes the answer. Chapter 13 trustee permission wasn't obtained. A borrower inside an active Chapter 13 plan needs written court or trustee approval to incur new debt. Without it the loan can't close no matter how strong the file is. What I do: I request the trustee authorization at the start of the process. It takes time to obtain and it is non-negotiable, so it cannot be left to the end. No reestablished credit. Twelve to twenty-four months post-discharge with no new tradelines leaves the underwriter nothing to evaluate. Thin post-bankruptcy credit reads as risk. What I do: If you're not ready, I'll give you the specific plan, which accounts, what limits, how to use them, and a realistic date. I'd rather coach you for six months than run a decline. An included mortgage triggered the longer waiting period. A home surrendered in the bankruptcy that later foreclosed can start a separate, longer clock that the borrower didn't know about. What I do: I trace the property's actual disposition date through the county records, not just the bankruptcy date. That single research step has changed the timeline on a lot of files I've taken over.

39 When is it too soon to buy after a foreclosure?

A foreclosure, short sale, or deed-in-lieu puts you on a waiting period, and in New York, where foreclosures take years, figuring out which date starts the clock is the whole ballgame. You're inside the waiting period with no exception. FHA is generally three years from the transfer of title, conventional seven years. Shortened to three with documented extenuating circumstances and a larger down payment. Inside the window with no exception, agency lending isn't available. Portfolio programs -> FHA loans -> You're close to a much cheaper program. If you're four months from the FHA window, waiting saves you real money over a portfolio loan. I'll do the math with you honestly. FHA loans -> New credit problems have appeared since. Post-event credit needs to be clean. Late

payments after the foreclosure are a bigger obstacle than the foreclosure. Credit game plan -> There's an unresolved deficiency judgment. If the lender obtained a judgment against you, it has to be satisfied or under a documented plan. It will surface in title and can also block government financing. Credit challenges -> You had an FHA loan and there's a claim in CAIVRS. A prior FHA insurance claim blocks new FHA financing for three years from the claim date, which can be later than the foreclosure itself. Conventional loans -> Portfolio programs -> You have no down payment. Portfolio options inside the waiting period are equity-driven, typically 15-25% down. There isn't a low-down-payment path during the window.

40 What carries a file after a foreclosure or short sale?

As with any manual-underwrite file, the income and reserve picture is what carries it. On a post-foreclosure file, documented stability since the event is the argument. Counts toward qualifying: W-2 wages with tenure since the event. Employment stability after a foreclosure is the clearest evidence that circumstances changed. Self-employment income: Two years of returns, or a bank statement program where returns understate the income. Twelve months of documented on-time rent. Strong evidence of housing payment reliability post-event. Reserves: The most persuasive compensating factor available on these files. Social Security, disability, pension: Documented and continuing. A co-borrower: Clean credit and additional income on the file helps materially. Doesn't count (or counts against you): Undocumented income, Not usable anywhere, and especially not on a file that needs the benefit of the doubt. Income that hasn't recovered, If the event was caused by income loss and income is still down, the underwriter will see it. A brand-new job: Stability is the argument. New employment undercuts it. Rent you hope to collect from a property you still own, Without a lease and reserves, it isn't usable. A short sale you describe as a sale. Underwriters classify short sales and deeds-in-lieu by their own rules regardless of what the transaction was called. Extenuating circumstances are a formal underwriting concept. A documented one-time event outside your control, like a death, a serious illness, or a job loss from a layoff, with a documented recovery afterward. Properly documented, it can cut the conventional waiting period from seven years to three.

41 Why do post-foreclosure files get denied?

These files decline over dates and documentation more than anything else. New York's slow foreclosure process makes the dates confusing. The clock was started from the wrong date. Borrowers count from when they moved out or when the notice arrived. Underwriting counts from the date title actually transferred, which in New York can be two or three years later. What I do: I pull the county record to establish the actual transfer date. On New York foreclosures this single step regularly moves the eligibility date by years in either direction. A CAIVRS claim nobody checked. A prior FHA loan generated an insurance claim, and the three-year clock runs from the claim payment date rather than the foreclosure. FHA is blocked and the borrower has no idea why. What I do: I run CAIVRS at pre-approval, before you're under contract. If there's a claim, we know the actual date and plan to the program that works now. Extenuating circumstances weren't documented properly. The borrower had a genuine one-time event but submitted a letter with no supporting documentation. The shortened waiting period gets denied. What I do: We build the documentation package, medical records, termination letter, death certificate, the recovery timeline, so the

exception request is evidence-based rather than narrative. A deficiency judgment surfaced in title. An unsatisfied judgment from the foreclosing lender appears in the title search weeks into the file and has to be resolved before closing. What I do: Title runs early. Judgments take time to satisfy or negotiate in New York, and finding one in week one instead of week five is often the difference between closing and not. New derogatory credit since the event. A collection or late payment after the foreclosure. Manual underwriters weigh recent behavior far more heavily than the old event. What I do: We review post-event credit honestly first. If a short wait changes the answer, I'll tell you, and I'll give you the plan for that wait. The short sale was actually classified differently. A borrower believes they did a short sale; the credit report and the county record show a deed-in-lieu or a completed foreclosure, each with a different waiting period. What I do: I verify the classification from the credit report and the county record rather than from memory. Getting this wrong wastes months, and it's a five-minute check.

42 When is a divorce refinance the wrong move right now?

Divorce and mortgages collide badly, and the order you do things in matters enormously. These are the situations where the loan isn't the answer, or isn't the answer yet. The decree isn't final and the terms aren't settled. Underwriting needs the executed agreement to know who owes what, who gets the house, and what support is ordered. A pending settlement leaves too many unknowns to approve. Talk to Brian -> You want to remove an ex from the deed without addressing the loan. A quitclaim deed changes ownership, not liability. Your ex stays on the note and the mortgage stays on their credit until it's refinanced or assumed. Talk it through -> You can't carry the house on your income alone. Refinancing into your own name means qualifying on your income alone, with the full payment. If the numbers don't work, selling is the better outcome and I'll say so. Run the numbers -> You need support income but have no receipt history. Child support and alimony are usable, but most programs want six months of documented receipt plus a three-year continuance from the order. A brand-new order with no payments yet generally can't be counted. Child support income -> There's not enough equity for the buyout. An equity buyout refinance is limited by loan-to-value. If the required payout exceeds what the property supports, the plan needs rethinking before an application. HELOC and home equity -> Joint debt is in default. Late payments on joint accounts during the separation hit both credit reports. Active delinquency has to be stabilized before a refinance will approve.

43 What income counts, and counts against me, in a divorce?

Divorce files turn on income documentation more than almost anything else. Both what you can count and what gets counted against you. Counts toward qualifying: Your own W-2 or self-employment income: Standard documentation. The key change is that it now has to carry the whole payment. Child support, Usable with the order plus documented receipt history, commonly six months, and a three-year continuance. Non-taxable, so it gets grossed up. Alimony and maintenance: Same standard: the order, receipt history, and continuance. Note that the payer gets it counted as a debt. Rental income, From properties awarded to you in the settlement, documented by lease and returns. A non-occupying co-borrower: A parent can be added to a refinance on many programs to help you qualify to keep the house. Equity awarded in the settlement, Not income, but a documented award can be the source of down payment on a new purchase. Doesn't count (or

counts against you): Support ordered but never received, Without a receipt history, most programs won't count it. Six months of documented payments changes that. Support that ends within three years, If the youngest child ages out in two years, that income generally can't be used for qualifying. Income from your ex: Beyond ordered support, contributions from a former spouse aren't qualifying income. The old joint income: Obvious but painful: the payment that was affordable on two incomes has to work on one. A debt the decree assigns to your ex, This is the cruel one, if your name is on the account, most underwriters count the payment against you regardless of what the decree says, unless it's been refinanced or removed. That last point is the single most common divorce mortgage surprise. A decree binds your ex to you, not to the lender. If your name is on it, plan on it counting, and let's structure around that from the start.

44 Why do divorce-related mortgage files get denied?

Divorce files decline over documents and timing. Sequencing the refinance, the decree, and the deed correctly is most of the work. The decree wasn't final or was missing schedules. Underwriting needs the fully executed agreement including all exhibits. The property provisions, the support terms, and the debt assignments. Partial documents stall the file. What I do: We get the complete executed package before submission, and I read the property and debt provisions myself so we structure the loan to match what the decree actually requires. Support income couldn't be counted. The order exists but payments haven't been received long enough, or the continuance falls short of three years. The income the borrower was counting on disappears. What I do: I check the receipt history and the continuance date at the first conversation, so we build the approval on income that will survive underwriting. A joint debt counted against the borrower. The decree assigns a car loan or a credit card to the ex-spouse, but the borrower's name is still on it. The payment goes into DTI and the file fails. What I do: I identify every joint account up front and count it. Where a program allows an exception with the decree plus twelve months of the ex paying, I document it properly, but I never build a file on the assumption it will be waived. Equity buyout exceeded the LTV limit. The payout required by the settlement needs more loan than the property's value supports at the program's limit. What I do: I run the value and the maximum loan amount before you negotiate the buyout number, so the settlement gets written around what's actually financeable. Title and deed problems. A quitclaim recorded incorrectly, a deed still in both names, or a prior lien from the marriage. Title issues are endemic on these files. What I do: Title runs early and I coordinate with your attorney on the deed timing, because recording the deed in the wrong sequence relative to the refinance creates problems that take weeks to unwind. Credit damage during the separation. Joint accounts went unpaid while the divorce was pending, and both parties took the hit. The score no longer supports the program the file was built on. What I do: We look at credit honestly first. If there's damage, I'll tell you what's fixable quickly and what needs time, and which program will still work in the meantime.

45 When is adding a co-borrower a bad idea?

A parent on the loan who doesn't live in the house is one of the most effective tools available to a young buyer. It's also a real financial commitment, and there are cases where it's the wrong move. The co-borrower can't afford to carry the payment. They're fully liable. If the occupant stops paying, the mortgage becomes the co-borrower's obligation, and it sits on their credit from day one either

way. Nobody should sign without accepting that. Talk it through -> The co-borrower is planning their own purchase or refinance. The new mortgage counts in their debt ratio. It can materially reduce what they can borrow for themselves for years. Sequence matters. Talk to Brian -> You only need a credit boost, not income. A co-borrower's good score doesn't replace a weak one. Most programs qualify on the lowest score on the file. If credit is the problem, fixing your own credit is the real solution. Credit game plan -> You're using a program that doesn't allow it. USDA doesn't permit non-occupying co-borrowers. Most SONYMA programs restrict them. VA requires a co-borrower to be a spouse or another eligible Veteran. Compare programs -> You need maximum LTV on a conventional loan. Conventional caps loan-to-value lower when there's a non-occupying co-borrower on the file, typically 90% instead of 95-97%. FHA keeps 3.5% down with a family co-borrower. FHA loans -> A gift would accomplish the same thing. If the real problem is the down payment rather than the income, a gift keeps your family off the note entirely. Cleaner for everyone.

46 How does a co-borrower's income and credit actually count?

The co-borrower's income is added to yours and both credit profiles are reviewed. Here's how the math actually works, including the parts that surprise people. Counts toward qualifying: The co-borrower's full income, W-2, self-employment, retirement, pension, Social Security, documented the same way as any borrower and added to the qualifying total. The occupant's income, however modest, Even a part-time or entry-level income counts and helps. There's no minimum contribution requirement on most programs. Rental income on a 2-4 unit the occupant will live in. Still available with a co-borrower on the file on FHA and conventional. The co-borrower's reserves: Assets from either party can be used for down payment, closing costs, and reserves. FHA's family definition, FHA permits a non-occupying co-borrower who is a family member at 3.5% down, the most generous version of this structure available. Doesn't count (or counts against you): A strong co-borrower score replacing a weak one. Most programs qualify on the lowest representative score across all borrowers. A 780 parent does not fix a 590 occupant. The co-borrower's other mortgage payments being ignored. All of their debts count, including their own mortgage. A parent with heavy obligations may not help as much as expected. A co-signer who isn't on the loan. There's no such thing in mortgage lending. They're a borrower on the note and on title, with full liability. Removing them later without a refinance. The only way off the loan is a refinance or a sale. Plan for a refinance in two or three years if that's the goal. Using them on USDA, Not permitted. The program requires all borrowers to occupy. The usual plan I build: co-borrower now, refinance them off in two or three years once the occupant's income and credit support the loan alone. Put that plan in writing between family members at the start. It prevents the hard conversation later.

47 Why do co-borrower files get denied?

These files decline over program rules and the co-borrower's own financial picture. Both are checkable before anyone signs anything. The program doesn't allow a non-occupying co-borrower. The file is built on USDA or a SONYMA product that prohibits it, or a VA loan with a non-spouse co-borrower. What I do: I confirm the structure is permitted on the specific program before we build the file. This is a five-minute check that prevents a total restart. The co-borrower's own debts broke the ratio. A parent's mortgage, car, and credit cards are added along with their income. On a leveraged co-borrower the debts can outweigh the help. What I do: I run the co-borrower's full credit

and debt picture before we count on them. Sometimes a different family member is a much better fit, and it's better to know that up front. The lowest score on the file governed pricing. The borrowers assumed the parent's 780 would set the rate. The program used the occupant's 620 and the pricing and eligibility changed. What I do: I quote from the representative score the program will actually use, so there's no surprise at lock. If the occupant's credit is the binding constraint, we work on that instead. LTV was capped lower than expected. A conventional file structured at 95% with a non-occupying co-borrower gets cut to 90%, and the down payment requirement doubles late in the process. What I do: I structure to the right program from the start. When high LTV matters, FHA's family co-borrower rules usually beat conventional's. The occupancy story didn't hold up. The file says the parent won't occupy but their address and documents suggest otherwise, or the occupant's intent is unclear. What I do: We document occupancy intent clearly and consistently across the file, so there's no contradiction for an underwriter to question. The co-borrower's income couldn't be documented. A retired parent with income from distributions and investments, documented casually. Underwriting needs the same rigor from them as from the occupant. What I do: I tell the co-borrower exactly what they'll need to produce in the first conversation. Retirees are often surprised by the documentation, and knowing early prevents a stall.

48 When does buying before selling not work?

Buying before you sell removes the worst part of moving. The contingency that makes your offer lose. It also means carrying two houses on paper, and there are situations where that doesn't work. You can't qualify carrying both payments. Most structures require your debt ratio to support both mortgages at once, unless the current home is already under contract or leased. If the combined payment breaks DTI, the plan needs a different tool. NAF Cash -> HELOC and home equity -> All of your down payment is locked in the current home's equity. If the new purchase depends on proceeds you can only get at closing on the old house, a bridge, a HELOC, or a cash-offer program is the mechanism, not a standard purchase loan. HELOC and home equity -> NAF Cash -> Your current home won't sell quickly at your expected price. The whole plan rests on an assumption about the sale. If the house is overpriced or hard to sell, you could carry it a long time. That's a real risk worth naming out loud. Check your value -> You have thin reserves. Programs that let you exclude the departing residence's payment generally require reserves on both properties, often six months. Without a cushion this is risky. Talk to Brian -> You'd be stretching to the top of your budget. Two houses briefly is manageable when there's room in the budget. At the absolute maximum, a delayed sale becomes a crisis rather than an inconvenience. Run the numbers -> A contingent offer would actually be accepted. In a slower segment or on a listing that's been sitting, a contingent offer may work fine, and it costs nothing. Don't pay for a solution to a problem you don't have.

49 What lets a lender stop counting my current payment?

The question on these files is always the same: does your income carry both houses, and if not, what lets us stop counting the old one? What lets us exclude or offset the old payment: An executed contract on your current home: The cleanest solution. With a signed contract and a reasonable closing date, most programs will exclude the departing payment. A signed lease on the departing residence, A lease plus the security deposit receipt lets rental income offset the old payment, typically at 75% of gross rent: subject to reserve requirements. Sufficient equity and reserves:

Some programs allow exclusion of the departing payment with adequate equity in the old home plus reserves on both properties. Income that simply carries both. The simplest answer of all. If your ratios work with both payments, there's nothing to structure. A HELOC drawn before you list, Opened while the home is still your primary residence, it becomes the down payment on the new house, much easier to obtain before it hits the market. A cash-offer program: NAF Cash lets you make a non-contingent cash offer on the new home and then buy it back with a mortgage after your old house sells. What doesn't help: An unsigned listing or an expected sale. Underwriting needs a contract or a lease. "It will sell in a week" carries no weight. Rental income without a lease. Projected market rent on the departing residence generally isn't usable without a signed lease and a deposit. Equity you can't access yet. Home equity isn't a liquid asset. Until it's a HELOC or sale proceeds, it can't be your down payment. A buyer's verbal commitment, Not a contract. Underwriting won't count it. Retirement funds you'd rather not touch, Usable as reserves at their allowable percentage, but if you're unwilling to use them, they shouldn't be in the plan. There are usually three or four ways to structure this and they differ a lot in cost and risk. Tell me your timeline and your equity position and I'll lay them out side by side.

50 Why do buy-before-sell files get denied?

These files rarely die at underwriting. They die when the old house doesn't sell on schedule. Structuring for that possibility is the entire job. The departing residence's sale fell through. The buyer on your old house terminates, and the payment you excluded comes back into your ratios days before your new closing. What I do: I look at whether your file survives with both payments counted, even when we're excluding one. If it doesn't, you'll hear that risk from me clearly before you write the offer. Reserves fell short of the requirement. Exclusion of the departing payment typically requires reserves on both properties. The borrower planned for the down payment only. What I do: I size the full requirement, down payment, closing costs, and reserves on both homes, before you're committed, so there's no gap when underwriting asks. The lease on the old home wasn't acceptable. A lease without a security deposit receipt, a tenant who hasn't taken possession, or a lease to a relative. Underwriting won't use the rental offset. What I do: I tell you exactly what a usable lease looks like, including the deposit documentation, before you sign one with a tenant. The HELOC was applied for after listing. Most HELOC lenders won't approve a line on a home that's actively listed. The borrower waits until they're under contract on the new house and it's too late. What I do: We open the line before the house goes on the market. This is purely a sequencing issue and it's the single most common avoidable mistake on these deals. DTI failed with both payments counted. No contract, no lease, insufficient equity or reserves, so both payments count and the ratio breaks. What I do: I run the both-payments scenario at pre-approval. If it fails, we look at a cash-offer structure or a bridge instead of hoping for a fast sale. Timing collapsed between the two closings. Simultaneous closings that don't actually coordinate, or a seller on the new house unwilling to move their date when the old sale slips. What I do: I coordinate both timelines with the attorneys and the agents from the start, and I build in cushion rather than scheduling back-to-back closings on the same afternoon.

Call or text me. I answer my own phone, and I'll tell you straight whether it works and what it costs, before anyone pulls your credit.

Brian Marchand

Sr. Loan Consultant | NMLS #481563

CALL / TEXT	**518-396-7392**
EMAIL	**brian.marchand@naf.com**
ONLINE	**themarchandteam.com**

Marchand
The Marchand Team
Powered by naf newamerican FUNDING

Brian Marchand, Sr. Loan Consultant, NMLS #481563. New American Funding, LLC, NMLS #6606. 18 Computer Dr E, Suite 103, Albany, NY 12205. Equal Housing Lender.

This guide is for general educational purposes only and is not a commitment to lend. Loan programs, rates, terms and guidelines are subject to change without notice and to credit and property approval. Not all applicants will qualify. Consult a tax advisor regarding tax questions.

This document is not authorized by the New York State Department of Financial Services. No mortgage solicitation activity or loan applications for properties located in the State of New York can be facilitated through this document.

Content may have been created or significantly modified using artificial intelligence. For complaints, contact New American Funding customer service at 800-450-2010 ext. 7100 or customerservice@nafinc.com.