



No.18

## Buying a House after Bankruptcy

BY JANET HOWARD

Filing for bankruptcy doesn't have to be the end of the world. As time passes, and if you take steps to rebuild, you can be creditworthy again, even enough to qualify for a mortgage. But repairing your credit isn't the only issue you face. Depending on the type of mortgage you're looking for, the law imposes certain waiting periods.

### Credit Considerations

The first issue is lifting your credit score while you're waiting to be eligible for a mortgage post-bankruptcy. You may be stuck with the bankruptcy appearing on your credit report for up to 10 years, and even longer if you apply for a loan or mortgage of more than \$150,000, but you can take steps during this time to raise your score anyway. You might take out one or two secured credit cards and religiously pay on them every month. If you kept your car in your bankruptcy and redeemed the loan against it, stay current with these



payments as well. The good news is that if your credit score was shaky before you filed for bankruptcy, it probably didn't have far to fall when your bankruptcy was reported. The difference might not be as bad as you think.

### Federally Insured Loans

Mortgage options exist for those with less-than-perfect credit. FHA-backed loans are usually the easiest to qualify for because they accept lower scores. You're not taking out the mortgage directly from the Federal Housing Authority. The FHA insures your loan; if you default and go into foreclosure, the FHA pays your lender the amount of

your outstanding balance. The Department of Veterans Affairs also guarantees mortgages for armed forces veterans, service members, and surviving spouses. When you apply for a VA loan, the lender can ignore any bankruptcy discharges that are more than two years old.

### The Waiting Periods

Federal law says you must wait at least two years after your Chapter 7 discharge if you want to apply for an FHA loan. If your bankruptcy came about because of an anticipated hardship that caused your household income to drop by 20 percent or more, this can reduce the waiting period to one year. If you filed for Chapter 13, you don't have to wait for your discharge before you can get a mortgage. If your credit score is good enough, you can qualify after you've successfully made your Chapter 13 plan payments to the trustee for one year, but you must get approval from the bankruptcy court before you can take on a new debt. Loans that aren't guaranteed by the federal government have the longest waiting periods: four years after Chapter 7 and two years after Chapter 13.



### Extra Efforts

In addition to repairing your credit while you're waiting to be able to qualify for a mortgage, you can take other steps. Even if your income didn't drop by 20 percent or more prior to your bankruptcy, you can still provide proof of whatever happened that led you to file, and this might affect a lender's decision. Both the FHA and the VA typically want some sort of explanation for your bankruptcy in any event, but smaller private banks and credit unions may take your explanation into account, particularly if your income is good. If you can save some money while you're waiting, putting down a larger down payment on a house can tip the odds of approval in your favor.

Help is just a phone call away. Call us at 888-670-6791. ■

## Renting after Bankruptcy

VIA 311BANKRUPTCY.COM

Renting after bankruptcy isn't actually as hard as you might imagine it to be. Bankruptcy has become a lot more common in today's economy. Landlords are well aware that people still need places to live even after going bankrupt. Indeed, in some cases bankruptcy might even improve your credit score, making you a more attractive rental prospect.

However, renting after bankruptcy often requires you to handle the rental process a little bit differently. First, you may not be able to take advantage of rental specials that excuse you from paying deposits. Often, bankruptcy rentals require a full deposit. Sometimes, the landlord will even require you to pay a non-refundable deposit.

You may also want to be careful about taking on new pets if you don't currently have pets. Even though many landlords will be willing to work with you there will still be those for whom a bankruptcy will serve as an automatic denial. Since there are fewer rental units that allow pets than those that do you will want to increase your chances



of finding a good place by keeping pets out of the equation. Since pets typically cost more in both deposits and monthly rent avoiding Fido and Fluffy might be your best financial move for the time being.

You shouldn't drive all over town before trying to find a rental as this wastes time, money, and gas. Most rental advertisements include a phone number. You can simply call the number and ask if the landlord considers renting to people who have declared bankruptcy in the past. This will allow you to focus your efforts on properties where you have a chance. Don't be too discouraged if you hear, "It's a total package." This usually means they'll work with you if you

have other positive factors but that they are reluctant to say "yes" or "no" because it might be construed as a promise to rent where no such promise exists.

If you're not having much luck with the larger rental companies try private landlords. The managers of big apartment complexes typically don't have a lot of power: their management companies give them rental guidelines which they must follow. Sometimes the managers aren't even the ones approving or denying the application; instead, they are faxing it to the corporate office for review. Privately owned rental units allow for a lot more person-to-person discretion. You might want to dress nicely when you arrive and be prepared to make a good impression. You might even check around with your friends or family first: they may know someone who will be willing to help you and they may be able to provide an "in" where one might not have existed before.

If you can get any positive refer-

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# Become a Live-In Landlord or Host Landlord

**H**ave an unused room in your home? Or do you vacate your property frequently? In either case, it's probably occurred to you that the extra space, or even your entire home, could work for you rather than sit empty while you're paying for it.

Depending upon your situation, you might be capable of doing both. If the prospect of either is ap-pealing but confusing, read on. Here's some things to consider if you're thinking about becoming a landlord or host.

## Strategy

Begin with a formula based on your situation. Both long-term rentals and home-sharing services like Airbnb can bring in extra income. If you are seeking a steady flow of income and have a room, apartment or detached living space on your property, becoming a landlord might suit you best. If you're out of town frequently, say for up to a month or less, and would like your home to earn extra money for you while you're away, Airbnb might be the best bet. Both have their pros and cons.

## Long-Term Rentals

You may be more familiar with the idea of a traditional rental. With this option, you'd seek a tenant under contract for at least six months. Some considerations:

Ensure you interview prospective tenants,

get references and do background checks. You'll be living with them for a long time, so you'll want to know more about them.

Make sure the rent meets your financial goals. You can't change it once the contract is signed.

Keep in mind such extra expenses as maintenance, insurance and other upkeep and factor that in when establishing the rent.

Utilities: Ideally your extra space will have its own utility connections for the tenant to pay. If not, add those average expenses into the rent.

Furnishings: Are you offering your space fully or partially furnished or unfurnished? You can add more money to the rent for a furnished apartment or room, but know that there will be a certain amount of wear and tear.

## Short-Term Rentals

You've likely at least heard of Airbnb, the platform that acts as meeting place for those with a space to rent for a short term and guests. It's an imperfect but potentially profitable route to earning extra income from your home that, like long-term rentals, comes with its own concerns. Here are but a few of the main ones:

Renting through Airbnb is easy and a great way to earn quick money, especially if you live in a large, business-focused region or tourism-oriented city. Rentals and



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**BRIAN FIGEROUX, ESQ.**

guests are somewhat vetted through the program, but keep in mind you are renting your home and relying upon your guest to treat it with care.

Listing your home on Airbnb is free. The service earns its money through the booking fees. Like other sharing platforms, such as Uber, guests can and do review your home after visits, so ensure that you're up to keeping your place spic-and-span to keep more reservations coming.

Airbnb can be seasonal, so it's not always a reliable source of rental income.

Do some research. Visit the site and spend some time looking over the properties and guests re-views. Imagine yourself as a guest and pick up on the elements of a property

you admire to give yourself a starting point. Read the reviews to give you an impression of routine pet peeves and how to avoid them.

Either situation can make a significant impact on positive cash flow, but look before you leap. If you've never rented your home before, giving Airbnb a trial run can provide you sense of the pros and cons and help you decide whether you're a natural long-term landlord or a short-termer who can benefit from the rental every once in a while.

Need assistance? We will be happy to meet with you and share our guidance. Schedule an appointment today. Call us at 888-670-6791. ■

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## Bankruptcy and Your Commercial Tenancy

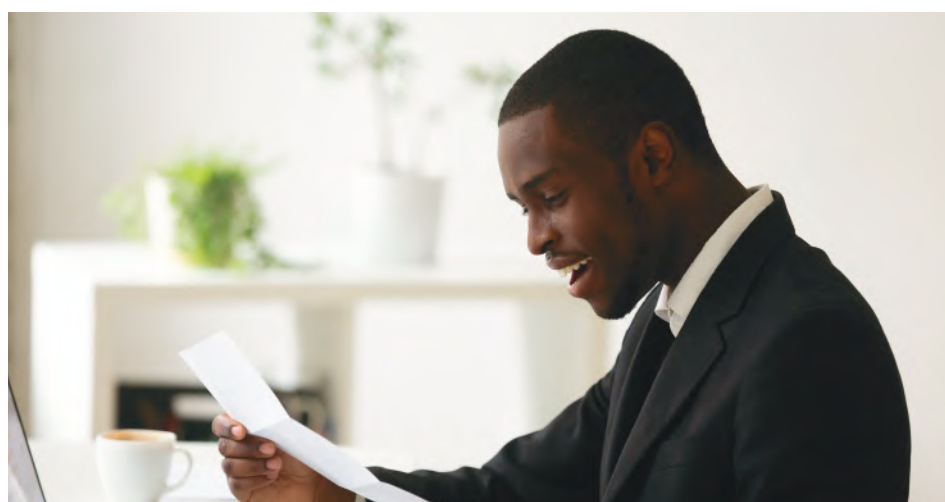
BY JANET HOWARD

Filing bankruptcy is a serious step for any business. Regardless of whether you file under Chapter 7 or 11, it will affect your rights under your lease and your relationship with your landlord. Here are a few of the most serious considerations to keep in mind:

- Your landlord cannot evict you just for going bankrupt. Even if your lease has a clause that specifies filing bankruptcy as a default under the lease, their ability to evict you will be put on hold while you are working out your bankruptcy. However, if they expect you to go bankrupt, they may look for other ways to evict you before you file.

- You still need to pay rent. If you intend to continue occupying the building during and after the bankruptcy, the Bankruptcy Code allows your landlord to stop providing you with access to the building if you stop paying for it. You will, however, have any collection activities for rent that you did not pay before filing bankruptcy put on hold. Bear in mind, though, that if you intend to stay for the long term, you will probably eventually need to pay all of your back rent.

- Your lease's termination date is still valid.



Bankruptcy can stop your landlord from evicting you for past non-payment of rents, but it has nothing to do with your lease's pre-existing termination date. If your lease terminates in the middle of your bankruptcy, your landlord is well within his rights to have you move out of the building.

- You have choices. As you go through bankruptcy, you will be able to decide whether or not you want to retain the lease. If you "assume" the lease, you will be able to remain in the building after your bankruptcy, as long as you can pay the rent. If you "reject" the lease, though, you will be able to leave. Whichever option you prefer, ensure that you make your election within

the Bankruptcy Code's deadline, which is usually 120 days for a commercial tenant, although you may be able to get an additional 90 days. You may even be able to assign your lease to a third party. If your lease is at a below-market rent, you might even be able to charge the new tenant more and pocket the difference.

- Rejecting a lease doesn't always eliminate your liability for it. While sanctions vary, it's not uncommon for landlords to recover some compensation for the remaining term of your lease if you reject it. They rarely receive more than the equivalent of one year of rent, though.

Need help? Schedule an appointment today by calling 888-670-6791. ■

## Is a Career in Real Estate Right for You?

Imagine working for yourself in a flexible career where you can set your own schedule with annual earning potential of \$100,000 or more. There are so many reasons to choose real estate as your career. But there are always two sides to every story, and a real estate career is no different. Below is a straight-forward look at the pros and cons of a real estate agent career:

### Getting Started is Quick and Painless

**Pros:** In most states, you can complete the required training, become a licensed real estate agent, and start a new career in just a matter of weeks or months (depending on state regulations).

**Cons:** There is an investment in time, money, and effort required. Also, it comes with no guarantees. Passing the state real estate licensing exam is difficult and demands an understanding of complex topics and a varied skill set.

### You Are Your Own Boss

**Pros:** You're an independent contractor and control your own book of business. You make the decisions. Couple together a good attitude and solid work ethic, and there are virtually no limits for the growth of your real estate business.

**Cons:** You're an independent contractor and are on your own to learn the market and the business. You are in charge of building your lead list, maintaining your client's needs, networking relationships, marketing your business, and managing the day-to-day office needs. It's all in your hands. Many new agents fail to recognize how much work it takes to become a successful real estate agent.

### Make a Good Income

**Pros:** Your income isn't limited by an hourly wage or a corporate-dictated salary range. As a real estate salesperson, your income is largely dictated by the time you invest. Grow your real estate business by adding an assistant or get the appropriate license that lets you build your own brokerage. The growth potential is huge.

**Cons:** At first, your cash-flow direction will be out. Most new real estate agents need a nest egg to begin their careers. Getting your first sales to come in will take some time, and it will likely be a couple months or more before you cash your first check. Depending on the market you cover and existing relationships you can farm, it can be a feast or famine situation.

### Work Flexible Schedules

**Pros:** You don't work a mundane 9 to 5 job. Real estate agents set a daily work schedule that works for them. Much of a real estate agent's time is spent socializing, meeting people, and building relationships.

**Cons:** Having a flexible schedule in real estate means you have to be flexible to the client's needs. In real estate, you tend to work when everyone else is not. That includes weekends. If a client calls, can you drop everything and be attentive to their needs, even if it's a time that you normally would be spending with your friends or family?

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# Millennials Changing the Game

Millennials are known as disrupters, so when it comes to the housing market it's no surprise that generation is upending the conventional process.

Older millennials are flooding the buyer's market seeking homes. But the way they view the market is vastly different than their parents or even the generation that preceded them. Here's some ways millennials are making the market adjust to them.

One big factor: Economics. First-time homebuyers need almost a quarter of their income to afford an entry-level home, up 2 percent from a year ago, according to The Real Deal, a real estate website. And those previously owned homes have reached a record median price of \$264,800. So the barrier is high, especially for younger buyers, the site reports.

It's also no secret that millennials are waiting longer to get married or partner. That results in the lack of a need for a large home, so they're naturally waiting longer to buy. When they are ready, chances are they've accumulated more wealth, settled in to an area where they plan to stay and have a firmer grasp on what they want — and they may be looking past starter homes. Unlike previous generations, millennials are also renting longer, biding their time paying off student debt (now at an all-time high), rising through the ranks in a profes-



sion and waiting until they can afford the homes they want. And those homes don't look like they did to previous generations. Some are skipping over starter homes and taking advantage of the delay in buying to purchase a much more luxurious home.

"These people, who may each have 10 years of work under their belts, can afford a first home that is more luxurious than what one thinks of as the typical starter home," Fred Cooper, a senior vice president at Toll Brothers, a luxury home builder said in the article.

In between, millennials are comfortable renting in the city, according to a recent article in the website Investopedia. A Pew Research last year found that 88 percent of millennials live in metropolitan areas. And

instead of buying a starter home, some millennials are opting for the best of both worlds: city life and a vacation home they can enjoy but also rent out.

"For less than \$350,000 — an amount that barely buys a studio in brownstone Brooklyn these days — they are finding that they can afford homes with three bedrooms or more on several acres of land, sometimes on lakefront property, or with a pool," wrote Michelle Higgins in a *New York Times* story.

If you're currently on the market for a home, you may want to contact one of our mortgage professionals for more information. We will be happy to meet with you and share our guidance. Schedule an appointment today. Call us at 888-670-6791. ■

## Renting after Bankruptcy

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ences from past landlords be sure to include them. Be up front about your problems before the landlord checks your credit. You might want to try bringing a letter of recommendation from your employer, particularly if you've been with the same employer for a long time.

If you're desperate for shelter right now and are having trouble finding a place you can use weekly rentals to tide you over until you can find someplace better. These places usually don't require any kind of application. You simply pay a deposit and pay your rent each week. This can help you put a buffer of time between you and your bankruptcy: a bankruptcy that is 6 months old, with no other credit issues, is not as large of a bar to rental as a fresh bankruptcy might be. Do not try to rent from a company that wants to force you to get a co-signer, as asking a friend or family member to co-sign for you will only put undue strain on your relationship. Though it can take a little detective work you should be able to rent a home or apartment after bankruptcy without resorting to a co-signer. Resolve not to give up. Though it can be a little bit more challenging to rent after bankruptcy it can be done.

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