

Foreclosure Questions

Question:

Hi Dave,

I just have some general questions about foreclosures. How long will a foreclosure affect a person's credit history? Can someone who has gone through a foreclosure be considered for a traditional mortgage again? How does a foreclosure affect the banks and mortgage companies?

From Ben, a listener

Answer:

Hi Ben,

A foreclosure is second only to a bankruptcy in terms of the damage it does to your credit. Usually, a foreclosure prevents a person from qualifying for a traditional mortgage for at least 3 years – however it's usually much longer.

The banks usually sell foreclosed homes at auction. If the home doesn't sell, typically the bank will work with a realtor to market the home for sale. Any losses incurred from the sale are generally written off as bad debt.