

Question and Answers

TOPIC(S):

Credit

QUESTION:

What about charge offs and bankruptcy dismissal

ANSWER:

Charge offs and bankruptcy dismissals are a bit hairy.

Since the bankruptcy was dismissed, they have no protection under that. So you basically ignore the word bankruptcy on there.

So anything marked Collection or charge off you will have to

-Get all three bureaus to indicate charged off OR get a statement directly from the creditor that they will not be pursuing the debt

OR

-Have it paid off in full and verify a \$0 balance

OR

-Have a 5% payment of the balance included in the DTI.

This applies if the findings on the AUS require it if the total of non medical collections is greater than \$2000.

Since the BK was dismissed and NOT discharged the omitted debts cannot be considered like that. Being dismissed means they simply “walked away” so the any of the omitted debts that are charged off must show proof from the creditors they will not pursue recovery or we must hold the 5% payment.