

One More Reason to Pay Old Debts

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As if you need another good reason to reduce your debt load, a new rule slated to go into effect on July 1, 2012 will make FHA home loan financing off limits to would-be-borrowers who have more than \$1,000 in debt in collections.

[ML 2012-3](#) sets out the technical language of the new rule issued by the Federal Housing Administration. The rule applies to those applying to refinance their homes, as well as those applying for new loans.

The \$1,000 Collection Rule was first scheduled to go into effect on April 1, 2012, but was postponed. The mortgage industry fears the new rule will have a chilling effect on the real estate market, which has shown tentative signs of recovery. JPMorgan Chase predicted that the rule might [cut demand for FHA loans by up to 20 percent](#) in the next few months, as reported by HousingWire.com.

From an accounts receivable perspective, the new rule makes sense — borrowers who have accounts in dispute or in collection represent a higher default risk than borrowers without those challenges.

From the perspective of a consumer in the market for a home mortgage, the rule represents yet another reason to clean up the credit report and get those old debts paid once and for all. Visit www.annualcreditreport.com for a free annual credit report.

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About Seidberg Law Offices, P.C.

For more information on debt collections in Arizona, contact [Seidberg Law Offices, P.C.](#), a [Professional and Respectable Arizona Debt Collections Law Firm](#), at (623) 258-4397.