



FORCLOSURE VS. SHORT SALE

| Issue | Foreclosure | Successful Short Sale |
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| Credit Score | A foreclosure may lower your credit score anywhere from 250 to more than 300 points . Typically it will affect the credit score for over 3 years . | Short sale usually affect your credit score around 50 points . All late payments have a negative effect on your credit score from a short sale. Each payment can average 30 points or more. |
| Credit History | Foreclosure will remain as a public record permanently and stays on your credit history for 7 -10 years or more. | Short sale is not reported on credit history. It is reported as “paid” or “settled in full” |
| Current Employment | Employers have the right and are actively checking the credit of all employees who are in sensitive position. In many cases, a foreclosure is reason for immediate reassignment or termination . | A short sale typically does not affect your current employment as it is not an actual item on your credit. |
| Future Employment | Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit item an applicant can have and in most cases will challenge employment . | A short sale is not reported on a credit report and therefore is not a challenge to future employment . |
| Future Fannie Mae Loan-Primary Residence | A homeowner who loses a home to foreclosure is not eligible for a Fannie Mae-backed mortgage for a period of 5 years . | A homeowner who have successfully completed a short sale will be eligible for a Fannie Mae- backed mortgage after only 2 years |
| Future Fannie Mae Loan- Non-Primary | An investor who allows a property to go to foreclosure is not eligible for a Fannie Mae-backed investment mortgage for a period of 7 years . | An investor or potential buyer who has successfully completed a short sale will be eligible for a Fannie Mae-backed investment mortgage after only 2 years |
| Future Loan with any Mortgage Company | In future purchase of home, you will have to answer yes to question c in the section 8 of the standard 1003 form that asks “Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?” This will affect future rates. | In future purchase of home, you typically do not have to declare to these companies that you have performed a short sale in the past. |
| Deficiency Judgment | In 100% of foreclosure (except in those states where there is no deficiency), the bank has the right to pursue s deficiency judgment . | In some successful short sale, it is possible to convince the lender to give up the right to pursue a deficiency judgment against the homeowner |
| Deficiency Judgment (Amount) | In a foreclosure, the home will have to go through an REO process if it does not sell at auction. In most cases this will result in a lower sales price and longer time to sale in a declining market. This will result in a higher possible deficiency judgment . | In a successful short sale, the home is sold at a price that should be close to market value, and in almost all cases will be better than an REO sale resulting in lower deficiency . The higher selling price helps to cut down your lender’s loss. |

Information herein deemed reliable but not guaranteed, representations are approximate, individual verification recommended.