

FORECLOSURE VS . SHORT SALE

Consequences for homeowners

	FORECLOSURE	SHORT SALE
PRIMARY LOANS <i>Fannie Mae</i>	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years .	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after only 2 years .
NON-PRIMARY LOANS <i>Fannie Mae</i>	An investor who allows a property to go to foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of 7 years .	An investor who successfully negotiate and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only 2 years .
FUTURES LOANS <i>Any Lender</i>	On any future 1003 application, a prospective borrower will have to answer Yes on the standard 1003 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.	There is no similar declaration or question regarding a short sale.
CREDIT SCORE	Score may be lowered anywhere from 250 to over 300 points . Typically will affect scores for over 3 years .	Only late payments will show and after a sale the mortgage will be reported as paid or negotiated. This will lower the score as little as 50 points if all other payments are being made. A short sale's effect can be as brief as 12 to 18 months .
CREDIT HISTORY	Foreclosure will remain as public record on a person's credit history for 10 years or more.	Short sale is not reported on a credit history. There is no specific reporting item for "short sale". The loan is typically reported "paid in full, settled".
SECURITY CLEARANCES	Outside a conviction for a serious misdemeanor or felony, a foreclosure can be one of the most challenging issue against a security clearance. If a client has a foreclosure and is a police officer, in the military, CIA, or any other position that requires a security clearance, in most cases clearance will be revoked and the position will be terminated.	A short sale on its own does not challenge most security clearances.
CURRENT EMPLOYMENT	Employers have the right to check the credit of all employees who are in sensitive positions. A foreclosure may be grounds for immediate reassignment or termination.	A short sale is not reported on a credit report and is therefore not a challenge to employment.
FUTURE EMPLOYMENT	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have.	A short sale is not reported on a credit report and is therefore not a challenge to employment.
DEFICIENCY JUDGMENT*	In many states, depending on the kind of loan, the bank has the right to pursue a deficiency judgment.	Depending on the type of loan some lenders who accept a short sale may be able to pursue a borrower for a deficiency judgment. In many successful short sales it is possible to convince the lender to give up this right as part of the short sale.

*Not in the State of Washington, unless the foreclosure has been filed with the courts.

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