

## Foreclosure vs. Short Sale

### Homeowner Consequences

	<b>Foreclosure</b>	<b>Successful Short Sale</b>
<b>Future Fannie Mae Loan – (Primary Residence)</b>	Ineligible for a Fannie Mae loan for 5+ years.	Eligible for a Fannie Mae backed mortgage after only <b>2-4 yrs.</b>
<b>Future Fannie Mae Loan – (Non-Primary Residence)</b>	Investors are ineligible for a Fannie Mae loan for up to 7 years	Investors will be eligible for a Fannie Mae backed mortgage after only <b>2-4 yrs.</b>
<b>Future loan with any mortgage company</b>	On future loan applications, you'll have to answer "YES" to the question "Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?" which will affect your interest rate.	There is no similar declaration or question for a short sale.
<b>Credit Score</b>	Score may be lowered between <b>200 to 300 points</b> . Typically, will affect score for over <b>3 years</b> .	Only late mortgage payments will show. After the short sale, mortgage will be reported as "paid" or "negotiated". This will lower the score as little as <b>50 points</b> if all other payments are being made. A short sales affect can be as brief as <b>12 to 18 months</b> .
<b>Credit History</b>	Will remain as a public record on credit history for <b>7-10 yrs.</b>	Short sale is <b>not reported on a credit history</b> . There is no specific reporting item for short sale. The loan is typically reported "paid in full, settled"
<b>Security Clearances</b>	Foreclosure is the <b>most challenging issue against a security clearance</b> outside of a serious misdemeanor or felony.	A short sale on its own <b>does not challenge most security clearances</b> .
<b>Current Employment</b>	Employers have the right and regularly check the credit of employees who are in sensitive positions. A foreclosure, in many cases, is grounds for immediate reassignment or termination.	A short sale is not reported on a credit report and is, therefore, <b>not a challenge to employment</b> .
<b>Future Employment</b>	Many employers conduct credit checks prior to hiring. 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, <b>not a challenge to employment</b> .
<b>Deficiency Judgment</b>	In <b>100% of foreclosures</b> (except in those states where there is no deficiency) the bank has the right to pursue a deficiency judgment.	In some successful short sales, it's possible to convince the bank to <b>give up the right to pursue a deficiency judgment</b> against the owner.
<b>Deficiency Judgment (amount)</b>	In a foreclosure, the home will have to go through an REO process if it does not sell at the court auction. In most cases, this will result in a lower sales price and longer time to sell in a declining market. This will possibly result in a higher <b>deficiency judgment</b> .	In a properly managed 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. This will result in a <b>lower deficiency</b> .

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