

**FORECLOSURE VS SHORT SALE**  
Homeowner Consequences

<b>ISSUE</b>	<b>FORECLOSURE</b>	<b>SHORT SALE</b>
Credit Score	Score may be lowered anywhere from 250 to over 300 points. Typically will effect score for over 3 years.	Only late payments on mortgage will be shown and after sale mortgage will be reported as paid or negotiated. This will lower the score a little as 50 points if all other payments are being made. A short sale's effect can be as little as 12 to 18 months.
Credit History	Foreclosures will remain as a public record on a person's credit history for 10 years or more.	Short sales is not reported on a credit history. There is no specific reporting item for a short sale. The loan is typically reported PAID IN FULL, SETTLED.
Future Fannie Mae Loan - Primary Residence	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after only 2 years.
Future Fannie Mae Loan - Non Primary Residence	An investor who allows a property to go into foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of 7 years.	An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only 2 years.
Future Loan with any Mortgage Company	On any future 1003 application, a prospective borrower will have to answer yes to question C in Section VIII of 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.

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Current Employment	Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A foreclosure in many cases is ground 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 terms an applicant can have and in and in most cases will challenge employment.	A short sale is not reported on a credit report and is therefore not a challenge to employment.
Security Clearance	Foreclosure is the most challenging issue against a security clearance outside of a conviction of a serious misdemeanor or felony. If a client has a foreclosure and is a police officer, in the military, in the CIA, Security, or any other position that requires a security clearance in almost all cases clearance will be revoked and the position will be terminated.	A short sale on its own does not challenge most security clearances.
Deficiency Judgement	in 100% of foreclosures, the bank has the right to pursue a deficiency judgement.	In some short sales it is possible to convince the lender to give up the right to pursuit a deficiency judgement against the homeowner.

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