Prepared Exclusively for:
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by Jackie Gallanagh

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Foreclosure Vs. Short Sale

Homeowner Consequences

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When it comes to your future as a homeowner, it's important to understand the realities and consequences of short sales and foreclosure. The following table compares the effects each option can have on your financial future. Use this information to better understand your options and make an informed decision about how to proceed.

ISSUE	FORECLOSURE	SUCCESSFUL SHORT SALES
Future Fannie Mae Loan - Primary Residence[1]	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.**
Future Fannie Mae Loan - Non-Primary[2]	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 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 application, a prospective borrower will have to answer YES to question C in Section VIII 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.	There is no similar declaration or question regarding a short sale.
Credit Score	Score may be lowered anywhere from **250 to more than 300 points.** Typically will affect a credit score for over **3 years.**	Only late payments on mortgage will show, and after sale, mortgage is normally reported as 'paid as agreed', 'paid as negotiated', or 'settled'. This can 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 a public record permanently, and on a person's credit history for **10 years or more.**	A 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'.

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ISSUE	FORECLOSURE	SUCCESSFUL SHORT SALES
Current Employment	Employers have the right and are actively checking the credit of all employees who are in sensitive positions. In many cases, a foreclosure is reason for immediate **reassignment or termination.**	A short sale is not reported on a credit report and is therefore **not a challenge to employment.**[4]
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 and in **most cases will challenge employment.**	A short sale is not reported on a credit report and is therefore **not a challenge to future employment.**[5]
Deficiency Judgment	In **100% of foreclosures** (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 is possible to convince the lender to **give up the right to pursue a deficiency judgmen**t 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 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 resulting in a **lower deficiency.**
Security Clearance	Foreclosure is the most challenging issue against security clearance outside serious misdemeanors or felony convictions. If a client is a member of the police, military, CIA, or any other position that requires security clearance, in most cases clearance will be revoked and the position will be terminated.	On its own, a short sale **does not challenge most security clearances.**[3]

[1] Fannie Mae Announcement 08-16: Michael A. Quinn, Senior Vice President, Single-Family Risk Officer
[2] Fannie Mae Announcement 08-16: Michael A. Quinn, Senior Vice President, Single-Family Risk Officer
[3] Short sales are currently not explicitly reported on a credit report.
[4] Short sales are currently not explicitly reported on a credit report.
[5] Short sales are currently not explicitly reported on a credit report.

This information was provided to you so that you would understand not only what the ramifications of a foreclosure are but that there are options and hope.
Contact me today for a consultation at 510-846-0777

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