

# Foreclosure vs. Shortsale



## Homeowner Consequences

Issue	Foreclosure	Short Sale
<b>Future Fannie Mae Loan-Primary Residence</b> (effective May 21,2008)	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of <b>5 years</b> .	A homeowner who successfully negotiates and closes a Short Sale will be eligible for a Fannie Mae backed mortgage after only <b>2 years</b> .
<b>Future Fannie Mae Loan-Non Primary</b> (effective May 21,2008)	An investor who allows a property to go to Foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of <b>7 years</b> .	An investor who successfully negotiate and closes a Short Sale will be eligible for a Fannie Mae backed investment mortgage after only <b>2 years</b> .
<b>Future Loan with any Mortgage Company</b>	On any future 1003 application, a prospective borrower will have to answer <b>YES</b> 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.
<b>Credit Score</b>	Score may be lowered anywhere from <b>250 to over 300 points</b> . Typically will affect scores for over <b>3 years</b> .	Only late payments on mortgage will show and after 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 Sale's effect can be as brief as <b>12 to 18 months</b> .
<b>Credit History</b>	Foreclosure will remain as public record on a person's credit history for <b>10 years or more</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".

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<b>Security Clearances</b>	Foreclosure is the <b>most challenging issue against a security clearance</b> 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 most cases clearance will be <b>revoked and the position will be terminated.</b>	A Short Sale on its own <b>does not challenge most security clearances.</b>
<b>Current Employment</b>	Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A Foreclosure may be grounds for immediate <b>reassignment or termination.</b>	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 are requiring credit checks on all job applicants. A Foreclosure is one of the most detrimental credit items an applicant can have and can challenge employment.	A Short Sale is not reported on a credit report and is therefore not a challenge to employment.
<b>Deficiency Judgment *</b>	In many states, depending on the kind of loan, the bank has the right to pursue a deficiency judgment.  *Not in the State of Washington, unless the foreclosure has been filed with the courts.	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.



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