

FORECLOSURE VS. SHORT SALE

Homeowner Consequences

Issue	Foreclosure	Successful Short Sale
Future Fannie Mae Loan - Primary Residence (effective, 2010)	A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 7 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 (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 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 a 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 score for over 3 years .	Only late payments on mortgage will show and after sale; mortgage will be reported as a 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 a public record on a person's credit history for 10 years or more .	Short sale is not reported on credit history . There is no specific reporting item for "short sale". The loan is typically reported "paid in full, settled".
Security Clearances	Foreclosure is the most challenging issue against a security clearance outside of a conviction for 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 position will be terminated .	A Short Sale on its own does not challenge most security clearances .
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 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 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 .
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 judgment against the homeowner. California passed SB 931, eff. 1.1.11, eliminates this in a short sale on 1st. TD only.
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 the market value and in almost all cases will be better than an REO sale resulting in a lower deficiency . California passed SB 931, eff. 1.1.11, eliminates this in a short sale on 1st. TD only.

PRODUCTS, SERVICES & REFERRALS

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Bankruptcy
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 Credit Repair
 Debt Payoff Acceleration
 Personal Financial Strategy
 Forensic Loan Audit
 Short Refinance

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