

Foreclosure VS. Short Sale

Homeowner Consequences



Most persons losing their homes to foreclosures don't realize there are better options available to them. Do you know anyone that could benefit?

Future Fannie Mae Loan - Primary Residence

Foreclosure

A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed Mortgage for a period of **5 years**.

Successful Short Sale

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

Foreclosure

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**.

Successful Short Sale

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

Foreclosure

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 deed in lieu thereof in the last 7 years?" this will affect future rates.

Successful Short Sale

There is no similar declaration or question regarding a short sale.

Credit Score

Foreclosure

Score may be lowered anywhere from **250 to over 300** points. Typically this will affect score for over **3 years**.

Successful Short Sale

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 **50 points** if all other payments are being made. A short sale's affect can be as brief as **12 to 18 months**.

Credit History

Foreclosure

Foreclosure will remain as a public record on a person's credit history for **10 years or more**.

Successful Short Sale

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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Security Clearances

Foreclosure

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 position will be terminated**.

Successful Short Sale

A Short Sale on its own **does not challenge most security clearances** .

Current Employment

Foreclosure

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**

Successful Short Sale

A short sale is not reported on a credit report and is therefore **not a challenge to employment**.

Future Employment

Foreclosure

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**.

Successful Short Sale

A short sale is not reported on a credit report and is therefore **not a challenge to employment**.

Deficiency Judgement

Foreclosure

In Minnesota the bank has the right to pursue a deficiency judgement for second mortgages.

Successful Short Sale

In some successful short sales it is possible to convince the lender to **give up the right to pursue a deficiency judgement** against the homeowner.

Deficiency Judgement (amount)

Foreclosure

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 judgement**.

Successful Short Sale

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**.

If you, or someone you know, would like a private confidential meeting to discuss the options available, contact Matt Wolfe, Remax Associates Plus 612-868-8655. You don't have to go through this alone.

