

# FORECLOSURE VS. SHORT SALE

## Homeowner Consequences

Issue	Foreclosure	Successful Short Sale
<p>Future Fannie Mae Loan - Primary Residence (effective May 21, 2008)</p>	<p>A homeowner who loses a home to Foreclosure is ineligible for a Fannie Mae backed mortgage for a period of <b>5 years</b>.</p>	<p>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>.</p>
<p>Future Fannie Mae Loan - Non Primary (effective May 21, 2008)</p>	<p>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>.</p>	<p>An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only <b>2 years</b>.</p>
<p>Future Loan with any Mortgage Company</p>	<p>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.</p>	<p>There is no similar declaration or question regarding a short sale.</p>
<p>Credit Score</p>	<p>Score may be lowered anywhere from <b>250 to over 300</b> points. Typically will affect score for over <b>3 years</b>.</p>	<p>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 affect can be a brief as <b>12 to 18 months</b>.</p>
<p>Credit History</p>	<p>Foreclosure will remain as a public record on a person's credit history for <b>10 years or more</b>.</p>	<p>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'.</p>



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