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“Solving the foreclosure crisis one homeowner at a time.”

FORECLOSURE vs SHORT SALE (By: Certified Distress Property Institute) Homeowner Consequences		
Issue	Foreclosure	Successful Short Sale
Future Fannie Mae Loan-Primary Residence	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae mortgage for 5 years.	A homeowner who successfully negotiates & closes a short sale will be eligible for a Fannie Mae mortgage after only 2 years.
Future Fannie Mae Loan-Non-Primary	An investor who has a foreclosure is ineligible for a Fannie Mae investment mortgage for 7 years.	An investor who closes a short sale will be eligible for a Fannie Mae investment back mortgage for only 2 years.
Future Loan with any Mortgage Company	On any future loan application, a borrower will have to answer YES to a question “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, & after sale, it’s normally reported as “paid as agreed,” “paid as negotiated” or “settled”. This can lower the credit score by 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, & on a person’s credit history for 10 years or more.	A short sale is not reported on a credit history. The loan is typically reported as “paid in full, settled.”
Security Clearance	Foreclosure is the most challenging issue against a security clearance outside a serious misdemeanor or felony conviction. If a client has a foreclosure & 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 & position will be terminated.	On its own, a short sale does not challenge most security clearances.
Current Employment	Employers have the right to check the credit of all employees who are in sensitive positions. In many cases, foreclosure is a reason for immediate reassignment or termination.	A short sale is not reported on a credit report & is not a challenge to future employment.
Future Employment	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items for an applicant can & in most cases will challenge employment.	A short sale is not reported on a credit report & is not a challenge to future employment.
Deficiency Judgment	In 100% of foreclosures, the bank has the right to pursue a deficiency judgment.	In some successful short sales, the Realtor can convince the lender to give up the right to pursue a deficiency judgment.
Deficiency Judgment (amount)	In a foreclosure, the home will go through an REO process if it does not sell at auction. It may result in a lower sales price & longer time to sale in a declining market. This may result in a higher possible deficiency judgment.	In a short sale, the home is sold close to market value, & in almost all cases will be better than an REO sale resulting in lower deficiency.

