



DIFFERENCES BETWEEN SHORT SALES & FORECLOSURES

CONVENTIONAL: Will a homeowner be eligible to obtain a new mortgage?
SHORT SALE: On a current conventional loan, there is no wait for a Freddie or Fannie backed loan. All obligations must be current, including installment debt. On a Conventional loan where there are late payments, the homeowner may be eligible after 2 years for a Fannie Mae backed loan.
FORECLOSURE: If the homeowner has been foreclosed on in the past 7 years, future rates may be affected on a current conventional loan. In regards to a conventional loan with late payments, the homeowner may not be eligible for 5 years with a Fannie Mae backed loan.
CREDIT HISTORY: Is a Short Sale reported on a person's credit history?
SHORT SALE: It possibly may not.
FORECLOSURE: The Foreclosure will stay on a person's credit history for at least 7 years or more.
CREDIT SCORE: How will a Short Sale or Foreclosure affect the homeowner's Credit Score?
SHORT SALE: Since a Short Sales can take up to 12 - 18 months, any late payments on the mortgage will show and this can lower the homeowner's score as little as 50 points.
FORECLOSURE: The homeowner's Credit Score can be affected by a Foreclosure for over 3 years and it can lower your score between 200 to 400 points.
DEFICIENCY JUDGMENT: Will there be a "Deficiency Judgment" filed against the homeowner?
SHORT SALE: It is possible to convince the lender to give up their right to pursue a deficiency judgment against the homeowner.
FORECLOSURE: Except in states where there is no deficiency protection in the law, the banks have the right to pursue a deficiency judgment.
FANNIE MAE: How long does a homeowner have to be eligible for a Fannie Mae-back mortgage?
SHORT SALE: After 2 years a homeowner may be eligible for a Fannie Mae-back mortgage.
FORECLOSURE: After at least 5 years a homeowner may be eligible for a Fannie Mae-backed mortgage.
FHA: When is a homeowner qualified to apply for a FHA Loan with the lender?
SHORT SALE: Whether the homeowner was current or late on their mortgage payments, the homeowner is not eligible to obtain a FHA Loan for 3 years from the date the FHA insurance was paid by the lender. (Not the date of the Short Sale closing)
FORECLOSURE: Whether the homeowner was current or late on their mortgage payments, the homeowner is not eligible to obtain a FHA Loan for 5 years.
FUTURE EMPLOYMENT: Will a Short Sale or Foreclosure affect a homeowners future of employment?
SHORT SALE: A Short Sale might not be reported on a credit report and may not be a challenge to future employment.
FORECLOSURE: A credit check is required by most employers on all job applicants. Having a foreclosure on your credit report could be one of the most detrimental credit items.
VA: When is a homeowner qualified to apply for a FHA Loan with the lender?
SHORT SALE: If the homeowner was late on their mortgage payments, the homeowner will not be eligible for a Fannie Mae-backed loan after 2 years. If the homeowner is current on their mortgage payments and all obligations, there is no wait for a Freddie or Fannie-backed loan, including installment debt.
FORECLOSURE: If the homeowner was late on their mortgage payments, the homeowner will not be eligible for a Fannie Mae-backed loan for 2 years. If the homeowner is current on their mortgage payments and all obligations, the homeowner is eligible for a Fannie Mae-backed loan after 2 years.