

SHORT-SALE vs. FORECLOSURE

What you need to know to make an informed decision

Item	Short-Sale	Foreclosure
Fannie Mae Guidelines Primary Residence	Eligible for a Fannie Mae insured loan after 3 years, no restrictions.	Eligible with restrictions after 5 years, no restrictions after 7 years.
Fannie Mae Guidelines Non Primary Residence	An investor who has done a short-sale is eligible for a Fannie Mae backed mortgage after 3 years	An investor who has had a property foreclosed cannot get a Fannie Mae backed loan for 7 years.
Credit Score	Late payments on mortgage will show after completion of the short-sale. The effect can be as short as 12 to 18 months. Depending on how lender reports it, credit scores affected negatively 50 to 100 points.	Typically will affect credit score for at least three years. Scores will be negatively affected between 200 and 300 points.
Credit Application Questions (Form 1003)	No questions regarding a short sale.	Question C, Section VIII: Have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?
Credit History	Depending on how lender reports it, short-sales may not be reported on a credit history.	Remains as a public record for 10 years or more.
Security Clearance	A short-sale does not usually raise red flags regarding security clearance.	Security clearances will usually be revoked, often times resulting in loss of employment.
Deficiency Judgment	Simply make sure the lender releases your obligations under either the "note" (or lien) and "deed of trust". This is a negotiable issue between the Seller and lending institutions.	No negotiations between homeowner and lending institution. It is up to the lender (or lenders) whether to file a deficiency judgment.
Deficiency Judgment Amounts	None - if use the right Realtor and attorney.	The foreclosure process usually will cost the lending institution more, hence resulting in a larger deficiency judgment if the judgment is filed.
Phantom Tax	You can exclude up to \$2 million of income (\$1 million if married filing separately) from debt that's discharged and applies only for primary residences only.	You can exclude up to \$2 million of income (\$1 million if married filing separately) from debt that's discharged and applies only for primary residences only.

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