

Short Sale vs. Foreclosure

courtesy of Capital Title of Texas



Successful Short Sale

Foreclosure

Credit Score

A short sales effect can be as brief as **12 to 18 months**. Only late payments on the mortgage will show. This can lower the score as little as **50 points**.

A foreclosure may affect your credit score for over **3 years** and can lower your score between **200 to 400 points**.

Credit History

A short sale **MAY NOT** be reported on a person's credit history.

A foreclosure will stay on a person's credit history for **7 years** or more.

Future Employment

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

Most employers require a credit check on all job applicants. Foreclosures are one of the most detrimental credit items for your credit report.

Fannie Mae

The homeowner may be eligible for a Fannie Mae-backed mortgage after **2 years**.

The homeowner is not eligible for a Fannie Mae-backed mortgage for at least **5 years**.

Conventional (late on payments)

The homeowner may be eligible for a Fannie Mae-backed loan after **2 years**

The homeowner may be eligible for a Fannie Mae-backed loan after **5 years**

Conventional (current)

There is **NO** wait for a Freddie-or-Fannie backed loan if current on all obligations, including installment debt

Future rates may be affected if you have been foreclosed in the last **7 years**

Deficiency Judgment

In some successful short sales, it is possible to convince the lender to give up their right to pursue a deficiency judgment against the homeowner

In **100%** of foreclosures, (except in states where there is no deficiency protection in the law) the bank has the right to pursue a deficiency judgment

FHA (current)

3 years from the date the FHA insurance is paid by the lender (not the date of the Short Sale closing) before a borrower may be eligible for another FHA loan

The homeowner is not eligible for a Fannie Mae-backed mortgage for **5 years**

VA (late on payments)

The homeowner may be eligible for a Fannie Mae-backed loan after **2 years**

The homeowner may not be eligible for a Fannie Mae-backed loan for **2 years**

VA (current)

The homeowner may be eligible for a Fannie Mae-backed loan after **2 years**

The homeowner may not be eligible for a Fannie-Mae backed loan for **2 years**

