

# FORECLOSURE VS. SHORT SALE

## Consequences for Homeowners

	FORECLOSURE	SHORT SALE
<b>PRIMARY RESIDENCE LOANS (Fannie Mae)</b>	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after only 2 years.
<b>NON-PRIMARY RESIDENCE LOANS (Fannie Mae)</b>	An investor who allows a property to go to foreclosure is ineligible for a Fannie Mae backed investment mortgage for a period of 7 years.	An investor who successfully negotiate and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only 2 years.
<b>FUTURE LOANS From Any Lender</b>	On any future 1003 application, a prospective borrower will have to answer Yes on 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.	There is no similar declaration or question regarding a short sale.
<b>CREDIT SCORE</b>	Score may be lowered anywhere from 250 to over 300 points. Typically will affect scores for over 3 years.	Only late payments will show and after a sale the mortgage will be reported as paid or negotiated. This will lower the score as little as 50 points if all other payments are being made. A short sale's effect can be as brief as 12 to 18 months.
<b>CREDIT HISTORY</b>	Foreclosure will remain as public record on a person's credit history for 10 years or more.	Short sale is not reported on a credit history. There is no specific reporting item for "short sale." The loan is typically reported "paid in full, settled."
<b>SECURITY CLEARANCES</b>	Outside a conviction for a serious misdemeanor or felony, a foreclosure can be one of the most challenging issue against a security clearance. If a client has a foreclosure and is a police officer, in the military, CIA, or any other position that requires a security clearance, in most cases clearance will be revoked and the position will be terminated.	A short sale on its own does not challenge most security clearances.
<b>CURRENT EMPLOYMENT</b>	Employers have the right to check the credit of all employees who are in sensitive positions. A foreclosure may be grounds for immediate reassignment or termination.	A short sale is not reported on a credit report and is therefore not a challenge to employment.
<b>FUTURE EMPLOYMENT</b>	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have.	A short sale is not reported on a credit report and is therefore not a challenge to employment.
<b>DEFICIENCY JUDGMENT</b>	In Kentucky and in most other states, the bank has the right to pursue a deficiency judgment.	Almost all lenders will give up their right to pursue a deficiency judgment as part of a successful short sale.

**TO STOP FORECLOSURE NOW—VISIT [KENTUCKYSOLUTIONS.COM](http://KENTUCKYSOLUTIONS.COM) OR CALL 502-212-2482**