

# SHORT-SALE vs. FORECLOSURE

Some comparisons between short sales and foreclosures.

ITEM	SHORT-SALE	FORECLOSURE
FANNIE MAE GUIDELINES <i>PRIMARY RESIDENCE</i>	A short seller homeowner can be eligible for a Fannie Mae insured loan in a shorter time frame than in a foreclosure. The time period this can be as short as 2 years.*	If there is a foreclosure, the property owner may be Fannie Mae insured loan eligible with restrictions after 5 years, and no restrictions after 7 years.*
FANNIE MAE GUIDELINES <i>NON-PRIMARY RESIDENCE</i>	A short seller investor can be eligible for a Fannie Mae insured loan in a shorter time frame than in a foreclosure — the time period can be as short as 2 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. A short sale's effect on a credit score can be much less than the effect of a foreclosure.	Typically will affect credit score for at least three years. As an example, some credit scores can be negatively affected between 200 and 300 points.
UNIFORM RESIDENTIAL LOAN APPLICATION QUESTIONS (FANNIE MAE FORM 1003)	There are no questions on the form 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 years?
CREDIT HISTORY	Depending on status of payments, negotiations and on how lender reports it, a short-sale may or may not be reported on a credit history.	A foreclosure can remain on a credit history for 7-10 years or more.
SECURITY CLEARANCE <i>(SHORT SELLERS SHOULD CHECK WITH APPLICABLE AGENCY)</i>	A short sale may be viewed by some employers as a less serious event than foreclosure.	Security clearances could be affected by a foreclosure event.
DEFICIENCY/UNPAID PRINCIPAL BALANCE	In a short sale, the unpaid balance is a negotiable issue between the short seller and the lender. Through negotiation, deficiencies may in some instances be released or reduced. Where there is a deficiency, the amount in a short sale is frequently lower because the lender will usually incur fewer costs than in a foreclosure.	Typically, in a foreclosure there is no negotiation between the owner and lender. It is up to the lender (or lenders) to decide whether to foreclose. In some circumstances but not all the lender has the right to seek recovery of any unpaid deficiency balance. This is an issue requiring legal advice.

\* Fannie Mae has exceptions for extraordinary circumstances. This information was compiled from reliable sources through April 28, 2010 and all the above information is subject to rapid change. Do not rely upon this information with respect to your situation. All interested persons must independently verify the current status and continued accuracy of the above information with their legal and/or tax counsel.