

Short Sale vs. Foreclosure

FORECLOSURE

**FOR
SALE**

Issues	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 will affect your credit score for over 3 years and can lower that score between 250 to 300 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 10 years or more
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 those states where there is no deficiency protection in the law) the bank has the right to pursue a deficiency judgment
Future Employment	A Short Sale is not to be reported on a credit report and therefore should not be a challenge to employment ²	Most employers require a credit check on all job applicants. Foreclosures are one of the most detrimental credit items for your credit report. This could affect employment

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FIRST AMERICAN TITLE
9000 East Pima Center Parkway
Scottsdale, AZ 85258

MAIN 602.685.7000

www.ThinkFirstAmerican.com



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Type of Loan	Successful Short Sale	Foreclosure
Fannie Mae¹	The homeowner will be eligible for a Fannie Mae-backed mortgage after 2 years	The homeowner is not eligible for a Fannie Mae-backed loan for 5 years
FHA (late on payments)	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 loan for 5 years
FHA (current)	There is NO WAIT for Freddie- or Fannie-backed loans if current on all obligations, including installment debt	The homeowner is not eligible for a Fannie Mae-backed loan for 5 years
VA (late payments)	The homeowner will be eligible for a Fannie Mae-backed loan after 3 years	The homeowner is not eligible for a Fannie Mae-backed loan for 5 years
VA (current)	The homeowner will be eligible for a Fannie Mae-backed loan after 3 years	The homeowner is not eligible for a Fannie Mae-backed loan for 5 years
Conventional (late payments)	The homeowner will be eligible for a Fannie Mae-backed loan after 2 years	The homeowner is not eligible for a Fannie Mae-backed loan for 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 on in the past 7 years

¹ Fannie Mae Announcement 08-16: Michael A. Quinn, Senior Vice President, Single Family Risk Officer

² Short Sales are currently not explicitly reported on a credit report