

Short Sales

What You Need to Know...

Homeowners are “short” when they owe an amount on their property that is higher than the current market value. A short sale occurs when a negotiation is entered into with the homeowner’s mortgage company to accept less than the full balance of the loan at closing.



Foreclosure vs. Short Sale

Issue	Foreclosure	Successful Short Sale
Future Fannie Mae Loan – Primary Residence (effective 5/21/2008)	A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae backed mortgage for a period of five years.	A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after 2 years.
Future Fannie Mae Loan – Non Primary (effective 5/21/2008)	An investor who allows a property to go into foreclosure is ineligible for a Fannie Mae backed investment mortgage for 7 years.	An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after 2 years.
Future Loan with any mortgage company or bank	On any future loan application, a prospective borrower will have to answer YES, they have had a property foreclosed in the last 7 years.	There is no similar declaration or question regarding a short sale.
Credit Score	Score may be lowered anywhere from 250 to more than 300 points. Typically, this will affect a score for more than 3 years.	Only late payments on a mortgage will show after a short sale. Account is notated as paid or negotiated. A short sale’s effect can be as brief as 12 months.
Credit History	Foreclosure will remain as a public record and on credit history for ten years.	A short sale is not reported on credit. There is no specific reporting item for a short sale. The loan is typically reported “paid or settled”.
Security Clearance	Foreclosure is most challenging issue against obtaining a security clearance outside a criminal conviction. If your job requires a security clearance a foreclosure can be revoked.	A short sale on its own does not challenge most security clearances.



If your home is currently listed this is not a solicitation.