



9 Reasons a Short Sale is better than a Foreclosure

Short Sale helps you obtain a new mortgage loan

A homeowner who loses a home to *foreclosure* is ineligible for a Fannie Mae-backed mortgage for a period of 7 years with some exceptions based on extenuating circumstances. A homeowner who successfully negotiates and closes a *short sale* will be eligible for a Fannie Mae-backed mortgage within 2 years!

Short Sale helps you obtain a new investment loan

An Investor who loses a home to *foreclosure* is ineligible for a Fannie Mae Backed mortgage for a period up to 7 years with some exceptions based on extenuating circumstances. An Investor who successfully negotiates and closes a *short sale* will be eligible for Fannie Mae-backed investment mortgage within 2 years!

Short Sale looks better on a future mortgage loan application

On any future mortgage loan application, a prospective borrower will have to answer YES to question C in Section VIII of the loan application that asks "Have you had property foreclosed upon or given title or deed-in-lieu thereof in the last 7 years?" This will affect your future interest rate. There is no similar declaration or question regarding a short sale on a mortgage loan application. In other words, you don't have to answer YES to question C and this will help you obtain a new mortgage loan with a lower interest rate.

Credit Score is less affected by a Short Sale

Score may be lowered anywhere from 250 to over 300 points due to a foreclosure and this will typically affect your credit score for over 3 years. A short sale can lower your score as little as 50 points for 12-18 months if all other payments are being made on time. In a short sale, only late payments on a mortgage will show on a credit report, and the mortgage is normally reported as "paid as agreed", "paid as negotiated", or "settled".

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Credit History is less affected by a Short Sale

Foreclosure will remain as a public record on a person's credit history for 7 years or more. A short sale is not reported on a person's credit history. There is no specific reporting item for "short sale". In most cases a loan is typically reported "paid in full, settled less than balance" or paid as negotiated".

Security Clearance is less affected by a Short Sale

Foreclosure is the most challenging issue against a security clearance outside of a conviction of a serious misdemeanor or felony. If a client has a foreclosure and is a police or security officer, in the military, in the CIA, or any other position that requires a security clearance in almost all cases clearance will be revoked and position will be terminated. On its own, a short sale does not challenge most security clearances.

Current Employment is not affected by a Short Sale

Employers have the right and are actively checking the credit regularly of all employees who are in sensitive positions. A foreclosure in many cases is grounds for immediate reassignment or termination. A short sale is not reported on a credit report and is therefore not a challenge to employment.

Property value of neighborhood is enhanced by a Short Sale

If you do not do anything about the house being foreclosed upon, the lender will eventually take possession of the house via a Sheriff's Sale, which can cause some embarrassment to the homeowner and bring down the value of other homes in the neighborhood. A better option is for the homeowner to leave with their dignity intact by selling the home in a short sale. The value of other homes in the neighborhood will remain intact and interested neighbors will think that the homeowner is simply selling their home.

Lender's pay homeowner's Compensation

Staying until the lender forecloses may result in the lender offering you a \$1,000 in a moving assistance program called "Cash for Keys." Homeowners in a short sale can receive anywhere from \$3000 up to \$15,000 for moving assistance.

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