

# Short Sale vs. Foreclosure

**FORECLOSURE**

**FOR  
SALE**

Issues	Successful Short Sale	Foreclosure
<b>Credit Score</b>	A Short Sales effect can be as brief as <b>12</b> to <b>18</b> months. Only late payments on the mortgage will show. This can lower the score as little as <b>50</b> points	A Foreclosure will affect your credit score for over <b>3</b> years and can lower that score between <b>250</b> to <b>300</b> points
<b>Credit History</b>	A Short Sale <b>MAY NOT</b> be reported on a person's credit history	A Foreclosure will stay on a person's credit history for <b>10</b> years or more
<b>Deficiency Judgment</b>	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 <b>100%</b> 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
<b>Future Employment</b>	A Short Sale is <b>not to be reported</b> on a credit report and therefore should not be a challenge to employment <sup>2</sup>	Most employers require a <b>credit check</b> on all job applicants. Foreclosures are one of the most detrimental credit items for your credit report. <b>This could affect employment</b>

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Type of Loan	Successful Short Sale	Foreclosure
<b>Fannie Mae<sup>1</sup></b>	The homeowner will be eligible for a Fannie Mae-backed mortgage after <b>2</b> years	The homeowner is not eligible for a Fannie Mae-backed loan for <b>5</b> years
<b>FHA (late on payments)</b>	3 years from the date the FHA Insurance is paid by the lender – not the date of the Short Sale closing before a borrower <b>may</b> be eligible for another FHA loan	The homeowner is not eligible for a Fannie Mae-backed loan for <b>5</b> years
<b>FHA (current)</b>	There is <b>NO WAIT</b> 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 <b>5</b> years
<b>VA (late payments)</b>	The homeowner will be eligible for a Fannie Mae-backed loan after <b>3</b> years	The homeowner is not eligible for a Fannie Mae-backed loan for <b>5</b> years
<b>VA (current)</b>	The homeowner will be eligible for a Fannie Mae-backed loan after <b>3</b> years	The homeowner is not eligible for a Fannie Mae-backed loan for <b>5</b> years
<b>Conventional (late payments)</b>	The homeowner will be eligible for a Fannie Mae-backed loan after <b>2</b> years	The homeowner is not eligible for a Fannie Mae-backed loan for <b>5</b> years
<b>Conventional (current)</b>	There is <b>NO WAIT</b> for a Freddie- or Fannie-backed loan if current on all obligations, including installment debt	<b>Future rates</b> may be affected if you have been foreclosed on in the past <b>7</b> years

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

<sup>2</sup> Short Sales are currently not explicitly reported on a credit report