

**Short Sale Versus Foreclosure Versus Chapter 7 Bankruptcy Versus Chapter 13 Bankruptcy — And Credit Scores Required**

Issue	Successful Short Sale	Foreclosure	Chapter 7 Bankruptcy	Chapter 13 Bankruptcy	Credit Score for loan
Future primary residence loan from FHA	Homeowners who successfully negotiate & closes a short sale may be eligible for a new loan after <b>2 years</b> .	Homeowners who lose their home to foreclosure may be eligible for a new loan after <b>3 years</b> .	A homeowner who files Chapter 7 may be eligible for a loan <b>2 years</b> after the discharge of the bankruptcy.	May be able to apply for a new loan as early as <b>12 to 18 months</b> .	Above <b>610</b>
Future primary residence loan from VA	After successfully negotiating a short sale, you may be eligible for a loan after <b>2 years</b> .	If you lost your home after the mortgage company foreclosed on your loan, you must wait <b>2 years</b> before applying for a new loan.	After the Bankruptcy has been discharged, one may apply for a loan after waiting <b>2 years</b> .	The Veterans Administration makes one wait <b>2 years</b> after the bankruptcy has been discharged.	Above <b>620</b>
Conventional loan	With either a short sale or foreclosure, you must wait <b>4 years</b> before applying for a new loan.		Most conventional mortgages require waiting <b>7 years</b>		Above <b>660</b>
Credit History	A short sale is not reported on credit history. There is no specific reporting item for "short sale." The loan is typically reported as "paid in full, settled."	Foreclosure will remain as a public record on a person's credit history for <b>10 years</b> or more.	Typically will lower the score <b>250-300 points</b> or more. It is the blackest mark you can have on your credit.		
Security Clearance	A short sale is not reported on a credit report & is therefore not a challenge to employment.	Foreclosure is the most challenging issue against security clearance outside of a conviction of a serious misdemeanor.	Each case is different.		
Credit Score	Only late payments on mortgage will show & after sale, mortgage will be reported as paid or negotiated. This will lower the score as little as <b>50 points</b> if all other payments are being made. A short sale's effect can be as brief as <b>12-18 months</b> .	Score may be lowered anywhere from <b>250 to over 300 points</b> . Typically will affect score for several years.	Bankruptcy will stay on your credit report for <b>10 years</b> after discharge, which normally takes <b>1-2 years</b> , making a total of <b>11 Or 12 years</b> .	Bankruptcy will remain on credit history for <b>10 years</b> after discharge, which is normally <b>3-5 years</b> , making a total of <b>13-15 years</b> .	

*Do not consider as legal, financial, or tax advice. Information is advisory only. All statements deemed reliable, but accuracy and completeness are not guaranteed. Sources of Information: IRS.gov, IRS publication 4681 (Cancelled Debts, Foreclosure, Repossession and Abandonment). Internet: Bankruptcy Chapter 7 and 13, Fannie Mae and Your Credit Score. Others sources used as background information. Contact your financial and/or legal professional to determine how your particular situation will be impacted.*

## Short Sale Versus Foreclosure Versus Chapter 7 Bankruptcy Versus Chapter 13 Bankruptcy

Issue	Successful Short Sale	Foreclosure	Bankruptcy, Both 7 and 13
Current Employment	A short sale is not reported on a credit report and is therefore not a challenge to employment.	Employers are requiring credit checks on most job applicants. A foreclosure is one of the most detrimental credit items an applicant can have & in most cases will challenge employment.	Employers, both current and future, have the right to check your credit scores and it could challenge current employment.
Future Employment	A short sale is not reported on a credit report and is therefore not a challenge to employment.	Many employers are requiring credit checks on all job applicants. A foreclosure is one of the most detrimental credit items an applicant can have and in most cases, will challenge employment.	A difficult problem for the future employer and for any landlord.
Deficiency Judgment (See new governmental regulations below)	In California, this is dependent on whether You have a recourse or a non-recourse loan.	In California, with a trust deed sale, the deficiency judgment depends upon whether you have a recourse or non-recourse loan.	Bankruptcy 7 or 13 could cure this. However, the loan company could continue to seek reimbursement and may seek a judgment against you.
Deficiency Judgment (amount). (See new governmentally-related regulations below)	In a properly managed short sale, the home is sold at a price that should be close to market value and in almost all cases will be better than an REO sale, resulting in a lower deficiency judgment.	In a foreclosure, the house will have to go through an REO (Bank Owned) process if it does not sell at auction. In most cases the house will sell at a lower price, resulting in a higher deficiency judgment.	Bankruptcy 7 or 13 could cure this. However, the loan company could continue to seek reimbursement and may seek a judgment against you.
New Governmental Regulations	Applies to both short sales and foreclosures The Mortgage Forgiveness Debt Relief Act of 2007 will cancel the first Purchase Money Loan, up to \$1,000,000.00 for principal residences. Use the internet and check the Relief for a qualified principal residence. The forgiveness plan is effective until the end of 2012. If questions, be sure to talk to a tax specialist or an attorney.		Nothing available.
Cost to You: Dollar amount if any	Lender pays costs that occur on purchase money loans.		Court and attorney fees, paperwork fees, and court appearances. Application about \$500, paperwork, & court, may total \$3000-\$4000.

About recourse and non-recourse: If your loan was to purchase a primary residence, then in most cases it will be a non-recourse loan. If you re-finance the residence, then the loan is now a recourse loan. Usually, any method of finance other than the original purchase money loan is suspect for being recourse money. Second homes or investment properties are usually considered to be recourse money. Non-recourse or purchase money means the bank usually cannot ask you for the price difference. Recourse means the bank might ask you to pay some of the price difference.

*Do not consider as legal, financial, or tax advice. Information is advisory only. All statements deemed reliable, but accuracy and completeness are not guaranteed. Sources of Information: IRS.gov, IRS publication 4681 (Cancelled Debts, Foreclosure, Repossession and Abandonment). Internet: Bankruptcy Chapter 7 and 13, Fannie Mae and Your Credit Score. Others sources used as background information. Contact your financial and/or legal professional to determine how your particular situation will be impacted.*