



Your Short Sale Negotiators

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FORECLOSURE vs. SHORT SALE - Part 1

Issue

Future Fannie Mae Loan:
Primary Residence
(effective May 21, 2008)

*Future Fannie Mae Loan:
Non Primary Residence
(effective May 21, 2008)*

Future Loans with any
Mortgage Company

Credit Scores

Credit History

Foreclosure

A homeowner who loses a home to foreclosure is ineligible for a Fannie Mae backed mortgage for a period of 5 years.

An investor who allows a property to go to Foreclosure is ineligible for a Fannie Mae backed Investment mortgage for a period of 7 years.

On any future 1003 application, a prospective borrower will have to answer YES to question C in Section VIII of the standard 1003 that asks "Have you had property foreclosed upon or given title by a Deed in lieu during the last 7 years?" This will affect rates.

Score may be lowered anywhere from 250 to over 300 points. Typically a foreclosure will affect a score for over 3 years.

Foreclosure will remain as a public record on a person's credit history for 10 years or more.

Successful Short Sale

A homeowner who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed mortgage after only 2 years.

An investor who successfully negotiates and closes a short sale will be eligible for a Fannie Mae backed investment mortgage after only 2 years.

There is no similar declaration or question regarding a short sale.

Only late payments on mortgage will show and after sale mortgage will be reported as paid or negotiated. This will lower the score as little as 50 points if all other payments are being made. A short sale's effect can be as brief as 12 to 18 months.

Short sale is **not** reported on a credit history. There is **no** specific reporting item for 'short sale'. The loan is typically reported 'paid in full or settled'.