

	<b>Foreclosure</b>	<b>Successful Short Sale</b>
<b>Credit Score</b>	Foreclosures are a public record similar to a bankruptcy and usually can affect your credit score by lowering it 175 to 300 points. As a public record it will stay there for 7 to 10 years.	Short sales do not show up under public records and once the short sale is completed successfully, all that will show on your credit will be the late payments to the mortgage and the statement "settled for less than full amount due" (or similar verbiage). Depending on the rest of your credit, the score may only be affected by as little as 50 to 60 points.
<b>Credit History</b>	Along with the late payments, the foreclosure will remain as a public record your credit history for 7 to 10 years.	Only the late payments will be reported on your credit. The short sale will appear the same as a charge off on a credit card and will be reported as "settled for less than full amount due" (or similar verbiage).
<b>Future Home Purchase (Primary Residence - Fannie Mae Loan) (effective May 21, 2008)</b>	Per Fannie Mae, individuals losing a home to foreclosure will not be eligible for a Fannie Mae loan for a time period of 5 years.	Per Fannie Mae, if an individual completes a short sale they may be able to purchase a home after 2 years (depending on credit score and how they have maintained the rest of their credit)
<b>Future Home Purchase (Non Primary Residence - Fannie Mae Loan) (effective May 21, 2008)</b>	If an individual loses an investment property to foreclosure they can not buy another investment property for 7 years under current Fannie Mae guidelines.	Per Fannie Mae, if an individual completes a short sale they may be able to purchase a home after 2 years under current Fannie Mae guidelines. **

<p><b>** NOTE – Fannie Mae is currently the largest insurer of residential mortgages with Freddie Mac as the second. Freddie Mac’s guidelines are typically the same as Fannie Mae.</b></p>		
<p><b>Future Loan with any Mortgage Company</b></p>	<p>When completing a loan application in the future for a purchase of a home the borrower will have to answer YES to the question (C, section VIII) “have you had property foreclosed upon or given title or deed in lieu thereof in the last 7 years?” For those 7 years the type of loan or rate you receive may be affected by this.</p>	<p>There is no question related to short sales currently on a loan application. **</p>
<p><b>Deficiency Rights</b></p>	<p>Illinois law allows for the lender to pursue the homeowner for a deficiency. This deficiency represents the difference between what you owed on your mortgage and the amount the bank netted after they sold the property to a third party. Deficiency judgments are valid for seven years in Illinois and can be extended for up to ten years.</p>	<p>As part of the negotiation process, in many cases we are able to have the lender agree to release the homeowner for any future deficiency. If a full release isn’t possible, we can negotiate a much smaller deficiency amount and negotiate favorable payment terms.</p>
<p><b>Taxes (FEDERAL)</b></p>	<p>At the end of the year the lender will provide a 1099-A which reflects the amount they have written off. This will show as income to the homeowner. The homeowner may or may not</p>	<p>At the end of the year the lender will provide a 1099-C for the amount they have written off. This will show as income to the homeowner. The Mortgage Debt Relief Act of 2007</p>

	<p>be responsible for paying taxes on this income. Insolvency may be an option to the amount forgiven (Consult an accountant or attorney for more information)</p>	<p>generally allows taxpayers to exclude income from the discharge of debt on their <b>principal</b> residence. Debt reduced through short sales, can qualify for the relief. This Act is currently in effect through 2012. (Consult an accountant or attorney for more information) *</p>
<b>Current Employment</b>	<p>Employers have the right to check the credit of all employees who are in sensitive positions. In some positions, a foreclosure may be grounds for reassignment or termination.</p>	<p>A short sale is not a public record and is reported separately on a credit report. The employer will only see late payments and an account that has been settled. This shows that you worked with the lender towards a resolution and typically looks much better to the employer.</p>
<b>Future Employment</b>	<p>Most employers check credit histories of future employees and some (depending on the sensitivity of the position) will not allow for a foreclosure on a future employees record. If an individual is currently employed sometimes it could mean grounds for reassignment of termination.</p>	<p>The short sale will not show as a “public record”, it will only show on the credit as late payments and “settled for less than full balance” (or something similar). This shows to the employer that the future or current employee worked with the lender towards a resolution and typically looks much better to the employer.</p>
<b>Security Clearances</b>	<p>Foreclosure can be a challenging issue against a</p>	<p>A short sale by itself does not challenge most security</p>

	security clearance. If an individual is a police officer, in the military, CIA or any other position that requires security clearance, in most cases security clearance will be revoked and position would be terminated.	clearances.
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*\*\* The information provided is for **informational purposes ONLY**. It will serve in a starting point to further investigate how a short sale or foreclosure may effect you. We **HIGHLY RECOMMEND** that you consult a CPA/tax advisor and/or and attorney regarding your specific situation **BEFORE** you consider a short sale, deed-in-lieu-of-foreclosure or foreclosure. \*\**