



# Foreclosure or Short Sale, What Should I Do?



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# Foreclosure vs. Short Sale



## Foreclosure

- Distressed Homeowners
  - Bank has control of sale
- Credit Score Effects
  - ~200 point loss
  - Debt vs. credit limits
  - Remains on credit history for 7 years & register of deeds forever
  - No mortgage for 5-7 years
- Debt Forgiveness Relief Act
  - Expires Dec. 31, 2012

## Short Sale

- Owners have control over sale, not bank
- Credit Score Effects
  - ~50 point loss
  - Doesn't appear on credit report
  - Freddie Mac/Fannie Mae mortgage options
    - Can get loan immediately, no waiting

## Foreclosure

- Deficiency Judgment
  - [www.foreclosurelaws.org](http://www.foreclosurelaws.org)
  - Judgment Lien
- Periodic Creditor Exams
- Other Consequences
  - Court order to garnish wages
    - ~25% net disposable wages
    - Check your state laws; ex. [www.MichiganLegislature.org](http://www.MichiganLegislature.org)
- Seizure of bank accounts & Restraining orders

## Short Sale

- Making Home Affordable Program
  - Borrower gets \$3000 relocation money at closing
  - REALTORS® get commissions
  - No seizure of bank accounts, wages, etc.



## Foreclosure

- Post Foreclosure and REO
  - Vandalism
  - Surrounding properties' values decline
- Effects on Banks
  - Lose 2-3 times more on foreclosure/REO than short sale
- Future and current employment could be affected

## Short Sale



- Stabilize neighborhoods/communities
- Occupied Home
  - No vandalism & sells faster
- Government offers incentives for lenders to short sale
  - Encourages lenders to assist in short sale rather than opt to foreclose
- Current & future employment no affected.



# Thank you!

# Questions?

