

[Date]

[Recipient Name]

[Recipient Address]

[City, State, Zip Code]

Subject: Comparison of Credit Impact: Short Sale vs. Foreclosure

Dear [Client Name],

As requested, this letter provides a general comparison of how a short sale versus a foreclosure may impact your credit standing and future borrowing ability.

1. Credit Score Impact

- **Short Sale:** Typically results in a 50 to 150 point drop. The impact may be less severe if you have not missed previous mortgage payments.
- **Foreclosure:** Typically results in a 200 to 300 point drop. This is generally considered more damaging by credit scoring models.

2. Public Record and Reporting

- **Short Sale:** Often reported as "settled for less than full balance" or "account paid in full for less than the full balance."
- **Foreclosure:** Remains on your credit report as a "Foreclosure" for seven years, which is viewed as a significant derogatory event by lenders.

3. Waiting Period for New Mortgage (Fannie Mae/Freddie Mac Guidelines)

- **Short Sale:** You may be eligible for a new conventional loan in as little as 2 to 4 years, depending on the loan-to-value ratio and extenuating circumstances.
- **Foreclosure:** There is typically a mandatory 7-year waiting period before you can qualify for a new conventional mortgage.

4. Future Employment and Applications

- **Short Sale:** Usually not required to be disclosed on job applications.
- **Foreclosure:** Many employment and insurance applications specifically ask if you have ever had a foreclosure, which may impact their decision-making process.

Conclusion

While both options will affect your credit, a short sale is generally considered the "lesser of two evils" and allows for a faster recovery of your credit profile. We recommend consulting with a tax professional or credit counselor to discuss your specific situation.

Sincerely,

[Your Name]

[Your Company Name]

[Your Contact Information]