

Date: [Date]

To: [Client Name]

Address: [Client Address]

Subject: Comparison of Future Homeownership: Short Sale vs. Foreclosure

Dear [Client Name],

As you evaluate your options regarding your current property, it is important to understand how a short sale versus a foreclosure will impact your ability to purchase a home in the future. Below is a comparison of the typical waiting periods and credit implications for each path.

## 1. Waiting Period to Purchase a New Home

- **Short Sale:**
  - Conventional Loan: Usually 2 to 4 years.
  - FHA Loan: 3 years (may be waived if you were current at the time of sale).
  - VA Loan: 2 years.
- **Foreclosure:**
  - Conventional Loan: Typically 7 years.
  - FHA Loan: 3 years.
  - VA Loan: 2 years.

## 2. Credit Score Impact

**Short Sale:** Generally results in a drop of 50 to 130 points. The credit report typically shows "settled for less than full balance," which is viewed less harshly by future lenders.

**Foreclosure:** Generally results in a drop of 250 to 300 points. A foreclosure remains on your credit report for 7 years and is a significant red flag for many mortgage underwriters.

## 3. Future Loan Applications

**Short Sale:** On many standard loan applications, there is no specific question asking if you have ever performed a short sale, though you must disclose the previous mortgage history.

**Foreclosure:** Most loan applications specifically ask if you have ever had a property foreclosed upon. Answering "yes" can lead to automatic denials or higher interest rate requirements.

In summary, while both options affect your credit, a short sale typically allows you to return to homeownership significantly faster and with less long-term damage to your financial profile than a foreclosure.

If you have any questions regarding these comparisons, please feel free to contact me.

Sincerely,

[Your Name]

[Your Title]

[Your Company]

[Your Phone Number]