

Date: [Insert Date]

[Borrower Name]
[Property Address]
[City, State, Zip]

Re: Comparison of Deficiency Liability: Short Sale vs. Foreclosure

Dear [Borrower Name],

This letter provides a comparison regarding the potential for a deficiency judgment following a short sale versus a foreclosure on the property referenced above.

1. Short Sale Scenario

In a short sale, the lender agrees to accept a payoff amount that is less than the total balance owed. Regarding the deficiency (the remaining balance):

- **Deficiency Waiver:** As part of the short sale negotiation, we can request that the lender issue a full "Release of Personal Liability." If granted, the lender waives the right to pursue you for the unpaid balance.
- **Settlement:** In some cases, the lender may require a small promissory note or a one-time cash contribution in exchange for forgiving the remaining debt.

2. Foreclosure Scenario

In a foreclosure, the property is sold at a public auction. Regarding the deficiency:

- **Automatic Liability:** In many states, if the auction price does not cover the full loan balance plus legal fees, the lender may automatically retain the right to seek a deficiency judgment against you.
- **Judgment Execution:** A deficiency judgment is a court order that allows the lender to collect the debt by garnishing wages, seizing bank accounts, or placing liens on other assets you may own.
- **Duration:** Depending on local laws, a lender may have several years to pursue this judgment.

Summary Comparison

Feature	Short Sale	Foreclosure
Deficiency Status	Often Negotiable/Waived	Often Retained by Lender
Control	Borrower participates in terms	Determined by State Law/Auction
Credit Impact	Typically less severe	Typically more severe

Note: While a short sale offers the opportunity to negotiate a waiver of deficiency, it may result in taxable income due to debt forgiveness. We recommend consulting with a tax professional and a qualified attorney to discuss your specific financial situation.

Sincerely,

[Your Name/Company Name]

[Your Phone Number]

[Your Email Address]