

[Date]

[Client Name]

[Client Address]

[City, State, Zip Code]

Re: Financial Comparison - [Investment Property Address]

Dear [Client Name],

As you evaluate the future of your investment property, it is important to understand the different outcomes between a Short Sale and a Foreclosure. Below is a comparison of how each option may impact your financial standing and future investment capabilities.

1. Deficiency Judgment Risk

Short Sale: In many cases, we can negotiate with the lender to waive the right to pursue a deficiency judgment (the difference between the sale price and the loan balance) as a condition of the sale.

Foreclosure: The lender may retain the right to seek a personal judgment against you for the full amount of the loss, which can lead to wage garnishments or bank levies.

2. Impact on Credit Score

Short Sale: Typically results in a 50 to 150 point drop. The hit is often less severe because the debt is reported as "settled for less than full payment."

Foreclosure: Typically results in a 200 to 300 point drop and remains a public record on your credit report for seven years.

3. Future Investment Financing

Short Sale: Under current guidelines, you may be eligible to purchase another investment property or primary residence in as little as 2 years.

Foreclosure: You are generally barred from conventional financing for 5 to 7 years.

4. Tax Implications

Short Sale: You will receive a 1099-C for the forgiven debt. Since this is an investment property, you should consult with a CPA regarding capital gains or losses and how the "Insolvency" rule applies.

Foreclosure: Similar tax reporting occurs, but you lose control over the timing of the sale and the final price, which can lead to a larger taxable "phantom gain."

5. Professional Reputation and Control

Short Sale: You maintain control over the marketing and sale process. The transaction is handled like a standard real estate sale.

Foreclosure: The process is involuntary and public. A foreclosure on an investor's record can negatively impact professional licensing or corporate background checks.

My goal is to help you mitigate your losses and protect your future borrowing power. Please contact me at [Phone Number] to discuss which path is best for your specific situation.

Sincerely,

[Your Name]

[Your Title/Company Name]