

3 Reasons You Want A Short Sale Over A Foreclosure

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The sad reality is that loan modifications are not helping most troubled homeowners save their mortgages from foreclosure. Alternatives are needed. The government has seen this, and is putting all its leverage on servicers, junior lien holders, and lenders to fast track short sales.

However, many troubled homeowners are asking: Why Should I Even Try to Get a Short Sale? I am Going to Lose my Home Whatever I Do? This is a fair question. Foreclosing on your mortgage does not require much time and effort, but short selling your house does. What are the benefits, if any, of applying for a short sale on your home?

This article will look at 3 benefits. None of these benefits will save your home, but they will make it much easier to cope with the aftermath of losing your house, and make it much easier to get on with your life.

Benefit 1. Buying a Home. It is much easier, and faster, to buy a home after a short sale than after a foreclosure. If you foreclose on your current mortgage you might be eligible for a loan after five years if your current mortgage is your primary home. If the home you foreclose on is your secondary home you will have to wait seven years. However if you short sale you could apply for a Fanny Mae mortgage immediately if you were not behind on your payments. If you were behind in your payments you will have to wait 2 years.

Benefit 2. Getting a Loan. Even if you are not planning to buy a home any time soon you will probably want to get a loan. A foreclosure will destroy your chances of getting a reasonable loan for up to 7 years. There is a question in every loan application that asks if you have foreclosed on a mortgage. If you lie you can be investigated for fraud, if you tell the truth you can kiss goodbye your loan.

Benefit 3. Your credit rating. Credit rating is not only important to get a mortgage or a general loan. It is also used by employers when selecting potential employees, and landlords when screening tenants. The bad news is that foreclosures destroy your credit rating. Credit rating ranges from 300 (dismal) to 850 (excellent). A foreclosure will drop your rating by anything from 200 to 400. However, a short sale will either nudge your rating down by a 100, or not affect it at all, because many lenders do not even report short sales to credit bureaus.

Add to these benefits the fact you could get a \$3,000 incentive and you should be able to answer why it is better to apply for a short sale from your lender than simply sending him some jingle mail.