

Prepared Exclusively for: Distressed Homeowner

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Foreclosure threatening your credit score?

Your mortgage problems don't have to bring down everything you've worked for

If your mortgage payments have become unaffordable, or you've recently taken a financial hit that will affect your ability to pay the mortgage, you probably have a lot on your mind. Your next financial moves will affect you for many years to come, so having a solid, informed plan can save you a lot of stress in the near and distant future.

Anyone who is facing foreclosure should understand exactly what its implications are, and what other options are available. If you are behind on mortgage payments and do not see a way to catch up, avoiding foreclosure can help you recover your finances more quickly. Short sales and deeds-in-lieu are two dignified alternatives that more and more homeowners are using to avoid the financial impact of foreclosure.

One incredibly important benefit of these foreclosure alternatives is their lesser impact on your credit score. "I have personally seen a short sale only lower credit scores by as little as 50 points, as opposed

Specifics

A short sale is when the lender agrees for the property to be sold at a price lower than the mortgage balance owed.

A deed-in-lieu is when the lender receives the house deed in place of the mortgage balance, although in some cases the lender will still pursue the homeowner for the leftover mortgage balance, which is called a deficiency judgment.

to the 250 to 300 point drop from a foreclosure," said Alex Charfen, CEO of the Distressed Property Institute. Additionally, the credit effects of a short sale can be as brief as 12 to 18 months, whereas a foreclosure will typically impact your credit score for more than three years.



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“In the case of foreclosures, for example, a person who had a solid credit score before her housing nightmare could see it fall more than 15 percent under the system used by VantageScore, a scoring mechanism involving the nation’s three main credit bureaus, Experian, TransUnion, and Equifax.

Even if the person had paid all bills on time before, future lenders would see her as a subprime borrower, which would make obtaining loans difficult.”

—Sunday, June 27, 2010. “Personal Finance: Housing crisis likely to taint credit scores.” Gail MarksJarvis, *Philadelphia Inquirer*

In today’s economy, banks and lenders are forced by market competition to make increasingly quick lending decisions, which means they must rely more heavily on credit scores to decide whether you will be approved for a loan, how much of a down payment will be required, what your interest rates will be, etc. Whether you eventually intend to buy a car or house, take out a loan or use a credit card, minimizing the damage to your credit score through a foreclosure alternative can benefit you in the long run.

Just because your current house is unaffordable doesn’t mean you should forget the idea of owning an affordable house in the near future. However, this possibility will hinge heavily on how you deal with your current mortgage.

A short sale is not specifically reported on credit histories. Foreclosure is reported for at least 10 years, which means that when future employers check your credit history, they will see the foreclosure as a negative on your report.

Beyond the credit benefits of a short sale, it is important to know that you may be eligible for

Specifics

Fannie Mae, a government supported enterprise, backs a large percentage of U.S. mortgage loans, and your lender or I can find out if this is the case for your situation. After a short sale, you will be eligible for a Fannie Mae-backed loan in just two years, as opposed to five years after a foreclosure.

\$3,000 in borrower relocation assistance from the HAFA Program to complete a short sale or deed-in-lieu, which could help with moving costs and a more smooth transition into your future dwelling.

As you can see, a short sale may allow you to sidestep some of the damaging effects of foreclosure. There are multiple factors that influence your credit score, a crucial one being timely payments of your most recent bills. This means that if you can no longer

Specifics

The Home Affordable Foreclosure Alternatives Program, or HAFA, is part of the Making Home Affordable campaign from the government. It is designed to streamline the short sale process and incentivize both homeowners and lenders to pursue foreclosure alternatives.

afford your mortgage, it is important to act quickly. By successfully completing a short sale or deed-in-lieu, your credit score may be less damaged than in a foreclosure, which would allow you to recover more quickly and move on with your life. For that reason alone, you deserve to find out if a short sale will work for your situation.

Contact me today so that we can assess your situation and figure out your best possible options. As a CDPE-designated agent, I have been extensively trained in the full range of foreclosure alternatives for distressed homeowners, and I’m ready to help you get started on a path to a more stable tomorrow.



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