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DAILY NEWS

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YOUR MONEY

Thanks to new rules, homeowners are no longer coming up short with short sales:

- **If you've been current on your mortgage and sell your house in a short sale, your credit score won't get trashed.**
- **But if you have a history of late payments, you're out of luck.**

LONG & SHORT

New rule preserves credit for short-sellers with good history

The Money Pros are standing by to take your questions.

Q I heard there are new rules relating to short sales — sales of properties for less than the balances owed on their mortgages. What are the new rules, and how might they be beneficial?

A Yes, there are new rules and they should be very interesting to all homeowners since those who have and maintain excellent paying patterns can benefit enormously from the changes.

Before February 2012, if a home was underwater (valued at less than the mortgage owed) and the seller had an offer that was accepted by the lender for a short sale, once the home was sold, the seller's credit score would be greatly damaged.

The short sale was viewed and updated on credit reports by the lender as a settlement. Settlements can drop scores by hundreds of points and take three to seven years for full credit recovery.

THE MONEY PROS

According to the new rules, if a homeowner has always been current on his mortgage and goes through a short sale, the mortgage will be updated with a neutral rating.

This means the seller with an excellent credit paying history will not be impacted by hundreds of points and spend years waiting for credit score recovery.

This makes perfect sense since in most cases the decrease in value is not the seller's fault, and therefore they should not be punished for it.

Those who have a short sale, and have a history of late payments on their mortgage, would see their score drop significantly as they have in the past.

Tracy Becker

Tracy Becker is the president of North Shore Advisory, a credit restoration company in Tarrytown, N.Y. Do you have a question for the Money Pros? Send an email to pfurman@nydailynews.com.