Loan Modification Guide

Secrets

10 Secrets

Probably the most valuable guide you will find when it comes to dealing with lenders during a loan modification trying to save your home.

"Owe More Than What Your Home Is Worth?"

The Essentials

Introduction

Facing foreclosure can be overwhelming and scary, but by taking the right steps you may be able to keep your home and save your credit. The following guide breaks down how to get through the process yourself using all or parts of the 10 Secrets outlined in this eBook

Why Did It Happen?

Sub-prime mortgage practices deserve much of the blame for the current crisis. Throughout the early part of this decade, mortgage lenders earned huge profits lending money to borrowers with questionable credit histories. The roaring housing market and the availability of easy credit perpetuated a cycle of refinancing whereby a borrower that could no longer afford their monthly mortgage payment could simply refinance into a new mortgage; often at a low teaser rate.

Once the housing market stalled, however, sub-prime borrowers found themselves unable to refinance. This led to record numbers of foreclosures. It is estimated that 48% of all houses ―on the market‖ are in some state of foreclosure: Pre-foreclosure, Short Sale and Bank-Owned, according to RealtyTrac.

We are lucky to work and live in the Bergen, Hudson and Passaic County area(s) because we are not the average inside this statistic. But when it happens to you, to your family or your closest friends, this becomes personal and no stats will soften the consequences of someone you love losing a home.

According to CNN.com, ―The inventory of homes on the market is up about 50% compared with last year at this time, and there are 6 million homes waiting on the sideline for markets to improve. Much of that "shadow inventory" is held as repossessed properties by banks, which will eventually have to release them back on the market.

Currently over 11 million homeowners have no equity in their homes. These sellers can‘t sell and are stuck. And forget it if you have a negative equity and are underwater, like more and more homeowners today. Your options are to stay where you are if you can. Do a loan modification while Banks are accepting them and hope for a quick recovery.

Home prices are still falling yet again, a collective $1.7 trillion of home equity was lost in 2010, according to Zillow.com.
According to a Wall Street Journal Article, economist Nouriel Roubini, you‘ve probably seen him on CNN, says the housing market is in a double dip. "11 million households are already in negative equity and 8 million more have an LTV btw 95 and 100%. Thus even a 5% fall in home

price will push an extra 8 million in negative equity with risk of millions walking away from their homes"

This is very significant information when considering your future.

Even if you are borderline and maybe feeling a little lucky that you have some small equity on your property, take this simple example of someone who thinks they have 15% equity in their home and feels that has been spared of the housing crash …....

- Perceived equity of 15%:
- House As-Is value $200,000
- 85% equity $170,000
- Perceived Equity $30,000
- At Closing Example
- Realtor Commissions @6% -$12,000
- Seller Concession @3% -$6000
- Closing Fees and Title @3% -$6000
- Payoff Of Property Taxes -$5,000
- Net proceeds from 200,000 sale $171,000
- Net proceeds check at closing $1,000

Suddenly your 15% perceived equity became a meager $1,000

There are two factors specific to the housing market that is putting downward pressure on home prices. The first factor is the expiration of federal home buyer tax credits for first time home
buyers. "If you look at the data, Case Shiller has been falling every month since the tax credit expired in May 2010. Everyone who wanted to buy a home did so by April 2010," Roubini said. "**That tax credit stole demand from the future and its expiration led to 15 another 30% fall in home sales.**"

The second factor putting downward pressure on home prices is the ongoing chaos with mortgage documentation, and the consequent suspension by banks of mortgage foreclosure proceedings—which has actually worsened the underlying problems in the housing market.

What's worse is banks aren't giving loans. (Even to qualified applicants in some cases) The credit markets are still restricted. There are 80 – 100 million people who have good credit, have money for down payments, have stable income and want to buy. But because of strict requirements they won‘t qualify for a home loan.

Sounds crazy doesn‘t it – but it‘s true. Eighty to one hundred million people – that‘s roughly 30% of our entire population - cannot qualify for a traditional bank loan.

And finally, when we thought that there are no more reasons, here comes John Nulkey from TheHousingGuru.com with this list of reasons why real estate will have such a hard time going back to 2004-2005 levels and growth.

● Friends and families are doubling up, sharing the expenses of a single home.

● Both marriages and births are declining.

● Young people entering the workforce are burdened with college debt and are earning less than college graduates did 4 years ago. Saving for a down-payment will take longer.

● Many of those nearing retirement, having lost both in retirement accounts and home equity, are saving rather than looking to purchase another home.

● Unemployment is expected to remain high for several more years, while both job security and real wages are lower.

● The number of immigrants to the U.S. has declined while the number of those returning to their home country has increased.

● Tightened lending standards have reduced the pool of eligible buyers.

● There are no more big housing programs expected from government.

● About 14 million homeowners with mortgages have little or no equity in their present home.

● There are still several million homeowners in risk of foreclosure.

● The much touted “housing shortage” predicted for 2011 has faded into oblivion.

What to do now?

Loan Modification v. Refinance

. . ....Throwing Your Money Away

In the current credit environment, refinancing is extremely difficult. Typically, homeowners must prove that they have excellent credit, job security, disposable income, and the capability to pay a large mortgage. Lenders have eliminated programs for less qualified and sub-prime borrowers, so homeowners that have fallen behind on their mortgage or owe more than their house is worth, face an even more difficult time trying to refinance. Quite simply, a loan modification may be the only option for a great number of homeowners. Just be sure that you are not just flushing your money down the toilet because your options are not yet clear.

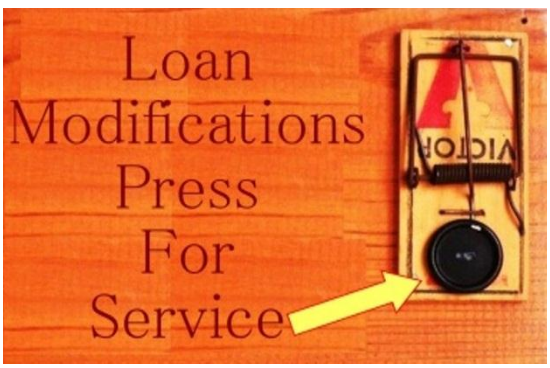
The Loan Modification Process

What is a Loan Modification?

A loan modification is one of the best options available for struggling homeowners and lenders alike.

Loan modification is a long-term solution that will help the borrower make their loan payments and stay in their home. This can be accomplished by decreasing the interest rate, or if an adjustable rate, changing it to a fixed rate. A loan modification can also be a lengthening in the period of time the borrower has to pay the loan back, or switching to a different type of loan all together.

A loan modification is beneficial to the borrower because it allows the individual or family to remain in their home and grants them loan terms that work better with their particular life style or situation. A loan modification in comparison to foreclosure, bankruptcy, or some of the other options allows the borrower to keep their credit score intact.



Loan Modifications are also beneficial to banks and lenders, especially with foreclosure rates sky rocketing in the last few years. Banks lose a lot of money in a foreclosure. Not only does it cost money to go through with a foreclosure but it often results in an overall loss for the banks, as the homes often sell for less than they are worth, or less then the outstanding loan amount itself.

In a CNN report on March 6, 2008 Bob Moulton of America Mortgage said, "It's cheaper for a bank to renegotiate payments than to chase someone and miss out on monthly mortgage payments. This is entirely true; banks lose over 50 cents to the dollar on homes that are sold through foreclosure auctions.

Which type of loan modification should you pursue?

Some forms of loan modifications are more easily obtained then others. One of the easiest ways to modify your loan is to ask to decrease the interest rate. Most lenders are willing to aggressively decrease interest rates for qualified applicants. A decreased interest rate can save you anywhere from a few hundred to a thousand dollars every month; this depends on the amount of your loan.

Lengthening your loan is another way to modify, which is often not too difficult to have a lender carry out. By increasing the number of years you have to pay off a loan a homeowner can decrease their monthly payment by a couple hundred dollarsA principle balance reduction is the most difficult loan modification to obtain. This involves the lender forgiving a portion of your debt. It is very difficult to get a lender to agree to this type of modification, because the lender has to report that money as a loss to upper management.

It is worth it to pursue a loan modification as they were designed to help the homeowner and the lender, particularly in times like these.

What to do step by step

Once a homeowner realizes that they are unable to make payments they should immediately contact their lender. Do not take out a loan to pay your mortgage; this is one way to sink further into debt.

The homeowner must then evaluate their finances using an income v. expense worksheet. This should include all expenses minus the mortgage, this will allow the homeowner to see where they spend a majority of their money each month, and possibly make adjustments to what they spend money on and how much money they spend. The homeowner must be sure to be accurate with the amounts they reports as the bank will most likely ask for proof.

Based on what the homeowner finds through evaluating their finances, they should then establish a reasonable monthly payment amount, and present this along with the loan modification proposal.

The lender will have the homeowner contact the loss mitigation department to review their options. It is important to find out exactly what the loss mitigation officer wants. They will typically ask for an income v. expenses worksheet, so it is important to have this ready ahead of time, this will help push the process along. This may also give them the ability to freeze the loan; therefore the homeowner is not accruing any additional late fees or debt.

Once the homeowner has submitted their worksheet they can begin negotiations. There is a chance the lender will accept the original request, but often this process requires negotiations. If the homeowner is denied a loan modification it is important not to give up, and to consult an attorney or attorney based loan modification company regarding the situation. It is important that the terms agreed upon are in fact terms the homeowner can meet.

SECRET #1

Make Your Temporary Loan Modification Permanent

Many people applying for the Obama loan modification program, Making Home Affordable Program, or HAMP, are finding that that their mortgage lender puts them on a temporary loan modification before transferring them over to a permanent loan modification.

Don't fall into their trap, this temporary loan modification or trial period has proven fatal for some homeowners being misled that everything is OK when the reality is that they were surprised with a notice of foreclosure. The goal of the temporary HAMP change to your home loan is to give you a trial period to see if the change in your original mortgage makes it doable for you and to see if the bank benefits as well.

One problem that has arisen is if foreclosure proceedings had started the bank should put those on hold during your temporary loan modification but many are not, this is called dual tracking and it's causing some people to lose their homes in foreclosure while they think they're safe with a loan modification.

The best thing you can do is to **push forward with your lender to get a permanent loan modification** and not just rely on the temporary change in mortgage agreement to fix your problems. There is some additional paperwork you'll need to complete your loan modification so **press your lender to give you that information** so you can go from a temporary loan modification to a permanent one.

SECRET #2

Don't Wait Until You Are Late On Your Mortgage Payments . . .

Not so long ago, loan modification was an option reserved only for homeowners who were in default. As you are aware, when a lender files a motion to start the foreclosure process, it is usually after 90 days of late payments.
The rules have changed and you can demand help when you suspect that a hardship is looming in the near future.

Now, homeowners are receiving help before they go into default in most cases. There is really no reason to wait until you are late o your mortgage payments to initiate this . . . **call your lender and be honest with them**. If you can prove your future hardship with documentation, provide them this to be considered immediately for a loan modification.

SECRET #3

Do You Really Need Professional Help?

First one of the first questions you need to answer is whether you want to tackle pursuing a loan modification yourself. Should you hire an attorney, a loan-modification firm or seek help from a nonprofit housing group?

The right answer is: **It depends on you.**

Are you savvy enough, and do you have the time, to battle these lenders on your own?"

It's always wise to have someone help you, however, if you do have some type of track record, and have some time and you are savvy about these things, then you could tackle it yourself … Why? .. Because no one is going to fight to save your home like you.

Many attorneys, loan modifications firms and even non-profit groups are completely overwhelmed with the number of applications they have . . . and you could easily become just a number to them.

When you are trying to save your house, there is only one person that you can be assured they can do the job diligent,. .that person is you!

Most lenders have a loss mitigation department that is there exclusively to assist people who have fallen behind on their payments. Speak Spanish? .**No Problema!**

The loss mitigation departments are working exclusively for the lender making sure that they don't lose out on a great amount of money by having to foreclose the property.

If you talk to your lender and explain the situation honestly by giving your desire to keep your home there will be a certain level of leeway available to you. The foreclosure process could be pricey, especially when you tack on court cost and attorney fees,

Why not you?

Save money and make sure that all the dots are dotted and your T's crossed.

Homeowners hold more power than they often realize. The banks want you to be able to make your monthly payment on time and are willing to be somewhat reasonable.

SECRET #4

Who Is Really Your Lender?

Uncovering your lender is half the battle.
Knowing who your lender is may help you get a better modification. These days, your loan is either owned by a single bank or it's been sliced up into tiny pieces and turned into a mortgage-backed security and is owned by many people.

If your bank owns the loan, you could easily get more flexible terms as opposed of someone else that has hired your bank to "service" the loan.

How can you really know what you qualify for unless you know who owns your loan?

How do you go about in finding this nugget?

Simple: Go directly to your mortgage servicer and just ask who owns your loan.
A big percentage of loans are now owned by Fannie Mae or Freddie Mac respectively . . . you can look them up by going directly to their websites.

Another source to find out who really owns your loan is to go to Hope Now.

Resources

- Hope Now
- Fannie Mae
- Freddie Mac

SECRET #5
Sing the Same Song!

Be consistent: As part of an application, you'll have to gather all of the required financial information and present it to the lender. Some of this information is sent in parts, in different dates and/ or you had a lengthy conversation with the person assigned to your case. That person writes everything you say. .every time you call and you can't be changing your tune, exaggerating or even lying about your situation.

Sing the same song throughout to avoid a denial.

Supply the lender with exactly what they request.

Not More!

Not Less!

By giving them exactly what they need, the process will go faster and with much less resistance.

Many loan modifications have failed because of inaccurate or conflicting reports.
They would love for you to contradict yourself, It's the perfect excuse to close your case and send it to foreclosure.
Remember their work piles up every single day that passes by. . .you are doing them a favor to close your file if you are caught in a lie or a grey explanation that does not make sense.

SECRET #6
A One Page Hardship Letter (..and don't blame them!)

The hardship letter is required by all lenders and servicers. It is important that this letter is submitted with your loan modification application.

Your letter should be no more than one page, easy to read and understand. Short and to the point. This letter will be read by your lender, you want to make it as direct as possible. After the reader finishes with this letter, you would want him/her to have the feeling that there is no reason you should not receive a favorable loan modification. You need to **be real, clear and near** to the reader's heart.

You need to be precise in explaining the exact schedule of events. What actions that caused the late payments? The hardship letter should explain what took place to create the current or potential circumstances and what a modification of terms will do for you and your family once approved.

A Sample Hardship Letter

There are several documents you will need when contacting your lender in order to prevent foreclosure or trying to obtain a loan modification. The first being a hardship letter, see the example below. You will also want copies of financial statements, current bank statements, pay stubs, and your most recent tax return. You will also want copies of

- **Financial statements**
- **Current bank statements**
- **Pay stubs**
- **Your most recent tax return**

Name: (Your Name)	Lender Name: (Your Lender)
Address: (Your Address)	Loan #: (Your Loan #)

To Whom It May Concern:

I am writing this letter to explain my unfortunate set of circumstances that have caused us to become delinquent on our mortgage. We have done everything in our power to make ends meet but unfortunately we have fallen short and would like you to consider working with us to modify our loan. Our number one goal is to keep our home and we would really appreciate the opportunity to do that.

The main reason that caused us to be late is (insert reason here and don't be too lengthy and long winded) Soon after being late and our income not being nearly enough, we had fallen further and further behind. Now, it's to the point where we cannot afford to pay what is owed to (lender). It is our full intention to pay what we owe. But at this time we have exhausted all of our income and resources so we are turning to you for help.

(The approximate date of hardship and we believe that our situation is Temporary or will be Permanent.)

Our situation has got better because (reason here) and we feel that a loan modification would benefit us both. We would appreciate if you can work with us to lower or delinquent amount owed and or payment so we can keep our home and also afford to make amends with your firm.

We truly hope that you will consider working with us and we are anxious to get this settled so we all can move on.

Sincerely and Respectfully,

SECRET #7

Not the Collection Department!!!
Is the Loss Mitigation Department You Really Need

Inside most Lenders, their Collection Department and their Loss Mitigation Departments are completely separate from each other.

You want to speak with the Loss Mitigation Department from the very beginning, it is typically the department you are looking for.

Once you make contact with an individual; take down his or her name and note it inside a record book that chronicles your actions every time you speak to your lender.

You need to ask for the agent id#, extension, email address and direct dial # if available. Find out what your agent's hours are so that you don't waste time calling when he or she isn't there. Keep track of every time you speak to the agent and a general description of what occurred on that call.

Try to keep most correspondence in writing so that it is documented and most importantly always try to speak with the same person.   .

SECRET #8

Don't Yell. . . Stay Calm

Many times homeowners become frustrated and angry when reaching out for assistance from their lender. Showing your extreme frustration as you speak to a loss mitigation representative can be very unproductive.

After all they are only human and the wrong thing to say could trigger an avalanche of "Lost" paperwork or even worse, you getting flagged as difficult.

Bite your lips, stay calm and if you feel that you are not getting anywhere with this agent, you can politely ask to speak to his/her supervisor.

Have patience and be persistent

The total process of a loan modification takes time, 60 to 90 days on average and sometimes even longer.

The process does not happen overnight and your file is not the only one in their system. You do need to be patient, but you also need to be persistent!

SECRET #9

You Want a Loan Modification. NOT Loan Mortification!

Would you buy a $10,000 car for $20,000 if only the monthly payments were affordable?

Falling into the trap of a Loan Modification. .

For those holding out hope that the federal government has any sort of solution to the foreclosure problem need look no further than the latest report published by the federal government. It is a complete failure.

Only one third of applicants are accepted and/or continue in the program after just 6 months.

Why?

Those unfortunate individuals facing foreclosure are required to apply for what is actually a "Loan Mortification" with their bank in order to solve their financial dilemma.

Not theirs... .the bank!

To mortify is to torment, shame, humiliate, disgrace someone.. And the banks are experts in mortifying homeowners by **selling them a lemon in disguise of help**.

When you do a loan modification, you are buying your home once again. . and a price that only one fool could pay for. . .the struggling homeowner.

Let me cut to the chase.

Unless you obtain a principal reduction during your negotiations with your lender.. .then that loan modification has only one beneficiary. **. The lender**.

A loan modification with no principal reduction centers on the belief that struggling borrowers will stay in their homes—even as values decline sharply—as long as they can make their monthly payments.

Although not everyone agrees with this, I believe that it is a travesty to force homeowners to sign into an agreement that could possible define the rest of their financial lives.

If your home is already underwater for over 30%, you may have to wait at least 10 years to become "even" and add an additional 3 years to have enough money for your closing costs and commissions to pay a Realtor to sell your home.

13 years of steady housing pricing growth. . That may never happen based on the current economic uncertainties in our country today.

SECRET #10

There Are No Rules . . . Everything is NEGOTIABLE!

When it comes to loan modifications. . there are no rules.

Contrary to what you believe or your bank may be telling you, I can assure you that everything is on the table for negotiation. They don't have specific rules that you should abide too and accept. Question everything and only sign when you are 100% assured that the loan modification is not only helping your bank. . is also helping you and your family.

The loan modification you are attempting to do perhaps will define your financial future and you have to remember:

In life, you don’t always get what you deserve, you will always get what you negotiate.

“You Get What You Negotiate, Not What You Deserve!”

You can negotiate whatever you want. The key is to have persistence and make it a win-win

One last tip that I think could help you save thousands of dollars when doing a loan modification is about their first offer that is presented to you as their version of what they perceive benefits them. This could be only a test for you to sign, accept and get out of their hair to become another statistic. I venture to say 8 out of 10 people accept the first loan modification as is written, sign it without realizing that you could’ve changed some terms by just asking for it!

Most lenders will offer you the minimum to begin with and hope that you are one of the eight people that will not question their offer.

“You Get What You Negotiate, Not What You Deserve!”

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I specialize in helping homeowners avoid foreclosure.

If you did not qualify for a Home Affordable Foreclosure Alternative (HAFA), or a Home Affordable Modification Program (HAMP), many banking institutions are offering financial incentives of up to $35,000 to help cooperative distressed homeowners with relocation and moving expenses upon the completion of a sucessful Short Sale!

If you would like a free, confidential consultation to explore other options, please feel free to contact me. There are no out of pocket expenses and the consultation is absolutely FREE! I look forward to assisting you with all your real estate needs. Thank you and make it a great day!

Go to www.ImInForeclosure.net.com and download your copy of Should I Short Sale My HomeE-Book

A free report on how to survive The Worst Real Estate Market in History.

Se Habla Español

If your property is currently listed with a Realtor, please disregard this notice.