

FAQ's: CONSUMER TIPS FOR WORKING DIRECTLY WITH YOUR LENDER ON A LOAN MODIFICATION

Important advice to anyone planning to contact their lender directly for a loan modification: The key here is to be tenacious. These lenders and servicers (lenders) are large with hundreds, and even thousands, of employees. Whenever you call your lender, you should plan on being on the phone for a long time (figure an hour or so). Don't call from a cell phone or in between running errands. Treat it like an important business conversation. Have paper and a pencil available, and have your loan information ready. When you call, you do not need to tell your entire story to the first live person you reach. That person is most likely a level 1 customer service representative, who in most cases just wants to collect from you any arrearages you have on your loan. Tell them that you are calling to request a loan modification. You need to get to the "loss mitigation," "asset division" or "foreclosure prevention" division (or whatever that particular lender calls the place which deals with loan modifications and/or deals with distressed borrowers who need their loan modified.) A good plan is to tell the first live person that you reach that you are trying to modify your loan and ask that they direct you to the right division within the lender's institution. Once they give you the name of that division, write it down! Ask if there is a direct number for that division. If yes, write it down! Then ask if they can transfer you to that division. Once they do, when you talk to someone in that division, just tell them you are looking to discuss a loan modification and ask if you have reached the correct division in the institution. If they say yes, then before you tell them your story, ask for their full name and return telephone number with extension (most every lender has multiple extensions, so be diplomatic. But be persistent – it will be difficult to find that same person again if you do not have their extension.) In addition, you should ask for the name and extension of their supervisor so that if you have any problems, concerns or even positive feedback, you know who you can contact. The individual with whom you are talking may not want to give you all that information, but try. And of course, be sure to write all of the information you learn down on that pad of paper because you will find yourself referring to it time and time again. Now you are finally talking to the correct person to discuss your situation (it has probably taken you 20 minutes to get there, by the way). Start explaining your situation. Be sure to listen to what they say in response, and make notes about what documentation you need to provide and where it needs to be sent and in what format, etc. At this point, you are basically stating your case and trying to get the lender to agree to modify your loan. Make certain to ask the individual what you should expect, how long it will take, how you should communicate with them in the future, etc.

The answers to the FAQs may be general in nature. To address your own situation, you should seek professional legal, real estate, and/or financial advice from a licensed and experienced person(s).

Q. What will I need to provide the lender when I request a loan modification?

A. The following is a list, not inclusive, of the typical information a lender will request. A sample Financial Information Worksheet, which may be provided to you by your lender, is provided at the end of this document. This form should assist you in gathering the typical information requested by a lender.

1) Current mortgage loan statements and the following information:

- Mortgage loan balance

- Monthly payment amount
- Current interest rate
- Any delinquent payments
- Amount of delinquent payments

2) Original mortgage loan documents and the following information:

- Term of the loan. (30 years, 15 years, etc.)
- Interest rate.
- Is it a fixed or adjustable interest rate?
- Interest only payments?
- Minimum or partial payments that are less than the principal and interest?
- Will a balloon payment be due? When?
- Is there a prepayment penalty on the loan?

3) Property information:

- Is this your primary residence? Second home? Investment property?
- Purchase price
- Current value
- Amount of equity, if any.
- Property profile
- Comparable sales, active listings
- Is the property currently listed for sale?

4) Income and asset information:

- Paystubs, W2s, 1099s, benefit or award letters, retirement and pension benefit statements, annuity statements, proof of child support/alimony payments received, copies of tax returns, profit and loss statements if self-employed, schedules of real estate owned, stock and mutual fund portfolio statements, bank statements, proof of any other income.

5) Payment history on the mortgage loans:

- Correspondence from the lender
- Credit history
- Hardship circumstances, if any, and proof

6) Information about your ability to repay the loan:

- Financial profile – assessment of the following:
 - Current income, available assets, recurring expenses
 - Housing debt to income ratio.

Q. What mortgage payment amount can I expect to pay?

A. Compare the current payments to your income. What percent of your income is the mortgage payment? If it is more than 31%, calculate the amount that is 31% of your gross income.

- Could you afford this amount along with your other debt? If so,
 - Is the property “owner occupied,” 1 to 4 units?
 - Is the loan amount less than \$729,750?
 - Is the current payment unaffordable due to a change in income or expenses?
 - Can your payment amount be lowered to the amount that is 31% of your gross income?
 - Calculate a longer loan term (40 years)?
 - Calculate a lower interest rate.
 - Calculate a change from an adjustable rate to a fixed rate.
 - Calculate interest only payments for a short period of time.
 - Calculate a reduced loan balance.
 - Do you have delinquent payments?
 - The lender may accept the delinquent amount in payments.
 - The lender may add the delinquent amount to the loan balance.
 - The lender may forebear the payment for a short period of time.
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Q. What if I cannot afford a lower monthly payment?

A. The lender may allow the borrower to sell the property for less than is owed. Or the lender may accept the deed and the keys to the property.

Q. What alternatives are there to foreclosure?

A. There are several alternatives to foreclosure. Careful consideration should be given to each as circumstances vary and lender approval must be obtained. The following is a brief description of each:

Forbearance/Formal Forbearance: A Forbearance Plan is a repayment agreement between you and the lender. They will review the documents supporting your monthly income and expenses. A plan will be developed and placed in writing providing for a payment of one full monthly payment and a portion of the delinquent amount due on your account. Or, it may allow for all delinquent payments and fees to be added to the end of your mortgage and you start making your payments as normal with no delinquent amounts due. The objective of the plan is to allow you to cure your default over a period of time, reinstating your mortgage, while allowing you to maintain your normal monthly living expenses.

Modification: In certain circumstances, the investor may allow the delinquent amount to be added to the loan balance, temporarily reduce the interest rate and/or your monthly payments to assist you in curing the default and restoring your credit status. You must qualify for the modification. In other words, if your interest rate is lowered, which lowers your monthly payment, you must have sufficient income to pay your new mortgage payment and your monthly expenses.

Short Sale/Pre-Foreclosure Sale: Frequently used by a mortgagor who, due to a change in employment or other life event, can no longer afford their home. The decision to sell your home under these circumstances is difficult; in addition, fluctuations in real estate markets may leave you in a situation where you have little or no equity or even a loss upon the sale of your home. A **short sale** occurs when you owe more than your home is worth. Investor approval is based upon your financial situation and the current market value of your home.

Deed in Lieu of Foreclosure: In the event you have decided you can no longer afford your home and do not want to go through marketing efforts or foreclosure, you may voluntarily return the property to the investor/lender. Your lender would need to verify they are the only lien holder on the property and they would need to perform a walk-through inspection of the property.

The following is a sample of a financial information worksheet that may be used in an application to your lender for a loan modification:

SAMPLE -- FINANCIAL INFORMATION WORKSHEET

BORROWER INFORMATION:

LOAN NUMBER: _____

Mortgagor _____

Social Security Number _____

Home # _____

Work # _____

Property Address _____

Mailing Address _____

Co-Mortgagor _____

Social Security Number _____

Home Phone # _____

Work # _____

Mailing Address _____

Family Members _____

MONTHLY INCOME DATA

<u>Description</u>	<u>Mortgagor</u>	<u>Co-Mortgagor</u>	<u>Total</u>
Net Salary	\$ _____	\$ _____	\$ _____
Net O/T	\$ _____	\$ _____	\$ _____
Commission	\$ _____	\$ _____	\$ _____
Bonus	\$ _____	\$ _____	\$ _____
SSI	\$ _____	\$ _____	\$ _____
Alimony/Child Support	\$ _____	\$ _____	\$ _____
TOTAL	\$ _____	\$ _____	\$ _____

EMPLOYMENT INFORMATION

	<u>Place of Employment</u>	<u>How Long?</u>
Mortgagor	_____	_____
Address	_____	
Co-Mortgagor	_____	_____
Address	_____	

EXPENSES

Monthly Obligations	Monthly Payment	Balance Due	Past due? # months
Mortgage	\$ _____	\$ _____	_____
2 nd Lien	\$ _____	\$ _____	_____
Other Mtg	\$ _____	\$ _____	_____
Alimony	\$ _____	\$ _____	_____
Child Support	\$ _____	\$ _____	_____
Child Care	\$ _____	\$ _____	_____
<u>Loans</u>			
Automobile	\$ _____	\$ _____	_____
Furniture/Appliance	\$ _____	\$ _____	_____
Finance Company	\$ _____	\$ _____	_____
Finance Company	\$ _____	\$ _____	_____
Installment	\$ _____	\$ _____	_____
<u>Credit Cards</u>			
Visa	\$ _____	\$ _____	_____
MasterCard	\$ _____	\$ _____	_____
American Express	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
<u>Utilities</u>			
Electricity	\$ _____	\$ _____	_____
Heating/Gas	\$ _____	\$ _____	_____
Telephone	\$ _____	\$ _____	_____
Water/Sewer	\$ _____	\$ _____	_____
<u>Insurance</u>			
Homeowners	\$ _____	\$ _____	_____
Automobile	\$ _____	\$ _____	_____
Health	\$ _____	\$ _____	_____
Life	\$ _____	\$ _____	_____
Dental	\$ _____	\$ _____	_____

Donations

Church \$ _____ \$ _____
Charity \$ _____ \$ _____

Dues

Union \$ _____ \$ _____
HOA \$ _____ \$ _____
Club \$ _____ \$ _____
Other \$ _____ \$ _____

Medical (not covered by insurance)

Doctor/Dentist \$ _____ \$ _____
Hospital \$ _____ \$ _____
Drugs \$ _____ \$ _____

Car

Gasoline \$ _____ \$ _____
Maintenance \$ _____ \$ _____
Monthly Parking \$ _____ \$ _____

Food

Family \$ _____ \$ _____
School/Work Lunches \$ _____ \$ _____

Clothing

New Clothes \$ _____ \$ _____
Dry Cleaning \$ _____ \$ _____
Uniforms \$ _____ \$ _____

Miscellaneous

Spending Money \$ _____ \$ _____
Cable TV \$ _____ \$ _____
Clubs/Sports/Hobbies \$ _____ \$ _____
Entertainment \$ _____ \$ _____
Vacations \$ _____ \$ _____
Gifts \$ _____ \$ _____
IRS Liens \$ _____ \$ _____
_____ \$ _____ \$ _____
_____ \$ _____ \$ _____

TOTAL Expenses: \$ _____ \$ _____ \$ _____

RECAP:

Total Income: \$ _____

Total Expenses: \$ _____

Difference: \$ _____

BANKING INFORMATION

Checking Account

Savings Account

Bank Name _____

Account # _____

Balance \$ _____

\$ _____

IRA \$ _____

Stocks/Bonds \$ _____

401K \$ _____

Annuities \$ _____

ASSETS

	Estimated Value	Amount Owed	Net Value
Home	\$ _____	\$ _____	\$ _____
Other Real Estate	\$ _____	\$ _____	\$ _____
Automobile	\$ _____	\$ _____	\$ _____
Make/Model	\$ _____	\$ _____	\$ _____
Automobile	\$ _____	\$ _____	\$ _____
Make/Model	\$ _____	\$ _____	\$ _____
Checking Accounts	\$ _____	\$ _____	\$ _____
Savings Accounts	\$ _____	\$ _____	\$ _____
Boat	\$ _____	\$ _____	\$ _____
Cash Value Life Ins.	\$ _____	\$ _____	\$ _____
Collections	\$ _____	\$ _____	\$ _____
Computers	\$ _____	\$ _____	\$ _____
Jewelry	\$ _____	\$ _____	\$ _____
IRA	\$ _____	\$ _____	\$ _____
401K	\$ _____	\$ _____	\$ _____
Stocks/Bonds/CD's	\$ _____	\$ _____	\$ _____
Other Investments	\$ _____	\$ _____	\$ _____

I/we agree that the financial information provided is an accurate statement of my financial status. I understand that the Lender may verify this information at its option, by ordering a credit report, and I agree that the Lender has my permission to do so. I understand that any legal action already taken will not be canceled until an approved work out is completed.

Submitted this _____ day of _____ 2009.

Mortgagor

Co-Mortgagor

Final Instructions: Review the worksheet and make sure it is correct. Sign and date the form. Make copies of everything you have submitted and keep them for your records.