

INSIDE YOU WILL
FIND A
DESCRIPTION OF
THE FORECLOSURE
PROCESS AND TIPS
OUTLINING HOW TO
COMMUNICATE
WITH YOUR
LENDER AND
REACH AN
AGREEMENT TO
KEEP YOUR HOME.

Guide to Negotiating a Settlement with Your Lender...And Keeping Your Home

Mortgage Resolution Services
916-609-2070

HOMEOWNERS:

How to Avoid Foreclosure and Keep Your Home

WHETHER YOU HAVE FALLEN BEHIND ON YOUR MORTGAGE, OR JUST SEE TROUBLE COMING WITH A PAYMENT YOU CAN'T AFFORD, IT DOES NOT MEAN YOU NEED TO SELL YOUR HOME. THERE ARE OPTIONS WORTH EXPLORING WITH YOUR LENDER THAT MIGHT MAKE IT POSSIBLE FOR YOU TO KEEP YOUR HOME.

YOUR LENDER DOES NOT WANT YOU TO LOSE YOUR HOME, AND YOUR LENDER DOES NOT WANT TO FORECLOSE ON THE PROPERTY. YOUR LENDER WOULD PREFER TO WORK WITH YOU ON OPTIONS THAT WOULD ALLOW YOU TO KEEP YOUR HOME. HERE ARE A COUPLE OF OPTIONS.

A FORBEARANCE AGREEMENT

A Forbearance Agreement is a written agreement between a lender and a borrower that details a specific loan payment plan that adds to the regular payment for a period of time or tacks amounts on to the end of the loan - all designed to help the lender recover delinquent amounts. The plan usually puts a stop to any foreclosure action so long as the borrower meets the terms of the agreement.

The Forbearance arrangement may allow the homeowner to delay or adjust their monthly payment, typically for a short time, to allow the homeowner time to recover from a temporary financial setback.

The payment plan in the agreement includes provisions for repayment to the lender of delinquent interest and fees, and could include extending the life of the mortgage beyond the original term.

Once the details of the Forbearance terms are settled, the homeowner and the lender enter into a formal written Forbearance Agreement – and the homeowner gets to keep the home.

The key to working out a Forbearance Agreement with your lender is to demonstrate to the lender that the circumstances that led to your mortgage delinquency were temporary, and

beyond your control. Further, the lender wants to be convinced that you are back on solid financial ground, and likely to keep the loan current going forward.

A LOAN MODIFICATION AGREEMENT

In a Loan Modification Agreement a lender agrees to modify the terms of a mortgage, usually adjusting the minimum payment downward, so that the homeowner can manage the payment.

Remembering that the lender does not want to acquire the property through foreclosure, the homeowner should not hesitate, when mortgage trouble is unavoidable, to ask for help from their lender. The modification of loan terms might be temporary, or, in some cases, they might go on for an extended period of time. In either case, the lender is extending the courtesy of a modification because it makes business sense to do it.

Like a Forbearance Agreement, you need to show the lender that once the Loan Modification is agreed to, you will be able to remain current on the mortgage. It's true, the lender does not want to foreclose, but the lender also wants to know that in agreeing to the modification the problem is being solved.

If you are having trouble getting in touch with your lender, or if you don't think you are getting the right answers go to: www.MResolution.com and click on "I Need Help With My Lender". We will get you in touch with someone at your mortgage company who can help.

IMPORTANT CONSIDERATIONS FOR FORBEARANCE AGREEMENTS AND LOAN MODIFICATIONS

Be Realistic

Be realistic about your finances. Before you go through the process of pursuing either a Forbearance Agreement or Loan Modification, ask yourself if this is the right course for you and your financial circumstances. If you are not in a position to make an absolute commitment to your mortgage once the terms have been adjusted, a Forbearance Agreement or Loan Modification may not be the best option for you.

Getting a Forbearance Agreement or Loan Modification approved will require time and effort on your part. You will be asked to provide the information and documentation needed to show that once your loan terms are adjusted you will be able to meet your mortgage obligation going forward. Some of the questions you will be expected to answer may touch on difficult and personal issues.

Take an honest look at your financial situation. If you are working on a Forbearance Agreement, are you truly back on solid financial ground? If not, a Forbearance Agreement is probably not your best option. A Forbearance Agreement is a fabulous tool to help those who have experienced a temporary financial upset that led to a mortgage delinquency. A Forbearance Agreement is not a good option for those who see more financial instability in the foreseeable future.

If you are requesting a Loan Modification, make sure that you can reasonably afford the monthly payment that you will have if the lender approves your request. After all, what's the point of going through the process of getting a Loan Modification approved if you end up with a new payment you can't afford?

When requesting a Loan Modification, know what you can afford to pay for your mortgage – and ask for it. Your lender may be unwilling to make the adjustment you need, but that does not change what you can afford. You need to request an adjustment that puts your payment at a number you can afford every month.

Note: When you go through the process of evaluating your financial situation to determine what sort of Loan Modification you will need, take a hard look at your personal expenses. Be prepared to make adjustments to your spending habits to reduce your “discretionary” expenses. You will be asking your mortgage lender to forego monies to which they are entitled, you should be willing to make some personal adjustments as well.

Both Forbearance Agreements and Loan Modifications are important tools to help lenders and homeowners get through the current mortgage delinquency problem. Families and communities benefit tremendously from the stability that homeownership provides. These agreements help preserve homeownership for many who need assistance at a critical time. Just keep in mind that Forbearance Agreements and Loan Modifications are not the right answer for everyone.

Hardship Letter

A hardship letter is your opportunity to outline for your lender the situation or circumstances that make it necessary for you to request assistance. A good hardship letter not only lays out the facts of the hardship, but also includes a compelling personal element.

Bring your situation to life by sharing some of the details of your hardship. Your hardship letter will be reviewed by a living, breathing person, give your letter a real feel – without going overboard. Support your hardship with documents, letters, notices and such that help the lender see and feel what you are going through. Letters from doctors, layoff notices, notices of cancellation of auto or medical insurance, anything that legitimately contributes to an understanding of what you are up against should be included.

For those seeking a Forbearance Agreement, your hardship letter will focus on three things:

- a** the problem or circumstance was beyond your control
- b** the temporary nature of your hardship
- c** the fact that you have now recovered and are back on your feet

If you are requesting a Loan Modification, your letter should focus squarely on your commitment to your home. Your “hardship” may simply be that you got into a mortgage that you can no longer afford – probably due to a payment adjustment. Whatever your specific circumstances, you want to make it clear in your letter that once the modification is approved the lender can count on you to remain current on your mortgage.

Be careful not to engage in the blame game. If you feel that you need a Loan Modification because you were sold on a bad loan product, say it in your hardship letter without pointing an accusing finger.

TIP #1

Stay In Contact

It won't be long after you fall behind on your mortgage that you will hear from your mortgage company. The mortgage company will attempt to find out about your circumstances and determine if you will be able to resume making regular payments. If your lender calls, take the call. And, if your lender leaves a message, return the call. Making progress with your lender will require communication.

TIP #2

Listen Carefully

When you do speak with your mortgage company remain friendly and helpful always, but listen carefully. A Forbearance Agreement is a business arrangement, treat it accordingly. Answer the questions you are asked, but avoid the temptation to embellish...stick to the point!

Careful listening is critically important for two reasons:

A By listening you will know what the mortgage company wants from you. Give them what they require in terms of documents and information, but do not send things they don't ask for. Sending information beyond what is requested won't help, in fact, it could hurt.

B You may find that your mortgage company is so anxious to avoid foreclosure that they will offer very attractive terms in the Forbearance or Loan Modification Agreement. Don't

offer solutions until you learn what the mortgage company has in mind. Ask them for an outline of what might work - and STOP SPEAKING.

TIP #3

Stay Upbeat

As you work through the process of providing your mortgage company with the documents and information they need, maintain a positive attitude. The mortgage company will be listening not only to what you say but also how you say it. In the end, someone at the mortgage company is going to have to recommend the approval of your application for a Forbearance or Loan Modification Agreement. You want that person to believe in your file and to believe in you.

TIP #4

Take Careful Notes

Always take careful notes of all conversations you have with the mortgage company. Note the date and time of all conversations as well as the name of the person with whom you speak. If you can't keep up with the conversations when taking notes, don't be afraid to ask the representative to repeat information. Get the details. Your notes should include as many specific points as possible. The more detailed your notes, the more effective you will be in recreating the conversation later. Good notes from previous conversations could give you the leverage you need to get the mortgage company to honor an offer that was made previously.

TIP #5

Don't Abandon the Property

Do not abandon the property because you may not qualify for assistance if you leave. Stay in your home, speak with the lender and see what options they might have to resolve your situation. Remember...if the lender thinks you don't care about your home they may assume that you have no intention of paying them back. This is exactly what you don't want to happen.

TIP #6

Be Nice

Be nice! In most cases you will be negotiating with a representative of your mortgage holder who is handling a high volume of loan files - all similar to yours. When things don't move along quickly, patience on the part of borrowers often runs short. Before you make a call out of frustration, stop and consider the position of the lender representative. He/she is probably carrying a very heavy file load. All the borrowers they speak with are thinking about only one file, their own. It makes for a difficult juggling act for the lender representative.

If you want to get your file moved to the top of the pile, you need to do one thing for sure - be nice. Listen to what your lender representative has to say throughout the process. Learn something about the lender representative and then ask about it in subsequent conversations. Whether it's a trip they mentioned to you, something about their kids or a new car they are thinking of buying, bring it up in conversation. The mortgage holder employees that handle delinquencies are not used to being treated nicely. You will find by doing so your file will move along much faster.

TIP #7

Don't Get Frustrated

When faced with the stress and the pressure that a mortgage delinquency creates, it's easy to get impatient. No one wants to lose a home to foreclosure and until you get approval on a Forbearance or Loan Modification Agreement the threat of foreclosure lingers. With that said, getting an Agreement approved will likely require patience on your part. The mortgage company representative you work with will be processing many files simultaneously. There will be times that it seems your file is not getting the level of attention you believe it should. *TAKE A DEEP BREATH*, this is the point at which many pending Forbearance or Loan Modification Agreements fall apart. A frustrated borrower loses patience and makes a decision at an emotional moment that undermines the entire file.

TIP #8

Can I Get a Direct Number?

It will at times be a struggle to get through the automated phone system your mortgage company almost certainly uses. Frequently it's possible to avoid this aggravation by getting a direct phone number for the representative with whom you are working. A second benefit of getting a direct phone number for the lender representative is that it may aid you in your effort to work with the same person throughout the process. It's no fun recounting your situation, time and again, because you start with a new lender representative on each call you make.

TIP #9

Be Prepared

Don't rely on your memory. Have everything written down clearly and all of your credit history records at hand. Never speak to any of your lender's representatives without having all of your facts assembled and your strategy planned.

TIP #10

Review the Agreement Carefully

Whether it is a Loan Modification Agreement or Forbearance Agreement, review it carefully. Once you have been fully approved by your mortgage holder, they will prepare the Forbearance Agreement.

- REVIEW IT CAREFULLY -

Pay particular attention to the following items in the agreement:

- 1** Interest rate and payment calculation
- 2** Provisions for the mortgage holder's recovery of delinquent interest and accrued fees. Review both the method of recovery/repayment and the calculation of the total amount to be recovered.
- 3** Penalties that take effect if the loan is not kept current. In some cases the lender will attempt to keep the foreclosure door open, thereby allowing for an accelerated foreclosure if the loan becomes delinquent again. When

reviewing the agreement consult your notes taken throughout your negotiation on the Forbearance Agreement. If you do find something in the agreement that is not consistent with your understanding give the lender the benefit of the doubt when resolving the misunderstanding. It is likely the discrepancy is a result of a miscommunication and can be easily corrected. This is where your careful, detailed notes will come in handy.

TIP #11

Get Legal Advice

Before signing the Forbearance or Loan Modification Agreement it is a very good idea to have it reviewed by an attorney. Keep in mind that your agreement is more than just a document modifying the terms of your loan, it is also an attempt to collect a debt. The Forbearance Agreement may ask you to waive certain legal rights to which you are entitled and it may contain other provisions, the consequences of which you should understand. If you do consult with an attorney, show the attorney all of your notes taken throughout the process. It will help your attorney grasp the intended spirit of the Forbearance or Loan Modification Agreement as he reviews the agreement document itself.

TIP #12

Know the Terminology

Make a real effort to understand the common terms relating to mortgages from the following Glossary of Terms.

GLOSSARY OF TERMS

BENEFICIARY - The beneficiary in a foreclosure context is generally the mortgage lender. Frequently referred to as the "Benny".

CREDIT COUNSELING - Under the new bankruptcy law which took effect in October of 2005, those wishing to file bankruptcy must complete an approved credit counseling course within the six (6) months prior to filing.

DEED IN LIEU OF FORECLOSURE - The voluntary surrender of property by an owner/borrower to a lien holder that eliminates the need to continue foreclosure action by the lien holder. The lien holder can refuse to accept the Deed in Lieu and file a Notice of Non Acceptance with the County Recorder.

DISCOUNTED PAYOFF - The payoff of a mortgage loan where the lender accepts an amount less than the actual amount owed to payoff the loan.

EQUITY DEFICIENT- A property is Equity Deficient when, if sold, sales proceeds would not fully pay off existing mortgage debt.

FORBEARANCE AGREEMENT - An agreement between a mortgage holder and a borrower that lays out a specific loan payment plan and often puts a stop on the foreclosure action so long as the borrower meets the terms of the agreement. The payment plan includes provisions for repayment to the mortgage holder of all delinquent interest and fees and could include extending the life of the mortgage beyond the original terms. A Forbearance Agreement is a tool that allows the borrower to keep the property.

JUDICIAL FORECLOSURE - A foreclosure action conducted through the courts instead of through a foreclosure trustee. Judicial Foreclosures are very uncommon in California, particularly on residential properties. Should a lender elect to pursue a deficiency judgment, it would be through a Judicial Foreclosure.

JUNIOR LIENS - A lien, usually a mortgage loan, that is subordinate to a Senior Lien, usually a first mortgage. Lien priority is generally established by recordation. NOTE: if you refinance a 1st mortgage on a property with a 2nd mortgage already in place the new 1st mortgage holder will require a subordination agreement from the Junior Lien

