Loan Modification Guide | Insider Secrets

How To Get Your Payment Reduced, Keep Your Home and Enjoy Life.

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Read This Guide If You Want To:

- Stop Worrying whether or not you will be able to keep your home.

- Stop Getting beat up, threatened, and abused by your lender.

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Warning: Here are a Few Common Scams Homeowners in Distress Often Run Into.

- **Companies that charge money upfront to negotiate a loan modification for you.** Call the state Attorney General and ask them if this is a problem. There is also plenty of information on the Department of Real Estate website – www.ca.dre.gov. Check it out. We know first-hand from homeowners who sent $1,000, $5,000, or even more of their hard earned money to these companies or attorneys in the hope that they can negotiate a loan modification for them. Their success rate has been so bad that many states have outlawed this practice. Be aware of scams that offer a money back return on your payment if they don't get your loan modified. We have clients who have received temporary mods or mods that resulted in a higher payment but they were still required to pay the attorney under the contract they signed. The attorney's and modification companies create the contracts that you are signing to work with them. Do you think they are going to create an agreement that is in your favor rather than theirs?
- **How to Stay Out of Jail.** Here are a few tips you should follow to avoid going to jail. First, never ever submit false or tampered paperwork to your lender. This can get you in big trouble. If your lender decides to come after you, they can drag that paperwork right into criminal court. Lender fraud is real and they are on the lookout for it. Be prepared to defend anything you send to your lender. If they do drag you into criminal court, you can come in and say "Your Honor, here's what happened. This is real stuff, I did not lie here."

If you have a stated income loan, then <u>never send them your tax returns</u>. You may have written what you thought you were making onto your loan application. Things looked good. The economy was strong. The housing market was shooting up. Then, at the end of the year your tax returns actually showed a lower income. Your lender can use that against you. **Again, if you got a stated income loan, do not send them your tax returns**.

You don't want them dragging you into criminal court. They will say "Oh, you got your loan in 2007, and said you were making a $200,000 a year. Your 2007 tax return says you only made $65,000. You lied to us, so you’re going to jail.” So you’ve got to be prepared to never submit anything that shows substantial discrepancies or that shows a different income to what you stated whenever you were getting your loan.

- **Make sure your bank can’t take money directly from your account.** Many lenders will add a clause to your contract. This clause states that if you have a bank account with them, and you are behind on payments, then they have the right to automatically grab that money. It would take hours of time to read thru your entire mortgage and contract to see if this clause is there.

I recommend that if you happen to have your bank account with your lender to simply move it somewhere else. It doesn’t matter if your loan is with the biggest bank in the country. They aren’t as stupid as we think. They may not always check to see if they have a bank account with them, but they often will. We can’t run the risk of it happening.

- **<u>Do not</u> make a partial payment to your lender unless you have a written agreement.** We have seen many homeowners send a partial payment to the lender or make payments on a temporary loan modification or “trial loan modification”. They were told that the lender would stop the foreclosure. The lender simply keeps that money and continues with the foreclosure. The homeowners lose that money and they lose their home.

One of our bay area clients made payments on her “trial loan modification” for 10 months at the new payment amount. During this time her lender filed the legal foreclosure paperwork with the county. When she asked about it they told her not to worry that it was just standard procedure and everything was fine. <u>At the end of 10 months of on time payments at her new payment amount her lender told her that she had to immediately pay all of the past due amounts or they would foreclose on her within 2 weeks.</u> This is real. She came to us and we stopped the foreclosure sale and helped her through a short sale. She is now happily living in a larger nicer home at a lower payment and she didn’t have to go through foreclosure or have that mark on her credit history.

So always get a written agreement with your lender before you send them any money. **<u>The only loan modification that you can be confident is permanent is called a “recast”.</u>** Unless you hear these words from your lender be very cautious about sending them money regardless of what you are being told.

Chapter 1: Is A Loan Modification Ethical?

I think they are. A lot of people say that if you don’t pay your mortgage or you got behind, then you are a flake and you don’t keep your promises. I don’t agree with that.

Are you a flake to want a better deal or a more reasonable house payment? Is it your fault that house prices shot through the roof over the last three to five years? If you wanted to buy a house, if you wanted the American Dream of home ownership, then you were automatically required to pay way more money for a home than it's worth today. Is it your fault that house prices plummeted?

And here's the question: Does it really make sense long term to pay money on a house that's underwater? If you owe substantially more than your house is worth, you need to consider would it be better to just move on and find a place to rent. Many people are able to find a comparable or nicer home to rent for less money.

One couple was paying $4,200 a month. They tried to get a loan mod. The lender increased their payments up to $4,500 a month. They paid a company $3500 to help them get a higher payment. What kind of a loan mod is that?! They rented a comparable home that even had a pool for the kids. What did they pay? Only $2,700 a month rent. No taxes, no insurance, and no more stress.

Stress-free people do a better job at their jobs and they work harder and they have more time and energy for their families. They're able to go to work and not worry about other things. They don't have to leave work to go home and handle problems that come up. Most people just don't understand the stress and anxiety that comes from not being able to pay your mortgage payment.

Also, if you're able to get a more reasonable payment on your mortgage and keep your home, then you're also keeping up in your neighborhood. These banks are doing a horrible job with foreclosures. They don't keep up on the homes or mow the yards. Every single home that's foreclosed on just means more blight in the neighborhood. It drives house prices down further. Again, the loan modification is the better option.

Chapter 2: Do you qualify for a loan modification?

Here are the steps for how to figure out if you qualify for Loan Modification:

- First off, can you afford a monthly payment?
- If you can afford a monthly payment, what is your wished for payment? Is it a thousand dollars? A three-thousand dollars? Or more? Come up with a number for your "here is what we can afford for a monthly payment."
- Now, take that number and add it with all your other bills. Your car payment, your insurance payment, monthly home-owner's association fee, property taxes (to get a monthly amount, take your annual payment and divide by 12. That is your monthly payment.), and all your other costs. Electric payment, car insurance, home insurance, phone bill, cell phone bill, and all the other bills.
- Take all those other bills that come up every single month and add it to the mortgage payment. Now you have your total monthly bills. Take that number and double it.

- Are you making that much money every month? Because if you are making that much money, the more likely you can afford your “wished for house payment.”

If you are not, then you need to look at “okay, we’re going to have to negotiate harder for a lower payment.” And in fact, in the “Making Home Affordable” program, they say in one of their guidelines that your total bills cannot be more than fifty five percent of your income. If it is more than fifty five percent, we know it’s going to be hard for you to afford that payment and keep your home.

The following eligibility guidelines are from the government program Home Affordable Modification Program:

http://www.freddiemac.com/singlefamily/makinghomeaffordable.html

The following mortgages are eligible for a modification under the Home Affordable Modification program (HAMP):

- First-lien mortgages owned, guaranteed, or securitized by Freddie Mac that are single-family 1- to 4- unit primary residences, including condos, cooperatives, *Single-Family Seller/Servicer Guide*(Guide) – eligible manufactured homes, and our negotiated conforming jumbo mortgages.
- FHA, VA, and RHS guaranteed mortgages are eligible, subject to the relevant agency guidelines.
- Mortgages for properties that are abandoned, vacant, or condemned are not eligible.
- Mortgages may be previously modified, but can only be modified once under HAMP.

Borrowers may be eligible for this program if they meet the following requirements:

- Borrowers may be considered for a HAMP Trial Period if they are current or less than 60 days delinquent and determined to be in imminent default, or 60 days or more delinquent.
- A borrower must have an affirmation of financial hardship.
- Borrowers who may be in foreclosure, in pending litigation involving the mortgage, or who are in active bankruptcy.

- Borrowers currently performing under another workout arrangement will be considered for a Home Affordable Modification if they request it.
- Borrowers must currently have a monthly housing expense-to-income ratio greater than 31 percent of their verified gross monthly income.

Chapter 3: The Myth that banks don't want properties back.

Repossessing property is part of the lending business. Lenders have been lending for years. They've been repossessing properties for years as well. They are prepared and if it does come down to it, they will foreclose on your house and sell it as a bank owned property. That's just one of the things they're willing to do.

They have entire departments that are designed to handle the foreclosures. They're often called the "Liquidation Department", or the "Foreclosure Department." Once a bank forecloses on a house, these departments specialize in taking that property, putting it up for sale, and handling the transaction.

Now, there are a couple of other reasons why they often prefer to foreclose on a house versus doing a loan modification in some instances. Let's say someone has two, three mortgages, or even other liens on the property. If the first mortgage forecloses, all of those other liens are gone. They don't have to deal with them anymore.

That's another reason why some people do a loan modification on their first only and don't worry as much about the second. They try to settle with the second. That way, they have more money to pay off the first mortgage every month. Money that would be going to the second mortgage can instead be applied to the first.

In addition, a lot of lenders are actually servicers for a third-party investor. In fact, almost eighty percent of all loans are not even owned by the lender that you're dealing with. So you might have a loan with ABC Bank. But in reality, most of the time that loan isn't even owned by ABC Bank.

They're just servicing it for a third party. It could be somebody on Wall Street, it could be the government, or it could be someone overseas. Who knows who owns it?

Here is another thing that's interesting. What happens is the owner of the loan actually pays the servicer (the ABC Bank in this situation) more money when you're in foreclosure. Yes, it's true. The servicer actually makes more money when your loan is in foreclosure than when it is current.

They profit from you being in foreclosure. I know the system is a mess and it doesn't appear that it will be getting any better any time soon. But that's the reality we have to deal with.

Chapter 4: Here's what you need to do to prepare yourself for the negotiations.

When you negotiate your loan mod you need to remember this. These banks are professional negotiators. They know the tricks. They know the tools to use against borrowers to suck as much money out of them as they can. Don't kid yourself. They're going to use every single tool in their tool chest to squeeze as high of a monthly payment out of you as is humanly possible. So before you start negotiations with the bank, you've got to be prepared. You can't just walk into a gunfight with a knife. You've got to go prepared so you get yourself the best deal.

Step #1: Make sure that your lender can't come and grab any money out of your bank account. Many lenders will add a clause to your contract. This clause states that if you have a bank account with them, and you are behind on payments, then they have the right to automatically grab that money. It would take hours of time to read thru your entire mortgage and contract to see if this clause is there.

I recommend that if you happen to have your bank account with your lender to simply move it somewhere else. It doesn't matter if your loan is with the biggest bank in the country. They aren't as stupid as we think. They may not always check to see if they have a bank account with them, but they often will. We can't run the risk of it happening.

So, if you have your saving account or any accounts with the lender that has your mortgage, then I recommend closing those accounts and taking that money elsewhere. They can take that money without going to court. They simply sweep in and grab it.

Step #2: Start saving towards your good-faith down payment. On a loan modification, most of the time, they're going to want between thirty and fifty percent of any payments behind. If you're behind twelve payments of three thousand dollars, they're going to want between $10,800 and $18,000 to accept the loan modification.

Step #3: Run your budget. See what you can realistically afford. Look at those numbers again. If we make X amount of dollars per month, we divide that by two. That money goes towards our bills. We have two hundred dollars towards the electric payment, we have a hundred dollars for our car insurance, our car payment is four hundred dollars, etc. We subtract those numbers from that fifty percent number. What we have remaining is what we can afford to pay the mortgage company.

Run your budget and see realistically what you think you're going to be looking for as a payment. Decide on a payment before you even start your negotiations.

Step #3: Look at your options. The lender's negotiator can sense weakness. They can sense when you'll take any payment amount they tell you. Guess what happens next? You're going to be stuck with a much higher monthly payment. Make sure that when you start negotiations, you know the alternatives.

You can't negotiate unless you come from a position of power. All power in negotiation lies with the party who can simply walk-away from the negotiation. You must be able to say, "I can afford to walk away from the negotiating table if you push me to hard. If the bank pushes me to a monthly payment that I can't afford, you know what? Forget about it. I'm not going to get pushed around. I'll walk away and get a better deal for myself elsewhere."

So look at all your options. Find what houses similar to yours are renting for. It might make sense to rent. Get rid of the unrealistic lender and overpriced mortgage. I've seen so many people stay in their house and accept a monthly payment much higher than what they could afford to rent that same house in that same neighborhood for each month. Meanwhile they burn through all of their savings and retirement money, only to lose the house later when they are completely out of all funds.

The other thing is that they are already strapped. In order to pay their mortgage, they are not putting food on the table. Any and all extra money is gone. Why? Their mortgage company was good at negotiating. Don't let someone who's good at negotiating push you around and take food off your table.

Step #4: Research where your lender stands. If you can afford to, then order an appraisal. Or, do your own appraisal. Go on to www.realtor.com and find out what houses in your neighborhood are selling for. Ask a realtor "Hey, what are houses in my area selling for?" or contact me and I will prepare a certified brokers opinion of value or BPO for you at no cost.

I've seen people who bought a house for $900,000 that is worth $620,000 today. If it's only worth $620,000, then you shouldn't be paying a mortgage payment based on a value of $900,000. You should be paying a mortgage payment based on a value of $620,000. Make sense?

Here's how to find calculate you should be paying. Google "amortization calculator." Type in what your home is currently worth. Enter the interest rate you were originally paying. Look at the example numbers below.

- An $900,000 mortgage at 5% interest is a monthly payment of $4,831.39 (P+I – taxes and insurance/hoa fees not included).
- A $620,000 mortgage at 5% interest is a monthly payment of $3328.29 (P+I – taxes and insurance/hoa fees not included).

It looks to me like they are overpaying by $1503.10 a month. Ouch!

Go do the calculations for your house. If your lender forecloses on your house, then it's not necessarily going to sell for the market value. Most foreclosed houses often sell for 85% to 95% of the value today. Remember, knowledge is power.

When you have this information you have a much better negotiating position with your lender. You can say "Hey guys foreclose on my house. You're going to lose your shirt." It's unrealistic to over-pay for a house when you can go and rent somewhere else. This enables you to get your life back on track with less stress and worry.

Step #5: Consider what you are going to do 5 years down the road when your loan modification expires. Unless your loan is "recast" you have a temporary loan mod. Most loan modifications only last for 2-5 years. After the time is up, your payment goes back to the original amount. You've already taken all the hit of getting behind on your payments and you've taken the whack to your credit.

Your credit rating's been affected, and a lot of issues have come up from you getting behind on your payment. A couple years down the road, your payment may adjust back to what it was before. If you can't afford the higher payment down the road, what are you going to do at that point?

Are you going to re-default and try to get another loan modification? Or, would it make sense today to just find a place to rent? Then you can buy a house at today's lower prices, or maybe even wait a little bit?

Experts have been predicting the housing market is going to have a double dip and we are seeing that now.

You can rent until you're sure that housing prices have bottomed out. Fannie Mae's guidelines allow you to buy a house 2 years after a short sale. FHA will lend immediately after a short sale if the buyer was not in default at the time of the short sale. We have now completed numerous short sales without our clients missing a payment. We even have clients who defaulted on their payment, competed a successful short sale with us, went through credit repair and have now purchased a new home again (by the way – their home nearly twice as big as the first one and their payments are 1/3 of what they were paying!). That is just an option to consider. Consider if you want to take a temporary fix right now or if you want a permanent fix.

Step #5: Draw a line in the sand for your negotiations. Every good negotiator recommends that you decide on the maximum you will pay that before you start any negotiation. Decide on the maximum payment you will accept. You've got to decide "I will not agree to a payment more than X and a good faith down payment of more than X."

If you don't do this, then the bank will be able to push you around. You won't be able to negotiation from a position of power. You won't be able to say, "I'm going to walk if you don't give me this deal."

Unless you have a line in the sand, the bank will push you around. They'll shove you into higher payment. Then you'll be stuck with a payment that you think you can afford, but the reality is you can't.

This is the biggest mistake I see homeowners make with their loan modifications. Loan modifications have gotten a bad rep in the media. Many people say "Oh, look. Everyone who gets loan modifications is re-defaulting." <u>That's not the entire story.</u> The reason they're re-defaulting is this. The lenders are pushing so hard to get more money out of people. They're squeezing every single dime they can out of the customers. Why do you think they are doing this? Because they are just there to collect as much as they can for as long as they can. They do not have your best interests at heart.

We know that negotiators at the bank get paid a bonus for how much money they squeeze out of you. So their job is to squeeze and squeeze hard. "You want a payment of $2500 a month? No, we'll do $3200. Oh, you want a payment of $3000? No, we'll do it for $3600", they say. It's insane.

Unless you have a line in the sand, you'll get stuck with a higher payment. You'll be more likely to re-default later on. <u>If you already received one loan modification and it didn't work, then how are you going to look the next time around?</u>

The people at your lender might say "This guy already got a loan modification with us before, he re-defaulted on it six months down the road, and now he's come back to us again? Should we even waste our time on this guy?"

That's the problem. You're going to look bad in the lenders' eyes. So the next mod is probably going to be a lot tougher. Don't just agree to their payment offer. You might think you can afford it. You'll tell yourself, "Oh, maybe we won't eat out anymore; maybe we won't see any movies, etc."

But, do you want to live your life miserable, broke, and poor for the rest of your life? Push for a payment that you can afford. Then you can afford to keep your house and live stress free.

You can go to work at your job knowing that your family is taken care of. You'll have enough money for childcare, for movies, and for keeping your sanity. Your sanity is so important.

So getting a good loan modification and getting the payment you want is so important. You'll have worked so hard to get to that point where they agree to lower your payment. Don't let all that work go down the drain by accepting a payment you can't afford.

After all, you've got to look out for yourself. The banks are looking out for themselves; the lawyers are looking out for themselves. You've got to look out for yourself too.

Chapter 5: Preparing your loan modification package to submit to your lender.

Here are some of the things you will need to submit.

Part #1: A Hardship Letter. There are lots of hardships letter forms you can find online. Many people recommend different ways to submit a hardship letter. <u>The key is to put in specifics</u> Here is an example. “The reason I got behind in my payments is my boss reduced all employees to forty hours a week.

Before, I was able to work about 50 hours a week. Now, I’m only about to work 40 hours a week. As a result, my income has been reduced by 20% and I can’t afford my house.” Or, you might say something like, “My company was previously paying me a base salary of $125,000 a year, now I’m only getting paid $80,000 a year.”

Or, “I got in a car accident and I collected disability insurance for a little while. I was previously making $1,000 a week. My insurance only paid out $720 a week. As a result, we were making less money and we couldn’t afford the house payment. Today, I am back on my feet. I’m back at my job making $1,000 a week.”

Was it a temporary blip that caused you to get behind in your payments and you can make the normal payments now? If so, then put that in bold. Put it in huge font. Make it the emphasis of that in your hardship letter. Also put the specifics in bold.

You want to make it look like the things that happened were a temporary blip. **There are two simple things to demonstrate: Number one, you have money. Number two, you have enough income to be able to afford a reasonable house payment.**

Part #2: An appraisal or statement of value. You’ve got to submit an appraisal or an opinion of value from a real estate agent. Send it into them. Say “Look guys, I bought the house for $750,000. Today, this realtor says it’s worth $480,000. Based on that, if you don’t take my loan modification, you’re going to lose $270,000 or more.”

When they see today’s value, they’re going to be much more willing to look at your loan modification and reduce your payment. And they can see their options and what will happen if they don’t work with you.

Part #3: Documentation of income – Pay Stubs. You’ve got to show them an income that’s not too high and not too low. If you show them too low of an income, they’re going know that you can’t afford your house payment.

They may think If we reduce his payment by $1500, he won't even be able to afford it anyway so what's the point in reducing it? Before, he thought he could pay $3,200 a month. He can't even pay the $1700 a month that's he's asking for today. He's not making enough money, based on our ratios, to be able to afford it."

Here's what happens if your income is too high. Let's say your payment is only $2500 a month and you're making $6,000, $7,000, or $8,000 a month. They will say "What's up with this? This guy's making a ton of money. Why are we going to reduce his payment?"

So you've got to make sure your income and your budget is in that middle range. Look at your recent payment history.

Maybe you can pull the most recent month. If it shows the right numbers use it. Or, pull from a longer period. Use the last three months or the last six months worth of income.

You want to be able to demonstrate that you're making enough money to afford that payment, but not making so much money that they will charge you more."

Part #4: Tax Returns. Many lenders are asking for the last three years of tax returns. Remember; don't send in your tax returns if you have a stated income loan. Even if you were 100% honest at the time you got your loan, there still may be something left to interpretation that could come back and bite you.

Part #5: Bank Statements. They're going to want three to six months of your bank statements,.

Part #6: Your Budget or Financial Statement. They are going to want this all broken down. Here is an excellent financial statement that many lenders use. Find it online at: http://www.freddiemac.com/sell/forms/pdf/1126.pdf

Chapter 6: Submitting to the lender.

After you have all of your paperwork put together, then you're ready to submit it to your lender. Get your last mortgage statement and call the 800 number listed on it. Ask the person who answers the phone for the phone number for the loan modification department.

Write it down. Get the fax number as well. Ask that person if there are any special forms that they use. You will need to send those forms with your application.

Now try to get to the loan modification department. Ask them the same questions. You will discover that not everyone knows the correct answer. So once you have that information, put together your package and fax it in. Then, follow up twice a week.

First, confirm they received your paperwork. Then, follow up to see when a negotiator will be assigned. After that, go through the process with them. Be sure to check with that person at least once a week. You want to make sure they work on your file and aren't distracted by everything else.

Be sure and keep notes of everything. Who you talk to, when you talked to them, and what they said. Track the date and time you talked to them. Always keep your cool. **Never get mad** and do not yell or swear at the negotiator on the phone. Once they agree to a modification they should send you an agreement. Do not send your good faith down payment until you have a signed and notarized agreement with everything laid out.

How to Stop Harassing Debt Collector Phone Calls

Don't let debt collectors harass you into paying them money that you really should be paying your lender. Paying credit cards and other unsecured debts are your lowest priority. An unsecured debt is a debt where they can't take away your car or house. A secured debt has something as collateral, such as your car, house, or anything else of value.

The most common unsecured debt is a credit card. When you stop paying them, they will call you nonstop. The reason is because they don't have any other way to collect from you.

They can't come get your car or take your house. So, they make up for that by blowing up your phone with harassing calls. In addition, they use deceptive tricks to get you to pay them. For example, there are Federal Laws that regulate what they can do or say.

They aren't allowed to threaten to sue you, but then not follow thru and actually file suit. To get around this rule, they will use language that sounds legal, but isn't.

In one situation, a debt collector in Buffalo, New York named their firm Hoffman, Weinberg & O'Brien to make it sound like they were a law firm. They would then leave messages on people's answering machines.

They would say they were with the office of Hoffman, Weinberg & O'Brien and then say they may resort to future legal action. In addition, they would reference case number 8306042. If you didn't know any better, you would think the case number was for an actual lawsuit against you. Isn't that scary?

Most credit card accounts never sue (despite the constant threats.) Even when they do sue and get a judgment, they rarely ever attempt to garnish wages. A lot of judgments expire without getting paid. But, a lot of them get paid off when a person's income increases, or that person sells a valuable asset such as a house.

Here is how to stop the harassing calls. Simply ask the person who calls for their fax number or mailing address. Then, fax or mail them a letter that requests them to stop calling you.

Here is some sample language you can put into the letter.

"Under my rights in the Fair Lending Law and the Fair Debt Collection Practices Act, I hereby request you stop any and all phone calls to me or any other person. At this time, I do not wish to speak with you, anyone at your company, or anyone representing you concerning this matter. Do not contact me by phone regarding this matter.

I demand that you stop calling my at home, on my cell phone, at work, at my relatives house, or any other location. Please make any future communication with me in writing. I am aware of my rights under section 805(b) 2 of the Fair Debt Collection Practices Act and am willing and able to exercise them. I am keeping track of all calls from your company and may consider recording calls."

Make sure that when you mail the letter, you send it return receipt requested. If you have access to a fax machine, then fax it out. It's much easier and stops the calls quickly. Under the Fair Debt Collection Practices Act, a creditor or collection agency that calls you after you request them to stop may be liable for statutory damages up to $1,000 plus any actual damages suffered, plus attorney fees.

Another tactic you can use to shut down any debt collector is to tell them you are recording the call. They back off when they realize they are on tape. You can buy an inexpensive call recorder at Radio Shack or Amazon.com. Just hook it up to your phone and you're ready to go. In addition, you may want to keep a log of all phone calls from debt collectors. This can be useful if you ever have to go to court.

After reading the Fair Debt Collection Practices Act, in my opinion, the following acts are prohibited:

Violation #1: Call you before 8 AM or after 9PM.

Violation #2: Tell your relatives, family, or friends that you owe them money, or state that they are in the debt collection business when they contact any relatives, family, or friends.

Violation #3: Contact you after you send a written request that they cease further communication.

Violation #4: Contact you after you request they cease.

Violation #5: Threaten you with violence. In addition, they are prohibited from using obscene or profane language.

Violation #6: Publicize a list of people who owe them money.

Violation #7: Cause your phone to ring repeatedly or continuously to annoy you.

Violation #8: Call you without telling you who they are and why they are calling.

Violation #9: Attempt to mislead you. Or, they falsely represent the amount owed, that they are an attorney or law firm, that if you don't pay then you'll go to jail, state or claim that you committed a crime, or threaten to take an action that is not allowed legally.

Violation #10: Not informing you that any information obtained can be used for the purpose of collecting their debt.

Violation #11: Threaten to repossess any property that they legally don't have the right to repossess. I remember hearing a lady calling a national talk show and saying that a debt collector had threatened to repossess her cat. What is this world coming to?!! That is definitely a violation! Cats, dogs, and children are not normally given as collateral against loans. This isn't the Middle Ages here!

Violation #12: Threaten to sue you and then not follow thru with it. In addition, they are not allowed to threaten to do anything unless they actually intend to follow thru with it.

There are many good lawyers who specialize in helping consumers when a debt collector violates the act. Just Google "Fair Debt Collections Lawyer." Many of them can help you at no cost out of pocket. They will take on your case on a contingency basis and get paid from the money they collect from the debt collector.

Frequently Asked Questions on FHA Loan Modification. (From HUD's website)

Question 1: In utilizing the Loan Modification option to bring an asset current, can the mortgagee include all fees and corporate advances?

Answer: Mortgagee Letter 2008-21 states in part: Legal fees and related foreclosure costs for work actually completed and applicable to the current default episode may be capitalized into the modified principal balance.

Question 2: May a mortgagee perform an interior inspection of the property if they have concerns about property condition?

Answer: Yes, per Mortgagee Letter 2000-05, page 20, the mortgagee may conduct any review it deems necessary to verify that the property has no physical conditions which adversely impact the mortgagor's continued ability to support the modified mortgage payment.

Question 3: Can a mortgagee include late charges in the Loan Modification?

Answer: Mortgagee Letter 2008-21 states that accrued late charges should be waived by the mortgagee at the time of the Loan Modification.

Question 4: When utilizing a Loan Modification option, can a mortgagee capitalize an escrow advance for Homeowner's Association fees?

Answer: HUD Handbook 4330.1 REV-5, Paragraph 2-1, Section B, Escrow Obligations states: Mortgagees must also escrow funds for those items which, if not paid, would create liens on the property positioned ahead of the FHA-insured mortgage.

Question 5: Is there a new basis interest rate which mortgagees may assess when completing a Loan Modification?

Answer: Yes, Mortgagee Letter 2009-35 states that the Mortgagee shall reduce the Loan Modification note rate to the current Market Rate. Please refer to Mortgagee Letter 2009-35 for more details.

Question 6: Are mortgagees required to re-amortize the total amount due over 360 month period?

Answer: Yes, per Mortgagee Letter 2009-35, the Mortgagee must re-amortize the total unpaid amount due over a 360 month period from the due date of the first installment required under the modified mortgage.

Question 7: What date is utilized when determining the correct interest rate for a Loan Modification?

Answer: The date the Mortgagee approves the Loan Modification (all verification completed and servicing notes documented, reported to SFDMS) is the date that Mortgagees are to use in determining the interest rate.

Question 8: Will HUD subordinate a Partial Claim, should a mortgagor subsequently default and qualify for a Loan Modification?

Answer: If a mortgagor subsequently defaults and qualifies for a Loan Modification, HUD will subordinate the Partial Claim.

Question 9: Are mortgagees required to perform an escrow analysis when completing a Loan Modification?

Answer: Yes, mortgagees are to perform a retroactive escrow analysis at the time the Loan Modification to ensure that the delinquent payments being capitalized reflect the actual escrow requirements required for those months capitalized.

Question 10: Can a mortgagee qualify an asset for the Loan Modification option when the mortgagor is unemployed, the spouse is employed, but the spouse name is not on the mortgage?

Answer: Based upon this scenario, the mortgagee should conduct a financial review of the household income and expenses to determine if surplus income is sufficient to meet the new modified mortgage payment, but insufficient to pay back the arrearage. Once this process has been completed the mortgagee should then consult with their legal counsel to determine if the asset is eligible for a Loan Modification since the spouse is not on the original mortgage.

Example Hardship Letter:

Name: (Your Name)

Address: (Your Address)

Lender Name: (Your Lender)

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.