



Solving the foreclosure crisis  
one homeowner at a time.™

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the *truth* about  
*mortgage modifications*

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**M**ore than 1 in 8 homeowners are upside-down on the mortgage and don't know what to do. The search for a solution can be filled with misinformation and fraud, and often adds more frustration to this difficult situation. If you or someone you know is among the many homeowners who owe more money on their home than it's worth, know that there are options available. You need the facts.

Being educated in today's shifting market is the most important safeguard you can take in preventing lost opportunities and avoiding scams. Your first step as a homeowner in trouble is understanding all your options, including a mortgage modification. Should you qualify, a mortgage modification is an ideal solution for you and your lender. The average foreclosure can cost a lender from 35-50% of the value of a property (or more), so keeping a borrower in their home is a better alternative for both parties. Find out if a mortgage modification is the right option for you and get back on track to a secure, stable financial future.

## MORTGAGE MODIFICATIONS

A mortgage modification is a process through which your mortgage lender changes:

- ▶ Your interest rate
- ▶ Your principal balance (through a reduction)
- ▶ Your loan terms (example: from an adjustable to a fixed rate)
- ▶ Any or all of the above

This process will often allow a borrower who can no longer afford their home at their current mortgage payment to stay in their property. A mortgage modification is ideal for homeowners experiencing a rate increase or a salary decrease, placing the mortgage payments just out of reach.

### *What do I need to qualify for a mortgage modification?*

According to the Obama administration's Making Home Affordable program's website ([www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)), you will need the following information for your lender to consider a modification:

- ▶ Information about your first mortgage, such as your monthly mortgage statement
- ▶ Information about any second mortgage or home equity line of credit (HELOC) on the house
- ▶ Account balances and minimum monthly payments due on all of your credit cards
- ▶ Account balances and monthly payments on all other debts, such as student loans and car loans
- ▶ Your most recent income tax return





- ▶ Information about your savings and other assets
- ▶ Information about the monthly gross (before tax) income of your household, including recent pay stubs if you receive them or documentation of income you receive from other sources
- ▶ If applicable it may also be helpful to have a letter describing any circumstances that caused your income to be reduced or expenses to be increased (i.e. employment reduction, sudden illness, divorce, etc.)

### *Who do I contact to qualify?*

The first call you make should be to your lender. Have the information listed above ready to discuss with them, and call your customer service line to ask them what options you have available. Different lenders have different names for the department that handles these issues, such as:

- ▶ Loss Mitigation Department
- ▶ Mortgage Modification Department
- ▶ H.O.P.E. Department

If Fannie Mae or Freddie Mac owns your mortgage, you may be eligible for a Home Affordable Refinance. This will allow you to refinance your home and often lower your payments. Therefore, you should start by visiting: [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)

Also, check the list of HUD-approved counsellors provided in this document for organizations approved to work with borrowers by the federal government's Hope Now Alliance.

## AVOIDING FRAUD

When considering a mortgage modification, beware of companies that advertise their ability to negotiate and lower your payments, and possibly your mortgage balance, for a commission or fee. According to the Federal Trade Commission, "People facing foreclosure should avoid any company or individual that requires a fee in advance, guarantees to stop a foreclosure or modify a loan, or advises the homeowner to stop paying the mortgage company." **You should never have to pay upfront fees for this service.**

The U.S. Department of Justice and U.S. Treasury Department also released a statement: "This administration is deeply committed not just to providing at-risk homeowners with assistance but also to cracking down on anyone who seeks to defraud them. Examples of possible signs of fraudulent activity, such as requiring that fees be paid before services are provided, are listed in the [advisory released by the Treasury.]" They also stress that none of the new programs announced by the Obama administration require any upfront fees.





Agents who charge a fee for a service they're not licensed or adequately trained to provide, and which the government has identified as fraudulent, cannot be tolerated. Let a trusted, educated agent guide you safely through your options.

In addition, be very cautious as to the organization's affiliation. Many companies include key words like 'Federal' or 'Government' in their names, but are in no way affiliated with the government.

## THE TRUTH ABOUT MORTGAGE MODIFICATIONS

While mortgage modifications can be an ideal solution for homeowners who qualify, it is important to understand the current trends concerning mortgage modification success rates. According to the most recent MHA report, only 12% of eligible homeowners have started a modification. The provider of this report understands that to increase this statistic, more homeowners need to find out if they are eligible and apply.

Also, a mortgage modification is primarily for those who can *almost* make their payments each month, but not quite. If you or someone you know is one of the many homeowners facing certain financial hardships—such as unemployment, forced relocation or divorce—you are less likely to qualify. The current re-default rate on mortgage modifications is 50–60%. Find out the facts, apply for a solution, but have a contingency plan. It is important to explore all of your options, and an educated real estate agent can help.

## HAVING A PLAN

Setting goals and keeping updated records will streamline your process to success and recovery. It will also save you time, hassle and distress when making plans for your financial future.

If a mortgage modification isn't an option for you, a **short sale** might be. It's understandable if you've never heard of a short sale or don't know what one entails, but imperative that your agent is educated and experienced in this area.

Solutions are out there to ease your financial strain. Be sure to take advantage of all the options available. You can take back control of your financial future. Get all the facts regarding your situation, let a qualified agent help you formulate a plan, and *get back on the right track*.





## HUD APPROVED COUNSELLORS

Scam artists often target homeowners who are struggling to meet their mortgage commitment or anxious to sell their homes. Recognize and avoid common scams. Assistance from HUD-approved housing counsellor is FREE.

**Catholic Charities USA<sup>©</sup>**  
<http://www.catholiccharitiesusa.org>

**Consumer Credit Counselling  
Service of Atlanta<sup>©</sup>**  
<http://www.cccsatl.org>

**Citizens' Housing and Planning  
Association, Inc.<sup>©</sup>**  
<http://chapa.org>

**HomeFree USA**  
<http://www.homefreeusa.org>

**Homeownership Preservation  
Foundation<sup>©</sup>**  
<http://www.995hope.org>

**The Housing Partnership Network<sup>©</sup>**  
<http://housingpartnership.net>

**Mission of Peace Housing  
Counselling Agency<sup>©</sup>**  
<http://missionofpeace.com>

**Mississippi Homebuyer  
Education Center<sup>©</sup>**  
<http://www.mhbec.com>

**The Mon Valley Initiative<sup>©</sup>**  
<http://www.monvalleyinitiative.com>

**Money Management  
International, Inc.<sup>©</sup>**  
<http://www.moneymanagement.org>

**National Community  
Reinvestment Coalition<sup>©</sup>**  
<http://www.ncrc.org>

**National Council of La Raza<sup>©</sup>**  
<http://www.nclr.org>

**National Federation of Community  
Development Credit Unions<sup>©</sup>**  
<http://www.cdcu.coop>

**National Foundation for  
Credit Counselling<sup>©</sup>**  
<http://www.nfcc.org>

**The National Urban League<sup>©</sup>**  
<http://www.nul.org>

**NeighborWorks<sup>©</sup> America**  
<http://www.nw.org>

**Neighborhood Assistance  
Corporation of America<sup>©</sup> (NACA)**  
<http://www.naca.com>

**Rural Community Assistance Co.<sup>©</sup>**  
<http://www.rcac.org>

**Structured Employment  
Economic Development Co.<sup>©</sup>**  
<http://www.seedco.org>

**West Tennessee Legal  
Services, Inc.<sup>©</sup>**  
<http://www.wtlls.org>

