



Consumers Working Directly With Lenders on a Loan Modification

The information below may be general in nature. To address your own situation seek professional legal, real estate, and/or financial advice from a licensed and experienced person(s).

Q1. Are there laws related to loan modification I should be aware of?

The 2013 California Homeowner Bill of Rights (HBOR) is a set of laws designed to protect borrowers facing foreclosures. The law was amended in 2019 to provide further protections and safeguards to loan modification applicants.

Thanks to HBOR, loan servicers are required to assign a borrower a single point of contact to assist them with the application process, provide them with a status of their application, and notify them if they are missing necessary documents. Servicers that fail to provide these and other protections can be subject to treble damages, statutory damages of \$50,000, and attorney's fees.

Despite the protections of the HBOR, however, you must remain tenacious throughout the loan modification process.

Q2. Are there tips for contacting the lender about a loan modification?

Lenders and servicers are large companies with hundreds, and even thousands, of employees. Before you call your lender, expect to be on the phone for some time and have your loan information ready and something to write with. The first person you speak with will likely be a customer service representative who will try to collect any arrears you may have. Tell them that you are calling to request a loan modification and ask that they direct you to the right division within the lender's institution.

You need to get to the "loss mitigation," "asset division," or "foreclosure prevention" division (or whatever the lender calls the section dealing with loan modifications). Once they give you the name of that division, write it down! Also, ask if there is a direct number for that division. If yes, write it down! Then ask to be transferred to that division.

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 within the institution. If they say yes, then before you tell them your story, ask for their full name and return telephone number with extension and write it down (most every lender has multiple extensions, so be diplomatic).



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Once you know you're talking to the correct person explain your situation. Be sure to listen to their response and make notes about what documentation you need to provide and where it needs to be sent and in what format, etc.

Q3. What will I need to provide the lender when I request a loan modification?

Below is a list of some of the typical information a lender may request. A sample Financial Information Worksheet, which you may also provide to your lender, appears at the end of this document and may help you in gathering information requested by a lender.

- Current mortgage loan statements and the following:
 - Mortgage loan balance
 - Monthly payment amount
 - Current interest rate
 - Any delinquent payments
 - Amount of delinquent payments

- Original mortgage loan documents and the following:
 - 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?

- 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?



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- 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
- Payment history on the mortgage loans:
 - Correspondence from the lender
 - Credit history
 - Hardship circumstances, if any, and proof
- 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.

Q4. What mortgage payment amount can I expect to pay?

Determine what percent of your income your mortgage payment is. If it is more than 31 percent, calculate 31 percent 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 31 percent 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



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- 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

Q5. What if I cannot afford a lower monthly payment?

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

Q6. What alternatives are there to foreclosure?

There are several alternatives to foreclosure. Give careful consideration to each, as circumstances vary and the lender must agree.

Forbearance/Formal Forbearance: A Forbearance Plan is a repayment agreement between you and the lender. Following review of the documents supporting your monthly income and expenses, a written plan will be developed to add a portion of the amount due on our account to each full monthly payment. Or, the plan may add all delinquent payments and fees to the end of your mortgage, which would allow you to make 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 lender may add the delinquent amount to the loan balance and 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 the new mortgage payment and your monthly expenses.

Short Sale/Pre-Foreclosure Sale: A short sale occurs when the borrower owes more than the home is worth. In a short sale, the lender releases you from the loan when you sell the home for less than what is owed on the loan. Short sales are frequently used by a borrower 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 because you are giving



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up the opportunity to earn equity. Investor approval of a short sale is based upon your financial situation and the current market value of your home.

Deed in Lieu of Foreclosure: In the event you decide 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 that they are the only lien holder on the property; they would also need to perform a walk-through inspection of the property.

SAMPLE—FINANCIAL INFORMATION WORKSHEET

(For Use in a Loan Modification Application)

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 _____



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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

<u>Monthly Obligations</u>	<u>Monthly Payment</u>	<u>Balance Due</u>	<u>Past due? # months</u>
Mortgage	\$ _____	\$ _____	_____
2 nd Lien	\$ _____	\$ _____	_____
Other Mtg	\$ _____	\$ _____	_____
Alimony	\$ _____	\$ _____	_____
Child Support	\$ _____	\$ _____	_____
Child Care	\$ _____	\$ _____	_____



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Loans

Automobile	\$ _____	\$ _____	_____
Furniture/Appliance	\$ _____	\$ _____	_____
Finance Company	\$ _____	\$ _____	_____
Finance Company	\$ _____	\$ _____	_____
Installment	\$ _____	\$ _____	_____

Credit Cards

Visa	\$ _____	\$ _____	_____
MasterCard	\$ _____	\$ _____	_____
American Express	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____
_____	\$ _____	\$ _____	_____

Utilities

Electricity	\$ _____	\$ _____	_____
Heating/Gas	\$ _____	\$ _____	_____
Telephone	\$ _____	\$ _____	_____
Water/Sewer	\$ _____	\$ _____	_____

Insurance

Homeowners	\$ _____	\$ _____	_____
Automobile	\$ _____	\$ _____	_____
Health	\$ _____	\$ _____	_____
Life	\$ _____	\$ _____	_____
Dental	\$ _____	\$ _____	_____

Donations

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

Dues

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

Medical *(not covered by insurance)*

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



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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 \$ _____ \$ _____



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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 _____ 2021.

 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.