

LOAN MODIFICATIONS

UPC Business Solutions has helped over 1400 homeowner's process their own Loan Modification agreement. There is a BIG myth about Home Loan Modification. The majority of people are told that the Lender will lower you Principle on your mortgage. However, this is only true in a very small percentage of the cases. In Las Vegas, we have not seen ONE mortgage principal reduced. The Loan Modification process depends on many factors, with all having one thing in common: How can the bank make the most amount of money from the process.

The following information is a guideline for the Loan Modification Process. Please take the time to read every section carefully in detail.

At the very least, this information will give you advice on how a Professional Loan Modification Company should proceed with your Loan Modification.

It is very important that you fill out all the information sections before you ever contact your Lender. DO NOT EVER send in financial information to your lender up front. Make sure you use the worksheets from the "Foreclosure 101" section to find out the following first:

- **How much is your house REALLY worth?**
- **How much can you really afford?**
- **How much income can you prove?**
- **Did you supply ANY false information on your original Loan Documents?**
- **Is it really worth keeping your current home at the current market price?**

UPC Business Solutions does offer Foreclosure Consultations to help you with these questions and obtain a constructive and financially sound conclusion to your situation.

Our fees begin at ONLY \$50 per hour. Most of our Loan Modification processes only take between 2-4 hours to complete.

Of course, our first initial consultation is always FREE of charge. Let us know how we can help.

**David Newingham
CEO/UPC Business Solutions**

WHAT IS A LOAN MODIFICATION

A loan modification is a change to the loan contract which is agreed to by the lender and the homeowner. The lender modifies the existing loan(s) in order to work with the homeowner because of a hardship. The purpose is to help make the loan(s) more affordable. Usually loan modifications are in the form of a rate reduction and/or fixing the rate for a certain period of time. In the past, loan modifications were only utilized when a borrower was delinquent and suffered a hardship such as a job loss or divorce.

Borrowers can now obtain modifications from their lender for unaffordable rate adjustments on adjustable rate mortgages. The earlier the homeowner addresses the issue, the better the chances are of negotiating a fixed rate and a payment that is manageable.

If the homeowner can afford their home but not their current mortgage, then they may be eligible for a loan modification. A factor that is required in every loan modification submission is the existence of a hardship. The hardship can be temporary in nature or permanent, but the borrower must be able to prove the hardship.

The following are a sample of hardships that get loan modifications approved:

1. Adjustable Rate Mortgage Reset-Payment Shock
2. Illness of the Borrower
3. Illness of a Borrowers Family Member
4. Curtailment of Income
5. Loss of Job
6. Abandonment of Property
7. Property Problem
8. Inability to Sell the Property
9. Inability to Rent the Property
10. Mortgage Servicing Problems
11. Transfer of Ownership Delays
12. Reduced Income
13. Failed Business
14. Job Relocation
15. Death of the Borrower
16. Death of the Spouse or Co-Borrower
17. Death in the Family
18. Incarceration
19. Divorce
20. Marital Separation
21. Military Duty
22. Medical Bills
23. Damage to Property (natural disaster or unnatural)

Notice that “MY Realtor lied to me” and “My loan officer/broker lied to me” are not on this list. Keep this in mind when you write your hardship letter. Documenting the hardship is very important to the lender’s or servicer’s loss mitigation department and will be verified during the approval process. Without proper documentation, your file may be flagged as fraudulent (**such as misrepresenting your**

actual income during the loan application process). You definitely do not want this to happen for obvious reasons and it will slow down the process or terminate the process completely. There are two important things to remember about loan modifications:

1. A loan modification should be requested only if no other reasonable options are available and/or the homeowner is experiencing a hardship.
2. Loan modifications are designed for homeowners who can afford their homes but not their loans.

HOW TO DETERMINE IF YOU ARE A CANDIDATE FOR A LOAN MODIFICATION

Lenders and servicers will, in general, look for one thing when you submit a modification request. They look for a documentable hardship of course, but at the end of the day, if they decide to grant your request for a loan modification all they really want to know is if you can afford the new payment(s). This is the BIG secret behind getting a loan modification.

You must disqualify yourself from your old payments and at the same time qualify yourself on a new payment structure. It sounds complicated but you will quickly learn important strategies for effectively processing loan modifications.

To understand what the lender or servicer considers qualified, you have to know how lenders calculate your income. The income you can use to qualify for a modification is different from traditional income calculations used to qualify for traditional loans. The difference in the qualification guidelines is typically in your favor.

For a modification, you can qualify based on your documentable total household income. You can count income from almost any source; Grandma's social security income, income from child day care services, from a second job paid under the table, etc, **SO LONG AS IT CAN BE PROVED**. Proof must be in the form of bank statements, 1099's, W-2's or some other documentable form as outlined in the submission paperwork you will provide your lender. In addition, if only one of two spouses was on the original loan, the other spouse's income can now count as long as it is documentable.

Once you calculate all documentable monthly income from all household sources, you then have what you can present to the lender as the new qualifying income. To calculate a qualifying mortgage payment, use the benchmark fully amortizing 5.00% rate on whatever the new balance might be, counting arrearages if they are added back into the loan. (THIS AMOUNT IS ONLY A QUALIFYING EXERCISE RATE) If the payment at this rate is too high, then you may NOT be an appropriate candidate for a loan modification.

As a general rule of thumb under the FHA lending guidelines, you cannot take more than 31% of your monthly gross income for your monthly Mortgage Principal, Interest, Tax, Insurance and HOA. Or 41% of your monthly gross income for your monthly Mortgage Principal, Interest, Tax, Insurance, HOA and your combined monthly fixed payments (such as car, credit card, medical, child support, etc). If your payment ends up being higher than that amount, your lender would have to reduce the amount of your actual mortgage amount.

COMMUNICATING A HARDSHIP EFFECTIVELY

Effective communication is the single most important aspect of describing hardship issues. Many modification requests fail because the homeowners cannot tell their story in a simple way. It is easy to forget there is a real human being analyzing the hardship letter within the lender's or servicer's loss mitigation department who is responsible for determining the existence of a real hardship. You must keep your hardship letter simple and get to the point quickly.

Loss mitigation departments are overwhelmed with foreclosures, short sales and modification requests. They do not want to read a ten page letter regarding the loan officer who put them in the loan, why they bought the house, the memories they have had there and why they want to keep their home. When writing the hardship letter, keep the letter simple and to the point.

The following pages include:

- Sample Hardship Letters
- Sample Financial Worksheet
- Income and Expense Worksheet
- Sample Loan Modification Request
- Sample Stacking Order
- The Qualified Written Request
- The Forensic Mortgage Loan Audit

Notice that you will be required to include documentation of your home's value. You can obtain reliable documentation of your home's value through your county tax assessor's website, a local realtor, a title company or from an appraiser.

SAMPLE HARDSHIP LETTER 1

January 1, 2009

To: Countrywide Mortgage

Loan Account Number(s):

First: xxxxxxxxxxxxxxxxxxxxx

Second: xxxxxxxxxxxxxxxxxxxxx

To Whom it may Concern:

Due to the recent adjustment in the mortgage I currently have with your company, I am finding it very difficult to afford the new payment. I have a 3 year fixed rate which is now adjustable and is scheduled to adjust again in March, 2009.

Considering my current income, there will be no way I can afford the increased payments in March. Hopefully there is a way to renegotiate the terms of my current mortgage to avoid default and help stop foreclosure on my home.

Is it possible to have my current adjustable rate mortgage converted to a fixed rate? If this is not possible, can you postpone the next rate change to a future date to allow me to continue making affordable payments or refinance? Any other solutions you could provide would be greatly appreciated.

I have had no problem making my payments for over three years now and do not want that to change. My mortgage was originally written by another company and bought by Countrywide. I was assured that refinancing would be no problem but that turned out not to be true due to the downturn of the housing industry.

The main problem is that my property is now worth about 60% less than what I paid for it, which is preventing me from being able to refinance.

I believe this will address the situation I currently find myself in along with many other homeowners.

Thank you for your time and consideration.

Sincerely,

Your Signature

Co-Borrower's Signature

SAMPLE HARDSHIP LETTER 2

January 1, 2009

To: Bank of America

Loan Account Number(s):

First: xxxxxxxxxxxxxxxxxxxxxx

Second: xxxxxxxxxxxxxxxxxxxxxx

To Whom it may Concern:

The purpose of this letter is to explain the unfortunate set of circumstances that have led to my mortgage delinquency (or proposed delinquency, if not yet late). After exhausting all of my resources, I have but one avenue left, and that is to appeal to you for a mortgage loan modification. I believe this would be a tremendous relief in my situation in that it would allow me/us to affordably keep the home I/we/my family loves.

The main reason that caused me/us to be late (insert reason here and don't be too lengthy or too vague. Please be sure to indicate the type of loan you have, if it is going to adjust, or has already adjusted, especially note if this is what created the hardship). This has caused me to become further and further behind. I am not in the position to refinance due to the loss of values in the real estate market.

(Insert the approximate date of hardship and clarify if your situation is temporary or permanent)

By obtaining a loan modification, I feel confident that I will be able to maintain my mortgage, and pay on the loan that has been afforded to me. I hope you will consider working with me/us on this matter.

Sincerely,

Your Signature

Co-Borrower's Signature

FINANCIAL WORKSHEET

Borrower Name: _____

Loan Account Number: _____

Borrower Information:

Property Address: _____

Home Phone: _____

Cell Phone: _____

Email: _____

Best Time to Call: _____

Check all that Apply:

- I live in the house
- This is a second house
- This house is vacant
- This is a rental property
- Active Bankruptcy

Employment Information:

Borrower:
Employer: _____
Position: _____

Co-Borrower:
Employer: _____
Position: _____

Household Income	Primary Homeowner		Additional Occupants/Total	
	Gross	Net	Gross	Net
Employment Income	\$	\$	\$	\$
Disability	\$	\$	\$	\$
Rental Income	\$	\$	\$	\$
Unemployment	\$	\$	\$	\$
Child Support/Alimony	\$	\$	\$	\$
Other	\$	\$	\$	\$
Total Monthly Income	\$	\$	\$	\$

Income Frequency: (please check one)

Primary Homeowner

Weekly Bi-Weekly Monthly Quarterly Annually

Additional Occupants

Weekly Bi-Weekly Monthly Quarterly Annually

Current Employment Status: (please check one)

Primary Homeowner

Full Time Part Time Unemployed Self Employed Retired

Additional Occupants

Full Time Part Time Unemployed Self Employed Retired

Assets / Liabilities			
Description	Estimated Value	Amount Owed	Net Value
Automobile Make and Model:	\$	\$	\$
Deposit Accounts – Checking and Savings	\$	\$	\$
IRA / Keough Accounts	\$	\$	\$
401k Savings Plan	\$	\$	\$
Stocks / Bonds / CD's	\$	\$	\$

INCOME AND EXPENSE WORKSHEET

Borrower Name: _____

Loan Account Number: _____

EXPENSES	MONTHLY PAYMENT	BALANCE DUE
Alimony / Child Support	\$	\$
Automobile Expenses (gas, maintenance, etc)	\$	\$
Child Care / Elder Care	\$	\$
Other Mortgages	\$	\$
Education (tuition)	\$	\$
Food – Family	\$	\$
Medical / Dental	\$	\$
Pets	\$	\$
Spending Money	\$	\$
Other Expenses	\$	\$
Auto Insurance	\$	\$
Life Insurance	\$	\$
Hospital	\$	\$
Prescriptions	\$	\$
Cable	\$	\$
Electricity	\$	\$
Gas	\$	\$
Telephone / Cell / Internet	\$	\$
Water / Sewage	\$	\$
Clothing	\$	\$
Dry Cleaning	\$	\$
Monthly Parking	\$	\$
Club or Union Dues	\$	\$
School or Work Lunches	\$	\$
HOA Dues	\$	\$
Other	\$	\$
DEBT		
Automobile Loans	\$	\$
Credit Cards / Total	\$	\$
Installment Loans	\$	\$
Mortgage Payment	\$	\$
Second and HELOC Mortgage Payments	\$	\$
Property Taxes and Insurance (if not in mortgage)	\$	\$
Other total debt	\$	\$

Total Expenses / Debt: \$ _____

Total Balance Due: \$ _____

Total Monthly Net Income: \$ _____

Total Monthly Expenses: (Subtract) \$ _____

Total Monthly Surplus: \$ _____

Upfront Funds Available in Cash: \$ _____

Borrower:

Signature

Date

Name (please print)

Co-Borrower:

Signature

Date

Name (please print)

SAMPLE LOAN MODIFICATION REQUEST

January 1, 2009

Loss Mitigation Department / Legal Department

[BANK NAME]

[BANK ADDRESS]

REF:

Borrower(s): [Your Name, Co-borrower Name]

Property: [Property Address]

Loan Number: [Loan Number on First, only list second if same bank]

LOAN MODIFICATION REQUEST

Proposal: [PROPOSE NEW TERMS IN THIS SECTION] EXAMPLE:

- A Competitive interest rate of 2% Fixed, Step Ladder Program. Max Rate after the fourth year at 5%, Amortized in 30 years thereafter, to capitalize past due amounts, legal fees, escrow deficiency, if any, etc.

Hardship: [SUMMARIZE HARDSHIP IN THIS SECTION] EXAMPLE:

- We are not looking to relinquish our responsibility, but rather, we are looking for a Loan Modification and / or Workout Plan equitable to our financial situation. With our already increased living expenses, and an Interest Rate that is set to adjust, the new payment will become unaffordable and difficult for us to maintain.

Market Value:

- Current Existing Balance: [Current Balance]
- Current Fair Market Value: [Can get from tax assessor site. Include supporting documents]
- Principal Balance Reduction: [The amount your financials can support. The Lender will do the math also. By using the 31% and 41% formulas, the Lender will know exactly what the maximum Principle balance can be. This will be the bottom line that will determine your success for a Principal Reduction in your Loan Modification]

Request Details:

- Current Interest Rate: [The current rate on your loan]
- Requested Interest Rate: [Example; 2.00%]
- Current Loan Type: [Example; option arm, arm, etc.]
- Requested Loan Type: [Example; Step Ladder Program, 30 Year Fixed, etc]
- Amortization Remaining: [Amount of time left on current loan. Example: 323 months]
- Requested Amortization: [Example; 30 Years]
- Previous Payment: [Current Monthly Payment; Example; \$1,500.00]
- New Payment: [New Monthly Payment; Example; \$1,000.00]
- Late Fees / Penalties: [Request Forgiven / Waived]
- Late Balance: [Include in the new Principle]
- Balance Requested Next Payment Date: [Example; 2 months]

Please find the following for you to proceed with the Loan Modification and / or Loan Restructuring Request:

- Mortgage Statement
- Market Value Documentation
- Hardship Letter
- Financial and Budget Worksheet
- Income Documentation
- Bank Statements

Thank you for your assistance in this matter.

Sincerely,

[Your Signature]

LOAN MODIFICATION STACKING ORDER

Clients:		Original Loan Amount (1 st):	
Address:		Lender:	
		Loan#:	
Phone Number:		Original Loan Amount (2 nd):	
Email:		Lender:	
		Loan#:	

Check When Complete

Documentation

- Loan Modification Stacking Order
- Mortgage Statement for each Loan
- Copy of Default Letter for each Loan
- Copy of Signed Hardship Letter
- Copy of Signed Financial Worksheet
- Copy of Signed Income and Expense Worksheet
- Copy of Signed Loan Modification Request
- Copy of Last Two Months Pay Stubs for each Client
- Copy of Previous Year W-2 for each Client
- Copy of Last Two Years Tax Returns for each Client
- Copy of Last Two Bank Statements for each Client
- Copy of All Correspondence from the Lender

The Qualified Written Request

It is important to be on the same page with the lender. After you receive your first letter from the lender about a default on your loan, or you feel you will not be able to make timely payments, we strongly suggest that you send a Qualified Written Request to your lender. A Qualified Written Request (QWR) is a written demand to your servicing company. After receiving a QWR, the servicing company has twenty days to respond to the request and forward a copy of all loan documentation on file pertaining to your loan. The servicing company also has to suspend all reporting activity to the major credit bureaus and then resolve any issue within sixty days. Federal RESPA laws require the servicing company to comply and respond within this specified time frame. A QWR will be generated by you and submitted to the servicer for every file prior to the completion of a Forensic Loan Document Audit.

By sending a QWR, your lender and servicing company is now on a specific time frame. This means you will not be waiting around to hear back from the lender or servicing company. However, make sure you have all the prior information in the Loan Modification Stacking Order ready to go. This also puts a time frame on you. Remember, the process must be finalized within 60 days. Do not send in the QWR until you have your information ready to go.

The QWR is also a suggested process if you intend to complete a Forensic Mortgage Loan Document Audit.

The following is a sample QWR:

SAMPLE QUALIFIED WRITTEN REQUEST

January 1, 2009

[Name of Lender or Servicing Company that sent you the letter]

Attention: [Correspondence Department]

Ref:

Loan Number: [Loan Number you are responding to, may include 2nd loan also]

Name: [Name on the loan]

Subject Address: [Address the loan is attached with]

To Whom it may concern:

Please accept this letter as a "Qualified Written Request" under Section 6 of the Real Estate Settlement Procedures Act (RESPA) to obtain ALL documents pertaining to the origination of the above mentioned Clients' current mortgage on the referenced subject property. Please see below for a list of documents needed.

- Initial Loan Application and Final Loan Application
- Executed Notice of Right to Cancel (if refinance)
- Deed of Trust / All Riders
- Note and All Addendums / Riders
- Truth-in-Lending Statements
- Itemization of Amount Financed
- Good Faith Estimates
- Estimated and Final Closing Statements (HUD)
- Appraisal
- Title Report
- Grant Deed(s)
- Copy of Loan Payment History – This must include all payments made, all fees incurred, any and all escrow account disbursements and how payments were applied.

In addition to the above, please forward any and all disclosures, rate sheets, etc. associated with the above transaction. Please note that all copies need to be clear and legible and all documents should be copied in their entirety.

In closing, We / I understand that under Section 6 of RESPA you are required to acknowledge our / my request within 20 business days and try to resolve any issues within 60 business days. These documents will also help us achieve a Forensic Mortgage Loan Document Audit.

Please forward the requested documentation as soon as possible and we look forward to working with you on a solution that benefits our mutual concerns.

Thank you for your time,

Sincerely, [Name]

THE FORENSIC MORTGAGE LOAN AUDIT

The Forensic Mortgage Loan Document Audit (FMLDA) is used as a basis for pressuring lenders to take immediate action to stop an impending foreclosure. This audit reveals various Federal and State violations of errors in the original loan documents.

The FMLDA must be performed by a qualified audit company. There is specific software that is used, and the cost can be from \$395 - \$595. The software used is the same software that the lender will use to determine if there are any violations in your loan. Once the audit has been completed and if violations are found, a formal request for a loan modification is sent to the lender along with an abundance of highly organized financial information that makes the best case possible as to why you deserve a loan modification. This is a long process and requires patience.

Obtaining a FMLDA is essential in every Loan Modification. The findings of an audit can significantly improve your chances for a positive resolution. The following are common reasons to conduct a FMLDA:

- General Loan Documentation Errors
- Reverse Engineering
- Real Estate Settlement Procedures Act (RESPA) Violations
- Truth in Lending Act (TILA) Violations
- Home Owner Equity Protection Act (HOEPA) Violations
- Good Faith Estimate Compliance
- Misleading Disclosures
- Overstated Home Values
- Overstated Income in the Loan Application
- Lender and / or Broker Misrepresentation
- Usury Violations
- Excessive ARM Adjustments
- Packing
- Excessive Points and Fees
- Predatory Lending
- Forgery
- Loan Flipping

IMPORTANT THINGS TO KNOW ABOUT A FORENSIC MORTGAGE LOAN DOCUMENT AUDIT:

- There is a fee for the Audit
- If you find any violations in the audit, you will more than likely need an attorney to address these issues.
- The lender will also conduct a FMLDA on your account. You will be held accountable for all the forms you have signed. This will include but is not limited to your loan application. You must review these documents for any fraud **YOU** may have committed on them. Many people listed more income on their application than they actually made. The lender will compare your listed income against your personal Income Tax Return for that year. If there is a difference, the lender may forward those documents to the IRS.