

Mortgage Modification

Made Easy

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Chapter 1

The Process of Modification A to Z

Until recently lenders and servicers rarely if ever modified the terms of a mortgage. Unless the mortgage went into foreclosure. With the economic crisis the country is now facing it has become more common place. Each servicer and lender has its own guidelines, but for the most part we can stick to the most commonly used modifications to help you understand the process used to complete a modification.

A need arises through a hardship

First and foremost a borrower must have a *hardship* of one kind or another. Usually a reduction in income or medical problem that might also produce a reduction in income or increase in expenses as a result of treating that medical problem. Possibly your rate has or will increase because it is adjustable. This too is a hardship. Ultimately a reduction in income is usually the primary cause for someone to receive a modification. If you have expenses going up from over buying cars, credit cards or other over consumption you will find it difficult to receive a modification without some sort of consumer credit counseling. The one exception may be if you ran up your credit cards to keep paying your mortgage due to reduction of income or medical problem you may still receive a modification, but still may require consumer credit counseling to qualify. *Keep in mind that you will not in most cases receive a modification just because you want to lower your mortgage payment. You must have a hardship*

A request for assistance to the servicer from the borrower

At some point it becomes apparent that a borrower is in or soon will be in trouble meeting monthly expenses. Most servicers will not even know there is a problem unless you the borrower reaches out to them to let them know. Most major servicers have links on their internet web sites to request assistance these days. Not a bad place to start, but I prefer the old fashioned method of just plain calling and asking what they have to offer distressed homeowners. Now in my opinion the best program available is the Making Homes Affordable program and they have a pretty good web site also. <http://www.makinghomesaffordable.gov/> They have some very useful tools on the page and will help you understand what you may need to qualify for this program. Be sure when contacting your servicer that you specifically ask for the Making Homes Affordable program. If not they might not even consider you for this program. Most would expect the servicer to try this first but they often do not.

The Borrower will gather all financial information.

At this point you the borrower will need to gather all your financial information. *All expenses* including your living expenses. Keep in mind the servicer usually will pull your credit report. This reflects all mortgages, car payments, personal loans, credit cards and in some cases gas or electric. So if you have a car loan that

someone else is paying be sure to omit this from your expenses, but be ready to let the servicer know you have done this and why if questioned. Also food, utilities, child care, child support, Gasoline, car insurance, medical expenses and even homeowners insurance and property tax if they are not included in your regular mortgage payment.

Also all household income is going to be asked for. This includes anyone that lives in your home. Even if they are not on the mortgage there income can be included for consideration. Now very often someone may live in your home and not actually contribute to your mortgage. If this is the case keep a letter on hand from them stating this. Most people choose to omit this income as it does not actually help them and is not considered household income. This is a matter of preference however. If the person is a borrower, co borrower or spouse of a borrower on the loan be prepared to offer a good letter as to why they do not contribute to the household income. Also rents received will be asked for. Be prepared to give either leases or tenant at will agreements to verify this income. Keep in mind only 75% of the rent is used for income under most programs. I have enclosed a spread sheet for you to keep track of your expenses. Also I have one on the web site for your convenience. They will ask how much you have in the bank so keep your bank statements close by. If you have a great deal of money in the bank you may not qualify for a modification. Also investment income will be asked for and considered.

The servicer will ask you for your financial information and hardship

At this point the servicer will ask you for your financial information. They may want you to fill out forms on there specific web site or possibly take it over the phone. I ask how they do it. I prefer giving financials over the phone as it often expedites an approval and getting into the program and ending the bad situation you are finding yourself in. In all cases I find out all I can about the programs they offer and that the investor will accept before giving financials. I always ask does this investor accept modifications and are they participating in the Making Homes Affordable program. If they are the requirements are well know. If not then I ask what guidelines they require. *I have a chapter devoted to talking to your service.*

The Borrower will submit financials and hardship information

The servicer will ask what caused your hardship. Is it permanent or temporary? Be ready for these questions. If you don't know the answer tell them you don't know. Further the servicer will ask if your intention is to keep the home. If you don't want to they will try to help you with a sale etc. They will ask how much you have to contribute to get the modification. Especially if you are behind on payments. The customary contribution is 1 or 2 payments. If you have nothing to contribute say so. However if you are way behind this may be a problem. So keep in mind not to hold back too much. Your primary goal here is to be fair and honest with your servicer if you expect the same in return. They may ask if you know the value of the home. I use web site <http://zillow.com>. But there are many others that can help you with this. The value of your cars and how much you owe on them. Money in the bank, retirement, investments any assets at all, they will ask you if you have. Your monthly expenses witch I covered in the earlier chapter. And finally the monthly income. I only give it

monthly, but they will often ask for weekly. I just prefer to keep it simple. Remember your monthly gross income will decide what your new payment will be. If it is the making Home Affordable plan it will be 31% of your monthly Gross income. Most other plans will be 37% of your monthly gross income. Also they may ask your monthly net income. This is important because your monthly net against your expenses may decide whether or not you will qualify. A deficit too big may eliminate you. And if you have a major surplus of more than a few hundred dollars you may also be declined. This is why I do the enclosed financial worksheet before speaking to the lender. This way I know where I have to cut expenses if my deficit is too high. Or make sure I have included all my expenses if the surplus is too big. Do not overlook anything at this point. Your success or failure will depend on you being prepared.

The borrower will be asked to submit documentation

At this point you will be asked in most cases to submit documentation to verify your financial situation. One or two years tax returns. They must be signed by anyone on them even if they are not a borrower. Also between two and four months bank statements. If you receive pay checks they will ask for two most recent pay check stubs. If you are self employed they will ask for either a quarterly or year to date profit and loss statement. I have covered all this in the chapter on the self employed. If you have rentals they will ask for leases. The entire file will usually be faxed in. Make sure you ask exactly what they want. Inform them if you are self employed or own more than one property. If you are taking these forms from a web site and filling them out they should be self explanatory, but if you don't understand something call and ask. And make sure you submit as perfect a file as is possible. Bad files seem to never get done.

Borrower will follow up for status

A call every few days to follow up is required at this time. You will often be told the modification is in process. It is a good time to ask if they have everything they need. Often you may be missing documentation or it was lost in the faxing process. Or it was not understood what the document was that was sent and needs to be clarified. I have found that most of the clerks can review what you have sent and keep the process moving along at as fast a pace as possible.

You will receive a package

The next step in this process is a package. This may include you're actual modification, but more often is some kind of forbearance plan. Temporary payments while the modification process occurs. In all cases you will have to fill out this package and often may again be asked to submit the same documentation you have already submitted earlier. Keep the documents up to date. Meaning bank statements, pay stubs and or profit and loss statements should never be more than 15 or 20 days old in signature date. Be sure to get these documents back as soon as is possible. Most of them have an expiration date and it is not something to be taken lightly. Also they often require a payment at that same time this package is received. I always tell my clients to get a bank certified check as it is often required for a while in this process. Read the instructions carefully. They may want the check going with or without the package. If you don't know call. Also keep the air bill as the packages are often lost and you need to begin all the way at square one. Keep copies so if this

happens you can send a new package fast. Make sure you fill out every form correct. If it asks yes or no and its no check it as such. Don't assume anything.

Borrower will again follow up for status

Again is wise to call a few times a week to make sure the package has been received. Also the payment. They are often lost and without good follow up you won't know a problem exists till it's too late. If the servicer is behind you will need to update you documents every month or so. Be prepared for this. New Bank statements, pay stubs, profit and Loss statements and even the form 4506T that you received in the package needs to be current at all times. Never allow documents to be over a month old. Because if the underwriter picks up a file and it's old it goes to the bottom of the pile and you will receive a letter asking you for more documentation and the process will go on and on. Bottom line stay on top of your file. Make your payments on time. Do not be late once you are in the program. You could be removed in a second if you show you are struggling with the new payment. If you have never been late on your mortgage it is important to keep making your full payments during this process. As making the reduced payment will reflect as a partial payment and will negatively impact your credit.

Borrower receives his final modification package

This almost always needs to be notarized, bring it to a competent professional to look over. If there is something wrong in it or the terms are not what you expected now is the time to find it. Not a month or two down the road. Again the documents are time sensitive so get it don't fast and returned as soon as you can. Do not delay. If you don't understand something call the servicer and ask. Make sure it is as perfect as you can make it. Perfect files finish first.

Congratulations you modified your mortgage.

At this point you can tell your friends you did it. You did it without paying thousands of dollars to lawyers or modification companies. And you are a better person for having a greater understanding of how your mortgage works.

Chapter 2

What do I need to qualify for a modification?

Actually it is quite easy to qualify to get your loan modified. There are some things you should know however, because you need to have all of the pieces. Here is a list to give you a brief idea.

Financial hardship: You must have a real financial hardship. Reduction in income for some reason. If you are self employed you may have experienced a reduction. If your hours have been cut at work. Perhaps you have lost a roommate that shred expenses. A rental unit going vacant. Layoff from your job. And many others. The list goes on and on. It is important to note that needless spending or running up your credit cards for no reason. Are not hardships and I would not use this as a reason for requesting assistance.

Ability to repay a modified mortgage: Many people tend to tell lenders that the situation is worse then it really is. Stating they have no income. Remember you have to have the ability to repay a modified loan. Otherwise the servicer will see it as a waste of there time and money. I will cover qualification in late chapters. Self employed people make the mistake of thinking they will only use your taxes to qualify. And in most cases they will not qualify. The use many factors when considering self employed for a modification. I have devoted a chapter for this.

Good preparation and attention to detail: While servicers will tell you they are there to help. They will expect you to deliver exactly what they ask for. Exactly the way they want it. And in a timely fashion. Many times I have seen a modification denied due to not receiving requested documentation in time. They almost always place a deadline on you and if it is not met. You must begin again. Keep copies of what you send. Follow up regular. And any over night packages sent should be tracked to make sure they are received and follow up to make sure they actually make it into your file.

If you have what the servicer requires your chances are good. It is important to note however that not all loans can be modified. And some are more difficult. Non owner occupied is difficult. Loans that are not government loans can be difficult. As time goes on I see more and more investors trying to modify as foreclosure and even short sales have proven unprofitable for them. So keep trying because even the hard loans to modify can change in a day.

Chapter 3

What Documents do I need?

The following is a general list of documents that you will need to prove your income for your modification.

For each borrower who receives a salary or hourly wage check

- Copy of two most recent pay stubs
- Most recent tax return signed by all parties on return
- 2 most recent bank statements

For Each Borrower who is self employed

- Most recent quarterly or year to date profit/Loss statement.
- Most recent tax return signed by all parties on return
- 4 most recent bank statements

For each borrower who has social security, pension, disability or unemployment

- Copy of benefit statement or letter that states amount, frequency, and time you will receive the benefit
- Two most recent bank statements to verify you get the payment
- Most recent tax return signed by all parties on tax return
- 2 months bank statements

For each borrower who receives child support or alimony

- copy of court order or divorce decree
- Two most recent bank statements showing you actually receive the payments
- Most recent tax return signed by all parties on tax return

Other forms you will need

IRS form 4506T this form allows the servicer to make sure you actually filed the tax returns you are actually presenting. It needs to be signed by all persons on the tax return and you need to put the tax years you are showing. Ask your servicer what address they want on this form as it is very important. You can obtain this form at www.makinghomesaffordable.gov. There is also a good direction sheet you can get on filing out this form. Keep in mind the form is only good for 30 days so you will need to keep sending new signed versions.

Hardship affidavit this form outlines your hardship also phone numbers, social security or tax ID numbers etc. Again you can download this form at www.makinghomesaffordable.gov. Like the 4506 T it needs to be updated every 30 days or so. While updating over and over may be hard it is a necessary part of the modification process. Keep on top of it and be prepared. The dates should never be more than 30 days old on any of these documents. This includes your pay stubs, bank statements, and year to date Profit/loss statements.

Chapter 4

Writing a Hardship letter

Writing your hardship letter would seem quite easy, but it needs to be understood that an underwriter will read every word. So try to keep it simple.

The letter should have 3 parts.

Part 1

What actually caused the problem. Was there a reduction in income? Or increase in expenses? Illness or death in the family? Whatever it is outline it in as simple terms as possible

Part 2

This is a good place to bring up your lack of available funds to continue to pay. Also it is a good place to let the servicer know how you want to pay, but are unable.

Part 3

This is the area where you will outline what steps you have taken to resolve the problem. Also where you will let them know why if you receive a modification you will be able to pay your mortgage in the future.

Servicers do not want to modify a mortgage that will eventually become a default. This is a waste of everybody's time. So a good conclusion is always necessary. I prefer to keep my hardship letters very simple to avoid more paperwork and documentation if this is at all possible. Here is a good sample hardship letter for a salaried employee who has had a reduction in pay.

Here is a sample hardship letter:

To whom it may concern,

We have fallen behind on our mortgage due to the fact that I had a reduction in pay at my job. I have used up all of my reserves to try to pay the mortgage, but now do not have enough and need your help. I do have a good job and if we can get this modification will be able to pay for our mortgage well into the future.

Thank you for your help

John Doe

Loan number xxxxxxxxxxxxxx

You will notice that it outlines the hardship and the fact that his reserves have been used up. It goes on to say that he does have a good job and can pay if he receives help. Remember the servicer needs to know that if you receive this modification you will be able to pay.

Here is a sample for someone who may be self employed and has experienced a reduction in business.

To whom it may concern,

We have fallen behind on our mortgage due to the fact that I am self employed and have had a reduction in business due to the economy. I have used up all of my reserves to try to pay the mortgage, but now do not have enough and need your help. I have taken steps to stabilize my business but with a reduction in income. If we can get this modification will be able to pay for our mortgage well into the future.

Thank you for your help

John Doe

Loan number xxxxxxxxxxxxxx

You will notice that I always keep my letters very simple. After 12 years in the mortgage business I can tell you that simple is always better. Every item you bring up could pose questions from an underwriter. This can create more work for you and result in a declined modification application.

In conclusion make sure your hardship letter is sincere, lists all the necessary information and will show why you are a good candidate for modification.

Chapter 5

Preparing to apply for you're modification

Step 1

The first step in preparing to apply for your modification is to contact your lender. Ask the following questions.

1. Can this loan be modified?
2. If so is the investor participating in the Making Homes Affordable program?
3. If not what program does the investor participate in?
4. If the program is not the Making Homes Affordable what are the guidelines for the program?
5. Do I need to be delinquent for the program?
6. Can I apply over the phone or do I have to go online? Or can you send me the application?
7. Do you know the Floor or lowest rate the program allows for?
8. Do I need a special phone number for your modification department?
9. What is the average turn around time?

I have found that most of the clerks you will talk to will furnish most or all of this information. If you do not get good information. Call again and ask another person. I have often been given wrong information. Often you may have to talk to several clerks till you reach one who can guide you through your servicer's process.

Step 2

Now it is time to evaluate your monthly expenses. The key here is not to over exaggerate you expenses. For most programs you need to not have expenses that are out of control. In many cases the servicer will pull a credit report to get expenses like mortgages, personal loans, car loans and credit card expenses. Below is a list of normal expenses you may have. First list them all in the financial statement I have enclosed. It needs to be understood that in most cases you can not show too big of a monthly deficit. I like to show a rule of thumb of \$100 to \$150.00 per month of your net monthly income. If it is greater then this you will have to find a way to reduce your monthly expenses. Talking to credit card companies to reduce minimum monthly payment is a good place to start. Gas, groceries, auto insurance and many other places are a good second place to look at also. These expenses can be easily reduced if you are over consuming. If your minimum credit card payments are too high, you may be required by your servicer to seek consumer credit counseling prior to applying for modification.

Now after you have your expenses in line and only a small deficit you may still be declined. If you are applying for the presidents plan this is unlikely. If you are applying for other plans you may have to show a very small surplus. Ask your servicer and if this is the case reduce your expenses again if possible to show a small monthly

surplus. I have found the surplus needs to be on the gross side of the equation and not the net. Be sure to ask your servicer.

I can not stress enough at this point not to make your situation appear worse than it may be. If you can not be helped due to excessive expenses you will be declined for modification. This is because servicers can only help someone who can continue to make the newly adjusted payments on time without further assistance. You would need a small surplus every month after modification for this to occur. If after modification you are still negative you will be considered beyond help. And the servicer will offer a short sale or other option at that point. Probably not options you want to consider if you bought this course.

Below is a table of the average expense that servicers will expect you to have. If you are able to do your financials over the phone make sure the totals are the same as yours as they may combine some of these or not have others. Again ask what the total expenses are so you don't miss anything. All of the expense I am showing you are allowable with most servicers under most programs.

- Alimony/child support
- Automobile
- Gasoline
- Automobile Insurance
- Automobile Loans
- Auto Maintenance
- Auto Parking
- Cable TV/satellite
- Child Care/day care
- Club and union dues
- Personal Loans
- Credit Cards
- Dental Expense
- Dry Cleaning
- Entertainment
- Finance Co loans
- Furniture Appliances
- Groceries
- Health Insurance
- Heating/electricity
- Property Taxes
- Property Insurance
- Property Insurance
- First Mort P&I

Second mortgage
Medical expenses
Life Insurance
Online Services
Other Loans
Prescription Drugs
Property
Maintenance
Real estate
Other taxes
School Tuition
Other mortgage
Spending Money
Student Loans
Telephone/cell
Utilities NOO
Water /Sewage

If you own more than one property you will need to see the special chapter I have prepared to work out the other mortgages you may have not associated with the subject property.

Step 3.

Next get your monthly income together. . On the surface you may think this would be pretty easy, however your lender may ask you monthly gross income and monthly net income for your entire household. If all members of the household receive weekly pay checks for an employer the formulas are complicated but workable. If you are self employed, paid by cash or receive 1099's as an independent contractor it gets far more complicated. I will begin with borrowers who receive checks and progress to the more difficult self employed later on in the chapter.

Pay Stub income: First and foremost you will need to gather pay stubs for all household members that contribute to paying the mortgage. On the pay stub there should be a gross year to date amount that has been paid. Also there should be a period ending also located on the check, you need to take the gross income on the check and divide by the number of weeks to that date. I have enclosed a calendar with the weeks numbered for your convince. See fig 2. For example the pay sub has a year to date of \$6112.49 and the period ending is 2/7/2010. By counting the weeks from the first of January to the seventh of February you will see that is 6 weeks. Simply divide 6112.49 by 6. You should have come up with 1018.74. This is the average earnings year to date. Now we need to convert this number to monthly. Simply multiply this number by 12 weeks in the year $1018.74 \times 12 = 12224.88$ should be the answer for the average gross earnings for the entire year. Now all you need to do is $12224.88 \div 12 = 1018.74$. So 1018.74 is your monthly gross earnings for this borrower.

Self Employed income: Now self employed can get a bit more complicated for several reasons. Number one is that most people wash quite a bit through there companies and don't actually reveal a true gross income on tax returns. I will tell you lenders do not compare your income to your tax return income luckily for most. What they are looking for is income that can be verified by bank statements. For instance you are a self employed landscaper. You work alone and gross receipts per month are \$9,000. You may show an adjusted gross income on taxes of say \$4000 for that month. The reality is you may truly earn 6000 or more depending on the costs of your business. Assuming you have the cash flow to prove you have this income. You will need to prove this by showing your business and or personal bank statements for the last 3 or 4 months. Then you will need to provide a profit and loss statement covering either year to date or quarterly. In the CD is a sample profit and loss you can use to prepare this. Now once you prepare your profit and loss statement you will have your monthly gross income. I have also prepared a sample profit and loss statement to show net personal income.

Rental Income: If you have multiple properties you will find it very difficult to qualify for a modification. The formula the banks use becomes quite complicated. You can be asked to provide leases and at that only get 75% of the rent counting towards paying the mortgages on those properties. The way I have overcome this successfully is as follows. I treat your income producing properties as a business. Meaning if you own more than one property you can consider yourself a real estate management company and self employed. I have enclosed a profit and loss to simplify this method. **See fig 1** Simply put I show your gross rent from the properties other than the one you are trying to modify as gross before expense income. I show the various mortgages on the profit and loss as expenses. I also show any other expenses like garbage electric etc. At the bottom I show your gross profit or loss. Just like a regular business. I have found that this is the only way I have successfully modified non owner occupied properties. This method has worked for me around 90% of the time. If you are using rental income from a subject to help you qualify keep in mind that you will have to provide lease or a tenant at will agreement. Also they usually will only give you 75% of the actual rent towards your ordinary income. For instance. If you receive \$1000 per month in rent on the property you are trying to modify. The total gross income you will now have is \$750 per month. When calculating your income for qualification use the \$750 to make sure you qualify. When your servicer asks your rental give them the full 1000. I have enclosed a table to explain this further see fig 2.

Unemployment Income: Most of the banks are now accepting unemployment income to qualify for modification. The method is the same as with pay stub income. I would suggest putting a letter in to explain that you have been receiving unemployment and when it began. Also enclosing a few of your last pay checks is not a bad idea. You must break down the pay periods and divide by that number. For instance if you receive checks monthly, and it is march divide by 3 then multiply that times 12 then divide by 12 to get monthly gross and net income.

Social security income: Social security income can be used the same as pay stub income.

Child support income: In many cases you do not need to disclose this income. However you may need to in order to qualify for a modification. Keep in mind you will need to show either a court order or divorce decree or some official document showing that you receive this. You must also show bank statements showing you actually receive this and often they will want to see that exact amount deposited on a weekly basis. So if you deposit your pay check and support together they will make it difficult for you to use this income in many cases. My suggestion is always enclose a letter stating why the deposits don't match. Perhaps you cash the checks or you are paid cash. You may be able to get an approval with a good explanation..

Contribution income: Perhaps you receive income from other family members not actually living in the house. Or people that are. You would first need a letter signed and dated by the person who gives you this money. Then you need to prove they have the ability to give you this money. I usually enclose a tax return for the previous year, bank statements 3 months and pay stubs. If they are self employed I would enclose a quarterly Profit and Loss statement.

Investment income including annuities: I haven't often seen this income from my clients, but when I do I treat it as pay stub income. It will all depend on how often you receive checks etc, but the formulas will work just by counting the number of pay periods year to date. Meaning monthly bi weekly or whatever.

Step 4.

Now it is time to *prepare your financial statement*. At this point the servicer would like you to either call and apply over the phone or fill out the application over the internet or hard copy. I suggest you use the financial statement I have supplied or use the one I have on the web site so as to make sure your numbers work. By working I mean do you have a deficit? If so how much is it? I have found that it is advisable to have a small deficit of around \$100 dollars to qualify for most programs. I am not suggesting you give numbers that are incorrect. I am suggesting if your deficit is too high you need to economize your expenses in order to qualify. Also if your income is not enough it is better to know before you apply so you can correct this. Meaning taking a second job, renting out a room, taking on a roommate or even asking other family members to assist in your expenses so you may keep your home. Also this may be a good time to decide if it is truly economically feasible to actually keep you're home.

I have provided a hard copy of the financial statement for you to work with below. I strongly suggest you use the one I have provided on the web site as it will add the numbers for you so you can get a better feel of what additions or subtractions you need to make to qualify. Also you can input the new payment to see if you will have a surplus after modification. This is important as almost all modifications require you to be positive after modification as someone who is negative will likely not be able to pay.

Borrower Name and SS#		Property for sale?		
Mailing Address				
City, State, Zip		Realtor Name		
Home Phone		Realtor Phone		
Work Phone		Assets	Amount Owed	Value
Cell Phone		Home		
# People in Household		Other real estate		
		Retirement funds		
Co Borrower Name and SS#		Investments		
Mailing Address		Checking Bal.		
City, State, Zip		Savings Bal.		
Home Phone		Vehicles	Model/Year	
		Automobiles		
Monthly Income		Motorcycle		
Borrower 1		Total Assets		
Borrower 2			Monthly Expenses	Monthly \$Amt
Other Income			Alimony/child support	
Total Income			Automobile Gasoline	
Additional Income		gross Income	Net Income	
Borrower 1			Automobile Insurance	
Borrower 2			Automobile Loan	
Other Income			Auto Maintenance	
Total Other Income			Cable TV/satellite	
			Child Care	
Total Income			Club and union dues	
Description of hardship			Credit cards	
			Dental Expense	
			Finance Co loans	
			Groceries	
			Health Insurance	
			Heating/electricity	
			Real estate tax	
			Property Insurance	
			First Mort PITI	
			Second mortgage	
			Medical expense	
			Life Insurance	
			Online Services	
			Prescription Drugs	
			School Tuition	
			Other mortgages	
			Student Loans	
			Telephone/cell	
			Water /Sewage	
			Total	
	Total Net Monthly			

Chapter 6

Prepare your Financial Statement

Now we prepare a financial statement. Below is a financial statement that I will use later on this book. It is very important to prepare this before you actually start the application because you will identify potential problems in advance. This will allow you to make the necessary corrections in life etc to allow you to get your loan modified. Also when either doing the statement over the phone or in a hard copy on line It will keep you from missing income and or expenses that you may have.

It is important to note if you have a big surplus or deficit you may be denied for modification. Check your financial statement carefully to be sure you have missed nothing. The sample financial statement I have enclosed is a short version for ease of use. The one on the web site is far more in depth.

Now that you can see your income and expenses it is a good time to decide if you want to keep your home. The reality is that it just may not be feasible for you. If it seems that this is the case you can ask your servicer for your options. They may offer you what they call a **short sale** this is where you would make a reduced payment and the bank will allow you to sell the property at market value. There are down sides to this and I will cover them in the chapter on short sales and Deed in lieu of foreclosure.

If you decide to keep your home now you know what steps you need to take to make it work. **You may need to reduce your monthly expenses.** Many times a servicer will suggest this also. If you are spending money on things that are just plain unnecessary you should try to solve this. Lower your phone bills by taking a less expensive plan. Reduce cable you may not need 250 channels. Buy gas at the cheaper gas station and pump it yourself. Check your car insurance and homeowners. You may be paying too much. Buy groceries at discounters when possible. Put in energy efficient light bulbs to save energy. I have found this alone cut my bill by 90 dollars a month. Negotiate with your credit card companies. Almost all credit card companies have plans for distressed borrowers.

You may need to raise your income. There are many ways to raise your income. Take a second job. Take a news paper route before work. Rent out a room. Start a part time business. Perhaps a family member can contribute income on a monthly basis to get you by at this hard time. There are many ways to raise your income. If you really want to keep your home this can be done.

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross Income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	3354	2641	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income				Alimony/child support	
Total Income	3354	2641		Automobile Gasoline	318
Additional Income	gross Income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	3354	2641		Credit cards	141
				Finance Co loans	
				Groceries	314
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	1289
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
				Total	2840
				Tot. Net Month income	-199

This is an example of a financial statement that can be modified. The deficit is small and the borrower has a little money in the bank at this point. After modification at 2% the borrower will save around \$400 dollars per month. Giving him a small surplus. Even at 4% this would still work with a very small surplus. If the floor rate the investor has is more then 4 then we would need a little more income to qualify.

Make sure you check all your numbers to make sure they are as accurate as possible.

Chapter 7

Self Employed Borrowers

I have devoted this section to those borrowers who are self employed because it is far more difficult to show your income if you are self employed then if you get pay checks. Also for tax purposes most self employed borrowers tend to have lower income. It is important to note that the income from your tax returns has nothing to do with the actual income you will show your bank to qualify for your modification. It works nothing like when applying for financing. Below is what you will need to show and why to qualify for a modification.

You will be required to show between three and four months bank statements. This is to show the bank your monthly cash flow. Don't be alarmed if your cash flow is very high. As you may have a business that has a great deal of expenses to operate. It is far worse if you do not deposit all your cash through your bank. As you may not have sufficient proof of your income to show enough net income to qualify for your modification.

You will be required to show either a quarterly or year to date profit and loss statement. A Profit and loss statement also called P & L statements simply shows your gross income and your gross expenses in your business. Also will show your personnel gross income or loss for that period.

I have enclosed two sample profit and loss statements for your convenience. You can do this on an Excel spread sheet. I have also enclosed one of each with the CD I included with this course. If you do not have Microsoft Office on your computer, be sure to use one that has this program on it to utilize this invaluable resource.

For this example I am using a service related job like plumber carpenter etc, but you can alter the expenses to meet your needs. You may need a line for labor costs. Simply add the ones you need. I have included a few blank spaces to add things that might be necessary to your business on the enclosed CD. You may just include them under misc expenses if you like. Or you can have your accountant prepare your P & L. I however like the control I have doing it myself. You may have your Accountant review your P & L if your servicer requires it Remember a quarterly profit and loss covers a full three month time frame. So your gross income must be divided by three to get the average.

Let's begin by doing a quarterly Profit and Loss statement. Get out the last three months bank statements you have and record the deposits for each month on a separate piece of paper.

Example: November deposits \$6418

December deposits \$9216

January Deposits \$5812

Here is the final P & L:

Joes landscaping

November 1, 2009 to January 30, 2010

<i>Income</i>	11/2009	<i>Income</i>	12/2009	<i>Income</i>	1/2010
Services	6418	Services	9216	Services	5812
Total Income	6418	Total Income	9216	Total Income	5812
<i>Expense</i>		<i>Expense</i>		<i>Expense</i>	
Materials	2041	Materials	3414	Materials	1908
Auto, Fuel, Maint	309	Auto, Fuel, Maint	381	Auto, Fuel, Maint	291
Telephone	108	Telephone	122	Telephone	97
Misc. Expenses	43	Misc. Expenses	64	Misc. Expenses	73
Total Expense	2501	Total Expense	3981	Total Expense	2369
Gross personnel Income	3917	Gross personnel Income	5235	Gross personnel Income	3443
Avg Monthly gross	4198				
Personnel taxes	342				
Net Monthly	3856				

Now to figure your monthly payment at 31% use the gross 4198 x .31 = 1301. Hopefully this is near the lowest payment your program offers.

To figure at 37% simply take 4198 x .37 = 1553 and this is the payment you will qualify for at 37%.

Chapter 8

Borrowers with Multiple Properties

It has been my unfortunate experience to spend countless hours trying to figure out a way to modify loans for a borrower who has more than one property. The mathematical formula that has been used by banks for some time simply almost always won't allow this to be done. The income is usually far too little for a normal person to qualify. The way it has always been done is you are given 75% of the rental income and then must qualify to pay for all your mortgages. That just is not simply the way it works in the real world. Further you will have to provide leases for each property and the paperwork alone can make you crazy.

Luckily I did find a very effective way to solve this problem and it almost always works. To simplify this, the fact that you own more than one property you can consider that you have a real estate management business. Not unlike any other business you have cost for services. In your case mortgages, maintenance etc. And cash flow in this case the rents you collect. Since this is a business you will not be required to produce leases etc. This alone makes it worth while. The other side of this is you will get 100% of the rents you collect instead of the 75%. So actually showing a profit or at least removing the other properties can be done in this way. Remember however you will probably be asked to show three or four months bank statements to justify this income. So if you don't deposit all your income makes sure you do while modifying your loan. I have found that using this method you will be able to modify in most cases the non owner occupied properties swell as the owner occupied. Without this method I have found it next to impossible.

Below I have put together a sample of how you would do this. I simply list all the mortgages on all the properties that I receive rent on by account number. Then I list the mortgage payment including taxes and insurances. I list the rental income and any income I may receive as late fees etc. Most lenders want this quarterly, however if they ask for a full year to date simply use one column as trying to list every month for 6, 8 or 9 months can make you crazy. I will typically do the quarterly and year to date if they want a full year to date. Remember to put in a header that lists you as a real estate manager with the time frame this Profit and Loss will cover.

A special note to all of this. If you are doing the property you actually occupy they really often don't care about your other mortgages. So you may not have to include this unless you actually show a profit and need that profit to qualify. Be sure to ask your servicer if they want you to list the other properties if you are doing an owner occupied property first before omitting. Do not list a property you do not occupy as owner occupied. This can get you in real trouble. Just don't do it.

Real Estate Management

Oct.1, 2009 to Dec. 30 2009

October		November		December	
Income		Income		Income	
Rental		Rental		Rental	
Other income		Other income		Other income	
Total Income	0	Total Inc	0	Total Income	0
Expense		Expense		Expense	
Loan #		Loan #		Loan #	
Loan #		Loan #		Loan #	
Loan #		Loan #		Loan #	
Maintenance		Maintenance		Maintenance	
Misc		Misc		Misc	
Total Exp	0	Total Exp	0	Total Exp	0
Gross personnel income	0	Gross personnel income	0	Gross personnel income	0
Total gross income	0				

I have enclosed this as an excel spread sheet to assist you. Remember to list all mortgages that you have. **Do not list the property you are trying to modify in the spread sheet.** For that property you will have to show leases. If the property you occupy also has rental units and it is not the property you are trying to modify you may list this also.

It can get difficult at this point as most applications will ask you what are you're housing expenses. If you are trying to modify a property other then the owner occupied property now you have two mortgages and it gets crazy again. The way I overcome this is by listing the mortgage on the owner occupied property in the spread sheet. Even though it will probably show you as negative it will ease the process and make it less complicated for the underwriter. I feel it is best to focus the underwriter on the property you are actually trying to modify.

Chapter 9

Submitting your package

When submitting your package keep in mind it should be neat and complete. If you are missing a page of your bank statement then go to the bank and get a complete one. Keep originals of everything you send. Only send copies and keep a fresh set always available in case something gets lost as it often does.

Always make sure you put your loan number in the upper right hand corner of every page.

Pay Stubs

Make sure you have at least two. Some servicers want a full 30 days of pay stubs, so if you are paid weekly then submit 4. Bi monthly two and so on. Regardless make sure they are new stubs. They need to be dated no more than 30 days old. They need to be clear. The servicer will ask the stub reflect at least 30 days year to date earnings. So if you are in the month of January you will need to show a December stub also. Some pay stubs don't have year to date earnings. And some employer's checks don't even have stubs. If this is the case show a copy of the actual pay check. And if this is the case get a letter from your employer signed and dated saying what your year to date earnings are. You will need to submit new pay stubs as the process goes on so keep them close and in good shape. Personally I just submit new ones every 30 days. I do this because when an underwriter picks up your file I want it completely up to date. This will expedite your modification

Bank Statements

Servicers often request two to four months bank statements. Now it has been my experience to see bank statements printed on both sides. Make sure you copy all pages. If you are faxing your package in this is the only way regardless.

Don't leave any page out. I know some pages are for grids and some even left blank intentionally. If you leave a page out it may appear you are hiding something. Make sure all pages are in your file. If you have lost a page do not send it in anyway. Go to the bank and get a complete statement. You are only going back four months so most banks can print that out for you.

If you have large deposits you may need to explain this. Perhaps it was a short term loan. Put a letter in to explain. Of course if you are self employed this may be in the everyday process of conducting business. Make sure your Profit and Loss statement can reflect this income. If not again write a letter explaining. Remember an underwriter does not know you at all. What you send is all they have to judge your financial situation on. Without clear letters explaining things that would appear out of the ordinary they always assume the worst.

Perhaps your bank statements do not reflect enough to justify your real income. Perhaps you cash your checks and don't deposit them again write a letter explaining this and start depositing all your income from that point on. This is the same for someone who is self employed and works in cash. Write a letter explaining this and

start to deposit all your money. Remember they are actually looking at your deposits. Not your withdrawals. You may withdrawal all you deposit, however if you don't deposit enough to qualify you will be declined. At this point you need to be an open book to the servicer. They can only consider the income you actually document. And bank statements are the only real documentation they have.

Tax Returns (need to be signed)

Your servicer will ask for one or two years tax returns. It is important to note that most people only have a copy of the tax return. And as such you will not have signed it. Remember the return must be signed by anyone on the return. Even if they are not on the mortgage, or perhaps you are no longer together with a spouse they still need to be signed by all.

Perhaps you have not filed a return for some time. If this is the case write a letter stating as such and hopefully you have a copy of the extension you filed. Enclose this if this is the case. If you have not filled for a couple of years. You will need to file. I don't have an answer but to tell you to file the taxes before applying for the modification.

If you have lost your tax return you may request a new one from the IRS. It is not expensive and doesn't really take too long. Again remember to sign the return.

If you own a corporation or partnership that files a separate tax return you will need to show that return also. If you only receive a percentage of the corporation remember this when doing your profit and loss statement and make it clear. For instance if you are 50% partner in a corporation I would add a line on the Profit and Loss statement actually showing that so it is crystal clear to the underwriter.

Utility Bill

Often a servicer requests a utility bill. This is to show if you actually live in the property. Certain programs require you to occupy the property. Servicers consider if you occupy the property then you will have some utility in your name. Make sure the bill is recent, has your name or your spouses name on it and shows the property address of the property you are actually modifying.

Hardship Affidavit

This document is not very complicated. The only thing I would stress is to keep it very simple. Every single event you mention could open Pandora's Box. I prefer to keep it as simple as possible. For instance a self employed borrower's income has gone down. They may go into how they made a bad investment decision. Well the underwriter may ask to see documentation of that investment and you to explain why you won't make s similar investment in the future. Or that your company laid you off. Some people may write that it was because they were unfairly singled out. The underwriter may then ask for a letter to detail how you will keep from this happening in the future.

Final word keeps it very simple. I was laid off because f the economy. Or my hours where cut because of the economy. Or my self employment income went down due to the economy.

Also finish with why your situation is now more stable. It is important to complete your hardship letting them know you have taken steps to keep your income stable. If you are self employed perhaps you have secured a long term contract at a reduced income. Or if you are laid off perhaps you are taking courses to better your situation. Or your spouse has a good stable job. Just make sure you summarize it in a positive manner.

4506T and 4506T-EZ

Most people have no idea why they are using this form. I will try to make it simple for you. The fact is that to avoid fraud. Meaning people submitting a false or incorrect tax return. The only way a bank can actually check to see if you have filed this return is for them to submit this form to the IRS. The IRS will send them a transcript and either it matches or it doesn't. If you are considering filing a false tax return to qualify please don't.

Now actually filling out most of this form is pretty easy. If you have given the bank a tax return from 2008 and it was you and your spouse on the return. Then you must fill it out exactly as you did the return. If the husband was the first name on the return then he must be the first name on the 4506T. Even if he is not on the loan he needs to sign the 4506T and the tax return. Also it will ask what you are seeking. Usually it's a 1040. Then you need to check boxes. I don't want to confuse you so I will suggest calling your servicer to assist you in filling out this part of this form. It can get real complicated and it needs to be done correctly. Luckily most servicers already have a copy mostly filled out on a web site, if they do use it. I still recommend calling to avoid a holdup over something very simple.

Also the 4506T and 4506-EZ come with instructions. Read them carefully.

You can obtain the hardship affidavit and 4506T-EZ for the government web site at www.makinghomesaffordable.gov

The financial worksheet

This can vary from bank to bank. This is why I suggest filing out the one I have provided first so you will know exactly what to input into this form and won't make any mistakes regardless of how complicated the form may be. Just make sure you fill out every box. If this does not apply to you put N/A so the underwriter will know it does not apply.

In conclusion your submission may be few pages or many. It is important to be complete and user friendly to expedite the handling of your file. If you fax it in make sure all pages went through. If you mail it in keep a complete copy. And always follow up to make sure it has been received.

Chapter 10

The professional Method

Step A

The first thing a professional will do is to figure out what your potential payment can be. This is important so you will know if you qualify for that payment or program. You may qualify for a higher payment. Or not qualify at all but we will use this chapter to give you a quick idea of where you stand. Since many of you will be attempting to qualify for the Presidents modification program we will use the floor rate of the program of 2%. You may go to the web site to get the exact principle and interest payment. I have also enclosed a quick reference see Chart 3. Also we need to know your minimum housing debt to income ratio. The **debt to income ratio** is your monthly housing debt divided by your monthly income. Also servicers call this **DTI**. The rule of thumb for the presidents program is 31%. For most other programs it is 37%. It can vary from program to program. If it is not the presidents program try to find out what the number is when speaking to your servicer.

Step 1. You must figure out what your principle and interest payment will be. We will refer to this as **P & I**. you can use the web site and simply enter the number of months remaining on your loan. The remaining amount you owe on your loan. (Don't forget the amount of arrearage you have if you are behind in your payments.)

Example. Principle balance \$215,000 plus the arrearage of payments of \$10,000 gives you an outstanding balance of \$225,000. This is the number you must enter.

Step 2. Enter the amount of months you have remaining. Under the presidents plan they can extend it to even 40 years, but I am using 360 months or 30 years for this example.

Example. Outstanding principle balance \$225,000 at 360 months equals a new monthly P&I payment of \$831.00 (see chart 3)

Step3. Enter your escrow payment it can be found on your monthly statement. If your property taxes and insurance are included in your mortgage you will need to take yearly taxes and insurance and divide by 12 for a monthly payment. Regardless under most modifications your property taxes and insurance will now be included in your mortgage..

Example. Yearly taxes of \$2000. And insurance of \$500. Equals yearly taxes and insurance of 2500. $2500 \div 12 = 208$. This is the escrow payment you must figure.

Step 4. Add P & I payment plus escrow payment and this will be the lowest payment you can get.

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Example. Principle and interest payment \$831 plus escrow \$208 equals \$1039 is the lowest monthly payment for this loan. $\$831 + \$208 = \$1039$

Step 5. Know what is the income a borrower would need under the program to qualify for this payment. (if you have a property that has a monthly homeowners association payment proceed to step 6) you must multiply the income by 31% to find the lowest income you can have and still qualify for the program. If your income is less then this number you will not qualify.

Example $3353 \times .31 = 1039.43$ if your gross income is less then \$3353 per month you will need to find a way to generate more income to qualify

Step 6. (This is only for those who have properties with a monthly association or community fee) you must also add the monthly association or community fee to the formula to see if you qualify. For example you have a condominium with an association fee of \$200. Per month. You must add this in to the number for the minimum monthly payment you can qualify for.

Example \$831 per month principle and interest plus \$208 taxes and \$200 association fee equals 1239. $\$831 + \$208 + \$200 = 1239$. To qualify for this loan the borrower needs to earn a lot more. This borrower needs to earn a minimum gross income of \$3997 per month. $3997 \times .31 = 1239$

If your income is more then you will only qualify for a higher payment. Example you're gross monthly income in this example is \$4000 dollars per month. Multiply 4000 times .31 equals \$1240. And that is the payment you will qualify for. $4000 \times .31 = 1240$. It is actually quite simple

Step B

Now we figure the borrowers income and expenses as outlined in the previous chapter. Once this is complete we always prepare a financial statement. Below is a financial statement for modification that should be successful. We are using 31% of gross income as this is the most common program we will be applying for. The borrower's current payment is at 6%. I am applying for the making home affordable program so the modified payment will be at 2% giving me a principle, interest tax and insurance payment of \$1040. So I need an income of no less then \$3353 to qualify on that level. I have that now I have to make sure all the other guides are in place. Is the deficit too high or too low? Does he have more then 3 month's payments in the bank? Will he be positive after modification? Check the statement below to see.

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross Income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	3354	2641	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income				Alimony/child support	
Total Income	3354	2641		Automobile Gasoline	318
Additional Income	gross Income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	3354	2641		Credit cards	341
				Finance Co loans	
				Groceries	114
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	1289
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
	Total	2840			
	Tot. Net Month income	-199			

This is a successful and the next financial statement will show you why. I will input the new payment to see if he is positive after Modification.

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	3360	2641	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income				Alimony/child support	
Total Income	3360	2641		Automobile Gasoline	318
Additional Income	gross income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	3360	2641		Credit cards	341
				Finance Co loans	
				Groceries	114
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	831
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
				Total	2382
				Tot. Net Month income	259

As you can see the borrower is positive after modification. Also he has less than three months payments in reserve in his bank. He has a new principle, interest, tax and insurance payment of \$1040. His gross income is \$3360 per month and 31% of this is \$1041. So he qualifies for the payment. We need to qualify the hardship and it is time to contact the bank to actually apply.

In this case I contacted the bank to see what programs the investor is actually participating in. Luck would have it that it is the Making Homes Affordable program. If it was not then I would typically use the 37% model and the lowest rate the investor will accept.

Now of course this is in a perfect world. And let's face it. We rarely are in a perfect world. So I will switch gears here to show you a modification that will not work without some changes on the borrower's part. More often than not this is what we come across as professionals. Either the income is too low or the expenses are too high or worst still the income is too high.

The following is a modification that *will not* work because the income is too low.

To solve the problem we asked a family member to contribute to the household income to qualify. I will use the same scenario we started with to make it easy.

You will see the Problem Fig 1 is deficit is very large, The income is too low as the borrower does not qualify for the lowest payment available of \$1040. Since the borrower only earns \$2116 and 31% of 2116 is only \$655. This borrower would be declined on both income and expenses.

You will see the solution Fig 2 on the following financial statement. The borrower asked his father to contribute \$1500 per month to his household. The father began doing that. The borrower always deposited this contribution in his bank. So it could be verified he was receiving it. Also the father wrote a letter stating he was contributing. Provided tax returns and pay stub to confirm he could provide this contribution. And we were able to successfully modify the loan.

So don't get discouraged just because it does not work when you start out. There is often a way to get your modification and keep your home. Remember the banks really don't want your home. They want to have loans perform and not default.

Fig 1

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	2116	1843	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income.				Alimony/child support	
Total Income	2116	1843		Automobile Gasoline	318
Additional Income	gross income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	2116	1843		Credit cards	341
				Finance Co loans	
				Groceries	114
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	1289
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
				Total	2840
				Tot. Net Month income	-997

Fig 2

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	2116	1443	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income Father Contrib.	1500	1300		Alimony/child support	
Total Income	3616	2743		Automobile Gasoline	318
Additional Income	gross income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	3616	2743		Credit cards	341
				Finance Co loans	
				Groceries	114
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	1289
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
				Total	2840
				Tot. Net Month income	-97

In the next example the borrower would fail due to excessive obligations.

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	3360	2641	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income				Alimony/child support	
Total Income	3360	2641		Automobile Gasoline	318
Additional Income	gross income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	389
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	3360	2641		Credit cards	341
				Finance Co loans	
				Groceries	114
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	1289
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
				Total	3229
				Tot. Net Month income	-588

Even after modification he still has a deficit of \$131. The following is how we solved the problem.

Borrower Name and SS#	John Doe 000-000-0000		Property for sale?		
Mailing Address	street				
City, State, Zip	any town, NY 43213		Realtor Name		
Home Phone	000-000-0000		Realtor Phone		
Work Phone	000-000-0000		Assets	Amount Owed	Value
Cell Phone			Home	225,000	215000
# People in Household	3		Other real estate		
			Retirement funds		
Co Borrower Name and SS#			Investments		
Mailing Address			Checking Bal.		4414
City, State, Zip			Savings Bal.		
Home Phone			Vehicles	Model/Year	
	gross Income	Net Income	Automobiles	2002 Toyota	2500
Monthly Income			Motorcycle		
Borrower 1	3360	2641	Total Assets	Total Assets	221914
Borrower 2				Monthly Expenses	Monthly \$Amt
Other Income				Alimony/child support	
Total Income	3360	2641		Automobile Gasoline	250
Additional Income	gross Income	Net Income		Automobile Insurance	79
Borrower 1				Automobile Loan	389
Borrower 2				Auto Maintenance	
Other Income				Cable TV/satellite	42
Total Other Income	0	0		Child Care	
Total Income	3360	2641		Credit cards	141
				Finance Co loans	
				Groceries	114
				Health Insurance	
				Heating/electricity	209
				Real estate tax	167
				Property Insurance	42
				First Mort PI	1289
				Second mortgage	
				Medical expense	
				Life Insurance	
				Online Services	54
				Prescription Drugs	
				School Tuition	
				Other mortgages	
				Student Loans	
				Telephone/cell	118
				Water /Sewage	67
				Total	2961
				Tot. Net Month income	-320

We had the borrower negotiate his credit card payments down with the card companies and reduced his fuel expenses by economizing.

The bottom line is many modifications that should go through do not because of lack of information and preparedness. Common sense tells us that if you do not have enough income to pay for a modified loan you will not be able to make payments long term.

Step C

Also a professional will review your hardship. Is your hardship one that would be considered good for a modification? The following is a list of good hardships

Loss of roommate income

Loss of job

Loss of investment income

Loss of rental income

Reduction in employment income

Reduction in self employment income

Reduction in rental income

Illness causing increased expenses

Illness causing reduced income

Death causing reduced income

Death causing increased expenses

The following is a successful hardship letter.

To whom it may concern,

We have been having difficulty making our mortgage payment because we had a reduction in income beyond our control. What happened was: (insert hardship here). We would really like to keep our home and would appreciate your help in doing that.

Sincerely,

John Doe

Loan number 0000000000

I don't think I have to tell you that a bad hardship letter is one where you say you like to shop or bought a new pool and this is why you are in trouble. So please use good judgment when writing your hardship letter.

Step D

Now a professional will apply for the modification. If it is done over the phone he will ask several times what the numbers are that the clerk has on his or her sheet to make sure they all match up. Also he will make sure what program he is applying for. We do not assume we are applying for the Making homes affordable program if we do not ask for that several times.

If the application is hard copy to be faxed or mailed we make sure all the numbers on the application match our financial worksheet. There may be less or more spaces. Just make sure the total expenses, income and assets are the same as the financial worksheet you have used here. We make sure all the forms are filled out just as the servicer wants them. When we don't know how to do it we call and ask.

Step E

As a professional we always follow up. We call regularly to see the progress of our application. We make sure all the documentation we sent has been received and put into our file. We call and check our application to make sure nothing more is needed and that we have prepared the application correctly.

Step F

Often the bank will send a letter asking for more or in some cases the same documentation. Regardless we call and ask exactly what and why? Perhaps we did something wrong on the first documentation. Tax return not signed or something like that. We ask always. And we always submit the new or updated documentation exactly as requested. There is no benefit to fighting the system. And again we follow up to make sure it has been received and properly documented to the file. Sometimes things go into the wrong place. We must point out what we sent and what requirement it fills. This can reduce a lot of confusion.

Step G

When we receive the documents for either the trial payment plan or final modification we prepare the package exactly as asked and read all instructions. If we are unclear as to a question we call and ask. We turn the documents in before the deadline. We put our account number on all pages. We keep copies of everything we send. We keep copies of the tracking number if the package is air. We follow up to make sure it has been received.

Step H

To me this is home. We have made it to the finish line and the borrower can get back to a normal life. In conclusion to be prepared and to follow up are the main keys to getting your loan modified. Also patience is a must. This process can take many months. I have even had one or two take a year. We never get discouraged and we always ask questions. This way there is no confusion.

Payment Estimator

Loan Amount	Years	Month P & I Payment @2%
50000	30	184
75000	30	277
100000	30	369
125000	30	462
150000	30	554
175000	30	646
200000	30	739
225000	30	831
250000	30	924
275000	30	1016
300000	30	1108
325000	30	1201
350000	30	1293
375000	30	1386
400000	30	1478
425000	30	1578
450000	30	1663
475000	30	1755
500000	30	1848

Loan Amount	years	Month P & I Payment @3%
50000	30	210
75000	30	316
100000	30	421
125000	30	527
150000	30	632
175000	30	737
200000	30	843
225000	30	948
250000	30	1054
275000	30	1159
300000	30	1264
325000	30	1370
350000	30	1475
375000	30	1581
400000	30	1686
425000	30	1791
450000	30	1897
475000	30	2002

Loan Amount	30 years	Month P & I Payment @4%
50000	30	238
75000	30	358
100000	30	477
125000	30	596
150000	30	716
175000	30	835
200000	30	954
225000	30	1074
250000	30	1193
275000	30	1312
300000	30	1432
325000	30	1551
350000	30	1670
375000	30	1790
400000	30	1909
425000	30	2029
450000	30	2148
475000	30	2267

Loan Amount	years	Month P & I Payment @5%
50000	30	268
75000	30	402
100000	30	536
125000	30	671
150000	30	805
175000	30	939
200000	30	1073
225000	30	1207
250000	30	1342
275000	30	1476
300000	30	1610
325000	30	1744
350000	30	1878
375000	30	2013
400000	30	2147
425000	30	2281
450000	30	2415
475000	30	2549
500000	30	2684

Year to date Profit and Loss

Income

Services

Other Income

Total Income

Expenses

Auto

Equipment

Insurance

Labor

Materials

Rent

Misc Expenses

Total Expense

Gross Ordinary Income

Income Tax

Net Personnel Income

Borrower

Borrower

Management Company
P & L

<i>Income</i>		<i>Income</i>	
Rental		Rental	
Other income		Other income	
Total Income		Total Inc	
<i>Expense</i>		<i>Expense</i>	
Loan #		Loan #	
Loan #		Loan #	
Loan #		Loan #	
Maintenance		Maintenance	
Misc		Misc	
Total Exp		Total Exp	
<i>Net Ordinary</i>		<i>Net Ordinary</i>	
<i>Total Net Inc</i>			

Borrower

Date

Co Borrower

Date

Glossary of Terms

ADJUSTABLE RATE MORTGAGE (ARM)

A mortgage in which the interest rate is adjusted periodically based on a pre-selected index. Also sometimes known as the re-negotiable rate mortgage, the variable rate mortgage or the Canadian rollover mortgage.

AMORTIZATION

The periodic principal pays down of a loan.

ANNUAL PERCENTAGE RATE (APR)

An interest rate reflecting the cost of a mortgage as a yearly rate. This rate is likely to be higher than the stated note rate or advertised rate on the mortgage, because it takes into account points and other credit costs. The APR allows home buyers to compare different types of mortgages based on the annual cost for each loan.

ASSUMPTION

Taking over a loan and becoming personally liable for the repayment.

BALLOON (payment) MORTGAGE

Usually a short-term fixed-rate loan which involves small payments for a certain period of time and one large payment for the remaining amount of the principal at a time specified in the contract.

BANKRUPTCY

A provision of Federal Law whereby a debtor surrenders his assets to the Bankruptcy Court and is relieved of the future obligation to repay his unsecured debts. After bankruptcy, the debtor is discharged and his unsecured creditors may not pursue further collection efforts against him. Secured creditors, those holding deeds of trust or judgment liens, continue to be secured by the property, but they may not take other action to collect from the debtor.

BENEFICIARY

A person named to receive a benefit from a trust. A contingent beneficiary has conditions attached to his rights, usually someone else must die first.

BROKER

An individual in the business of assisting in arranging funding or negotiating contracts for a client but who does not loan the money herself.

BUY-DOWN

When the lender and/or the home builder subsidized the mortgage by lowering the interest rate during the first few years of the loan. While the payments are initially low, they will increase when the subsidy expires. Brokers usually charge a fee or receive a commission for their services.

CAPS (interest)

Consumer safeguards which limit the amount the interest rate on an adjustable rate mortgage may change per year and/or over the life of the loan.

CAPS (payment)

Consumer safeguards which limit the amount monthly payments on an adjustable rate mortgage may change.

CAVEAT EMPTOR

Buyer beware. The buyer must inspect the property and satisfy himself it is adequate for his needs. The seller is under no obligation to disclose defects but may not actively conceal a known defect or lie if asked.

CERTIFICATE OF ELIGIBILITY

The document given to qualified veterans which entitles them to VA guaranteed loans for homes, businesses, and mobile homes. Certificates of eligibility may be obtained by sending DD-214 (Separation Paper) to the local VA office with VA form 1880 (Request for Certificate of Eligibility)

CERTIFICATE OF REASONABLE VALUE (CRV)

An appraisal issued by the Veterans Administration showing the property's current market value

CERTIFICATE OF TITLE

A written opinion by an attorney setting forth the status of title to the property as shown on the public records. The certificate does not certify as to matters not of record and affords no protection unless the author was negligent.

CLOSINGS

The meeting between the buyer, seller and lender or their agents where the property and funds legally change hands. Also called settlement. Closing costs usually include an origination fee, discount points, appraisal fee, title search and insurance, survey, taxes, deed recording fee, credit report charge and other costs assessed at settlement. The cost of closing usually is about 3 percent to 6 percent of the mortgage amount.

COLLATERAL

Property pledged to secure a loan.

COMMITMENT

A promise by a lender to make a loan on specific terms or conditions to a borrower or builder. A promise by an investor to purchase mortgages from a lender with specific terms or conditions.

CONDOMINIUM

A system of individual fee simple ownership of portions (units) in a multi-unit structure, combined with joint ownership of common areas. Each individual may sell or encumber his own unit.

CONSTRUCTION LOAN

A short term interim loan for financing the cost of construction. The lender advances funds to the builder at periodic intervals as the work progresses.

COVENANT

A written agreement or restriction on the use of land or promising certain acts. Homeowner Associations often enforce restrictive covenants governing architectural controls and maintenance responsibilities. However, land could be subject to restrictive covenants even if there is no homeowner's association.

CONVENTIONAL LOAN

A mortgage not insured by FHA or guaranteed by the VA.

CREDIT REPORT

A report documenting the credit history and current status of a borrower's credit standing.

DEBT-TO-INCOME RATIO

The ratio, expressed as a percentage, which results when a borrower's monthly payment obligation on long-term debts is divided by his or her net effective income (FHA/VA loans) or gross monthly income (conventional loans).

DEED

The written document conveying real property. Once recorded at the Courthouse, the original piece of paper is not needed to convey title in the future.

DEED OF TRUST

A voluntary lien to secure a debt deeding the property to Trustees who foreclose and sell the property at public auction, in the event of default on the Note the Deed of Trust secures. In many states, this document is used in place of a mortgage to secure the payment of a note.

DEFAULT

Failure to meet legal obligations in a contract, specifically, failure to make the monthly payments on a mortgage.

DEFERRED INTEREST

When a mortgage is written with a monthly payment that is less than required to satisfy the note rate, the unpaid interest is deferred by adding it to the loan balance.

DELINQUENCY

Failure to make payments on time. This can lead to foreclosure.

DELIVERY

The final, unconditional and absolute transfer of a deed to the Grantee so that the Grantor may not revoke it. A Deed, signed but held by the Grantor, does not pass title.

DEPARTMENT OF VETERANS AFFAIRS

An independent agency of the federal government which guarantees long-term, low-or no-down payment mortgages to eligible veterans.

DOWN PAYMENT

Money paid to make up the difference between the purchase price and the mortgage amount. Down payments usually are 5 percent to 20 percent of the sales price on conventional loans.

DUE-ON-INTEREST

A clause inserted in a mortgage that allows the lender to call the loan due and payable at its option upon the transfer of the property also known as paragraph "17" in FNMA / FHLMC Mortgage

DUE-ON-SALES CLAUSE

A provision in a mortgage or deed of trust that allows the lender to demand immediate payment of the balance of the mortgage if the mortgage holder sells the home.

EARNEST MONEY

Money given by a buyer to a seller as part of the purchase price to bind a transaction or assure payment.

EASEMENT

The right to use the land of another for a specific limited purpose.

EMINENT DOMAIN

The power of the state to take private property for public use upon payment of just compensation.

ENCROACHMENT

The physical intrusion of a structure or improvement on the land of another. Examples include a fence or driveway over the property line.

ENTITLEMENT

The VA home loan benefit is called entitlement. This entitlement is for a VA guaranteed home loan. This is also known as eligibility.

EQUAL CREDIT OPPORTUNITY ACT (ECOA)

A federal law that requires lenders and other creditors to make credit equally available without discrimination based on race, color, religion, national origin, age, sex, marital status or receipt of income from public assistance programs

EQUITY

The value an owner has in real estate over and above the obligation against the property.

EQUITY SHARING

A form of joint ownership between an owner/occupant and an owner/investor. The investor takes depreciation deductions for his share of the ownership. The occupant receives a portion of the tax write-offs for interest and taxes and a part of his monthly payment is treated as rent. The co-owners divide the profit upon sale of the property.

ESCROW

Funds that are set aside and held in trust, usually for payment of taxes and insurance on real property. Also earnest deposits held pending loan closing.

FARMERS HOME ADMINISTRATION (FmHA)

Provides financing to farmers and other qualified borrowers who are unable to obtain loans elsewhere.

FEDERAL HOME LOAN BANK BOARD (FHLBB)

A regulatory and supervisory agency for federally chartered savings institutions.

FEDERAL HOME LOAN MORTGAGE CORPORATION (FHLMC)

The Federal Home Loan Mortgage Corporation provides a secondary market for mortgage financing by purchasing conventional loans. Also known as "Freddie Mac."

FEDERAL HOUSING ADMINISTRATION (FHA)

A division of the Department of Housing and Urban Development. Its main activity is the insuring of residential mortgage loans made by private lenders. FHA also sets standards for underwriting mortgages.

FEDERAL NATIONAL MORTGAGE ASSOCIATION (FNMA)

A secondary mortgage institution which is the largest single holder of home mortgages in the United States. FNMA buys VA, FHA, and conventional mortgages from primary lenders. Also known as "Fannie Mae."

FHA LOAN

A loan insured by the Federal Housing Administration open to all qualified home purchasers. While there are limits to the size of FHA loans, they are generous enough to handle moderately-priced homes almost anywhere in the country.

FHA MORTGAGE INSURANCE

Requires a small fee (up to 3.8 percent of the loan amount) paid at closing or a portion of this fee added to each monthly payment of an FHA loan to insure the loan with FHA. On a 9.5 percent, \$75,000, 30-year fixed-rate FHA loan, this fee would amount to either \$2,850 at closing or an extra \$31 a month for the life of the loan. In addition, FHA mortgage insurance requires an annual fee of 0.5 percent of the current loan amount, paid in monthly installments. The lower the down payment, the more years the fee must be paid.

FIRM COMMITMENT

A promise by FHA to insure a mortgage loan for a specified property and borrower. A promise from a lender to make a mortgage loan.

FIXED RATE MORTGAGE

The mortgage interest rate will remain the same on these mortgages throughout the term of the mortgage for the original borrower.

FORECLOSURE

A legal process by which the lender or the seller forces a sale of a mortgaged property because the borrower has not met the terms of the mortgage. Also known as a repossession of property.

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION (GNMA)

Provides sources of funds for residential mortgages, insured or guaranteed by FHA or VA. Also known as Ginnie Mae.

GRADUATED PAYMENT MORTGAGE (GPM)

A type of flexible-payment mortgage where the payments increase for a specified period of time and then level off. This type of mortgage has negative amortization built into it.

GUARANTY

A promise by one party to pay a debt or perform an obligation contracted by another if the original party fails to pay or perform according to a contract.

HAZARD INSURANCE

A form of insurance in which the insurance company protects the insured from specified losses, such as fire, windstorm and the like.

HOUSING EXPENSES-TO-INCOME RATIO

The ratio, expressed as a percentage, which results when a borrower's housing expenses are divided by his/her net effective income (FHA/VA loans) or gross monthly income (conventional loans).

IMPOUND

That portion of a borrower's monthly payments held by the lender or servicer to pay for taxes, hazard insurance, mortgage insurance, lease payments, and other items as they become due. Also known as reserves.

INDEX

A published interest rate against which lenders measure the difference between the current interest rate on an adjustable rate mortgage and that earned by other investments (such as one-, three-, and five-year U.S. Treasury security yields, the monthly average interest rate on loans closed by savings and loan institutions, and the monthly average costs-of-funds incurred by savings and loans), which is then used to adjust the interest rate on an adjustable mortgage up or down.

INVESTOR

A money source for a lender.

INTERIM FINANCING

A construction loan made during completion of a building or a project. A permanent loan usually replaces this loan after completion

JOINT OWNERSHIP AGREEMENT

An agreement between owners defining their rights, ownership, monetary obligations and responsibilities. This could be between an investor and an occupant or the occupants. If an investor is involved, the investor does not take depreciation deductions and none of the occupant's payment is deemed rent for tax purposes.

JOINT TENANCY

Two or more persons own a property. Joint tenants with the common law right of survivorship means the survivor inherits the property without reference to the decedent's will. Creditors may sue to have the property divided to settle claims against one of the owners.

JUMBO LOAN

A loan which is larger than the limits set by the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Mortgage Corporation (Freddie Mac). Because jumbo loans cannot be funded by these two agencies, they usually carry a higher interest rate.

LIEN

A claim or charge against property. Property is said to be encumbered by a lien and the lien must be removed to clear title

LOAN-TO-VALUE RATIO

The relationship between the amount of the mortgage loan and the appraised value of the property expressed as a percentage.

MARGIN

The amount a lender adds to the index on an adjustable rate mortgage to establish the adjusted interest rate.

MARKET VALUE

The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold for at a given time.

MORTGAGE

A voluntary lien filed against property to secure a debt, usually a loan. To foreclose, the lender must often institute a court action and the borrower may have the right to reclaim the property after foreclosure.

MORTGAGE INSURANCE

Money paid to insure the mortgage when the down payment is less than 20 percent.

MORTGAGE INSURANCE PREMIUM (MIP)

One-half percent that borrowers pay each month on FHA insured mortgage loans. It is insurance from FHA to the lender against incurring a loss on account of the borrower's default. On September 1, 1983, the MIP was changed to a one-time charge to the borrowers.

MORTGAGEE

The lender.

MORTGAGOR

The borrower or homeowner.

NEGATIVE AMORTIZATION

Occurs when your monthly payments are not large enough to pay all the interest due on the loan. This unpaid interest is added to the unpaid balance of the loan. The danger of negative amortization is that the home buyer ends up owing more than the original amount of the loan.

NEGOTIABLE RATE MORTGAGE (RBM)

A loan in which the interest rate is adjusted periodically.

NET EFFECTIVE INCOME

The borrower's gross income minus federal income tax.

NON-ASSUMPTION CLAUSE

A statement in a mortgage contract forbidding the assumption of the mortgage without the prior approval of the lender.

NOTE

A written promise to pay a certain sum of money at a certain time. A negotiable note starts "Pay to the order of" and is transferable by endorsement similar to a check.

ORIGINATION FEE

The fee charged by a lender to prepare loan documents, perform credit checks, inspect and sometimes appraise a property; usually computed as a percentage of the face value of the loan.

PERMANENT LOAN

A long term mortgage, usually ten years or more. Also called an "end loan."

PITI

Principal, Interest, Taxes and Insurance. Also called monthly housing expense.

PLEGGED ACCOUNT MORTGAGE (PAM)

Money is placed in a pledged savings account and this fund plus earned interest is gradually used to reduce mortgage payments.

POINTS

Prepaid interest assessed at closing by the lender. Each point is equal to 1 percent of the loan amount (e.g., two points on a \$100,000 mortgage would cost \$2,000).

POWER OF ATTORNEY

A written document authorizing another to act on his or her behalf as an Attorney in Fact. One does not need to be a licensed attorney to act as an attorney in fact but, power of attorney forms are powerful legal documents that should be used only under advice of a licensed attorney at law.

PREPAID EXPENSES

Necessary to create an escrow account or to adjust the seller's existing escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.

PRE-PAYMENT

A privilege in a mortgage permitting the borrower to make payments in advance of their due date.

PRE-PAYMENT PENALTY

An additional charge imposed by the lender for paying off a loan before the due date.

PRIMARY MORTGAGE MARKET

Lenders making mortgage loans directly to borrower's such as savings and loan associations, commercial banks, and mortgage companies. These lenders sometimes sell their mortgages into the secondary mortgage markets.

PRINCIPAL

The amount of debt, not counting interest, left on a loan.

PRIVATE MORTGAGE INSURANCE (PMI)

In the event that you do not have a 20 percent down payment, lenders will allow a smaller down payment - as low as 5 percent in some cases. With the smaller down payment loans, however, borrowers are usually required to carry private mortgage insurance. Private mortgage insurance will require an initial premium payment of 1.0 percent to 5.0 percent of your mortgage amount and may require an additional monthly fee depending on you loan's structure. On a \$75,000 house with a 10 percent down payment, this would mean either an initial premium payment of \$2,025 to \$3,375, or an initial premium of \$675 to \$1,130 combined with a monthly payment of \$25 to \$30.

QUITCLAIM DEED

A deed releasing whatever interest you may hold in a property but making no warranty whatsoever.

REAL ESTATE SETTLEMENT PROCEDURES ACT (RESPA)

RESPA is a federal law that allows consumers to review information on known or estimated settlement costs once after application and once prior to or at a settlement. The law requires lenders to furnish the information after application only.

REALTOR®

A real estate broker or an associate holding active membership in a local real estate board affiliated with the National Association of Realtors.

RECISION

The cancellation of a contract. With respect to mortgage refinancing, the law that gives the homeowner three days to cancel a contract in some cases once it is signed if the transaction uses equity in the home as security.

RECORDING FEES

Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records.

REFINANCE

Obtaining a new mortgage loan on a property already owned. Often to replace existing loans on the property.

REVERSE ANNUITY MORTGAGE

Form of mortgage in which the lender makes periodic payments to the borrower using the borrower's equity in the home as Satisfaction of Mortgage: The document issued by the mortgagee when the mortgage loan is paid in full. Also called a "release of mortgage."

SECOND MORTGAGE

A mortgage made subsequent to another mortgage and subordinate to the first one.

SECONDARY MORTGAGE MARKET

The place where primary mortgage lenders sell the mortgages they make to obtain more funds to originate more new loans. It provides liquidity for the lenders.

SERVICING

All the steps and operations a lender performs to keep a loan in good standing, such as collection of payments, payment of taxes, insurance, property inspections and the like.

SHARED APPRECIATION MORTGAGE

A mortgage in which a borrower receives a below-market interest rate in return for which the lender (or another investor such as a family member or other partner) receives a portion of the future appreciation in the value of the property. May also apply to a mortgage where the borrowers share the monthly principal and interest payments with another party in exchange for part of the appreciation.

SIMPLE INTEREST

Interest which is computed only on the principle balance.

SURVEY

A measurement of land, prepared by a registered land surveyor, showing the location of the land with reference to known points, its dimensions, and the location and dimensions of any buildings.

SWEAT EQUITY

Equity created by a purchaser performing work on a property being purchased.

TENANTS BY THE ENTIRETY

A husband and wife own the property with the common law right of survivorship so, if one dies, the other automatically inherits.

TENANT IN COMMON

Two or more persons own the property with no right of survivorship. If one dies, his interest passes to his heirs, not necessarily the co-owner. Either party, or a creditor of one, may sue to partition the property.

TITLE

Document that gives evidence of an individual's ownership of property

TITLE INSURANCE

Insurance that provides an indemnity against loss or damage as a result of defect in title ownership to a particular piece of property. Title insurance covers mistakes made during a Title Search as well as matters which could not be found or discovered in the public records such as missing heirs, mistakes, fraud and forgery.

TITLE SEARCH

An examination of municipal records to determine the legal ownership of property. Usually is performed by a title company.

TRUTH-IN-LENDING ACT (TILA)

Federal law requiring disclosure of the Annual Percentage Rate to home buyers shortly after they apply for the loan.

TWO-STEP MORTGAGE

Mortgage in which the borrower receives a below-market interest rate for a specified number of years (most often 7 or 10), and then receives a new interest rate adjusted (within certain limits) to market conditions at that time. The lender sometimes has the option to call the loan due with 30 days notice at the end of 7 or 10 years. Also called "Super Seven" or "Premier" mortgage.

UNDERWRITING

The decision whether to make a loan to a potential home buyer based on credit, employment, assets, and other factors and the matching of this risk to an appropriate rate and term or loan amount.

USURY

Interest charged in excess of the legal rate established by law.

VA LOANS

Long-term, low-or no-down payment loan guaranteed by the Department of Veterans Affairs. Restricted to individuals qualified by military service or other entitlements.

VA MORTGAGE FUNDING FEE

Premium of up to 1-7/8 percent (depending on the size of the down payment) paid on a VA-backed loan. On a \$75,000 fixed-rate mortgage with no down payment, this would amount to \$1,406 either paid at closing or added to the amount financed.

VERIFICATION OF DEPOSITS (VOD)

Document signed by the borrower's financial institution verifying the status and balance of his/her financial accounts.

VERIFICATION OF EMPLOYMENT (VOE)

Document signed by the borrower's employer verifying his/her position and salary.

WAREHOUSE FEE

Many mortgage firms must borrow funds on a short term basis in order to originate loans which are to be sold later in the secondary mortgage market (or to investors). When the prime rate of interest is higher on short term loans than on mortgage loans, the mortgage firm has an economic loss which is offset by charging a warehouse fee.

WRAPAROUND

The debt secured includes an existing debt already on the property. The payments made to the holder of the wraparound include payments due on the existing loan and the holder must forward the appropriate portion of each payment to the existing note holder.

Major Servicers Contact Information

Servicer Name	Web Site	Phone Number	Address	Fax Number
Allstate Mortgage Loans & Investments, Inc.	http://www.allstateocala.com/	866-351-0200	P.O. 1201, Crystal River, FL 34423	352-351-4557
American Eagle Federal Credit Union	www.americaneagle.org	800-842-0145	417 Main Street, East Hartford, CT 06118	860-291-6374
American Home Mortgage Servicing, Inc.	www.ahmsi3.com	877-304-3100	Attn: HAMP Processing 1525 S. Belt Line Road Coppell, TX 75019	866-452-1837
AMS Servicing, LLC	www.ams-servicing.com	866-919-5608	3374 Walden Avenue Buffalo, NY 14043	716-204-3875
Aurora Loan Services LLC	https://www.myauroraloan.com/	800-550-0508	P.O. Box 1706 2617 College Park Scottsbluff, NE 69363-1706	866-517-7975
Bank of America, N.A.	www.bankofamerica.com/mha/	800-669-0102	MHA Escalations Unit P.O. Box 941408 Simi Valley, CA 93094-1408	866-261-6472
Bank United	http://www.bankunited.com/display.asp?navid=&id=117	866-615-0662	Attn: Modification Department Mail Code: DO4- RESALT-560 7815 N.W. 148th Street Miami, FL 33016	
Bay Federal Credit Union	http://www.bayfed.com/lo/mortgage.html	888-422-9333	3333 Clares Street Capitola, CA 95010	831-479-6027

Bay Gulf Credit Union	http://www.baygulf.com	800-275-4229	3202 W. Waters Ave, Tampa, FL 33614 Tampa, FL 33614	813-932-3470
Bayview Loan Servicing, LLC	www.bayviewloanservicing.com	800-457-5105	Attn: Specialized Asset Management 4425 Ponce De Leon Blvd., 5TH Floor Coral Gables, FL 33146	305-646-9943 or 877-360-9593
CCO Mortgage	www.ccomortgage.com	877-745-7366	10561 Telegraph Road Glen Allen, VA 23059	888-777-1631
Carrington Mortgage Services, LLC	www.carringtonms.com	888-267-2417	Attention: Home Retention P.O. Box 54285 Irvine, CA 92619-4285	877-267-1331
Central Florida Educators Federal Credit Union	www.mycfe.com	800-771-9411	P.O. Box 958471 Lake Mary, Florida 32795-9814 Attn: Real Estate - HAMP Team	407-893-5727
Central Jersey Federal Credit Union	www.cjfcu.org	732-634-0600	380 Berry St Woodbridge NJ 07095	732-726-8709
Community Bank & Trust Company	www.combk.com		125 N. State Street, Clarks Summit, PA 18411	
CitiMortgage, Inc.	www.mortgagehelp.citi.com	866-915-9417	Citi Ham Trial Agreements NTSB 1680, 680 Colwell Blvd Irving, TX 75039	866-989-1356
Citizens 1st National Bank	https://www.citizens1st.com/	800-311-7531	128 E. Dakota Street, Spring Valley, IL	815-664-4115

Citizens First Wholesale Mortgage Co.	https://www.cfwmortgage.com/	800-477-1086	560 Fieldcrest Drive The Villages, FL 32162	352-753-4482
Countrywide Home Loans Servicing LP	http://my.countrywide.com/media/hasp.html	800-669-6607	Bank of America Home Loans MHA Escalations Unit P.O. Box 941408 Simi Valley, CA 93094-1408	866-261-6472
CUC Mortgage Corporation	www.cucmortgage.com	800-342-4998	P.O. Box 12670 Albany, NY 12212	N/A
DuPage Credit Union	www.dupagecu.com	800-323-2611	Attn: Alternative Loan Solutions P O Box 3930 Naperville, IL 60567	630-305-6030
EMC Mortgage Corporation	http://www.emcmortgagecorp.com	800-723-3004	Regular Mail Chase/EMC Fulfillment Center PO Box 293150 Lewisville, TX 75029 Overnight Mail Chase/EMC Fulfillment Center 2780 Lake Vista Drive Lewisville, TX 75067	917-849-2677
Eaton National Bank & Trust Co	www.enbbank.com	937-456-5544	110 West Main Street, Eaton, OH 45320	937-456-6847
Farmers State Bank	https://farmersstate-oh.com	800-350-2844	11 S. Main St., P.O.Box 801, West Salem, OH 44287	419-853-4730

Fidelity Homestead Savings Bank	http://www.fidelityhomestead.com	504-569-3490	201 St. Charles Ave, 20th Floor New Orleans, LA 70170	504-569-3537
First Bank	http://www.firstbanks.com	800-760-2265	1 First Missouri Center St. Louis, MO 63141	314-264-0220
First Federal Savings and Loan Assoc of Lakewood	http://www.ffl.net	800-966-7300	14806 Detroit Ave., Lakewood, OH 44107	216-221-4507
First Keystone Bank	http://www.firstkeystonebankonline.com	610-565-6210	22 West State Street Media, PA 19063	610-892-5122
Franklin Credit Management Corporation	http://www.franklincredit.com/	800-255-5897	Attn: Loss Mitigation 101 Hudson Street 25th Floor Jersey City, NJ 07302	201-839-4545
Glass City Federal Credit Union	www.glasscityfcu.com	800-837-3595	1340 Arrowhead Drive Maumee, OH 43537	419-887-1099
Glenview State Bank	www.gsb.com	847-729-1900	800 Waukegan Road, Glenview, IL 60025	847-832-0175
GMAC Mortgage LLC	www.gmacmortgage.com	800-766-4622	3451 Hammond Avenue Waterloo, IA 50702	866-709-4744
Golden Plains Credit Union	www.gpcu.org	877-775-8175	1135 College Drive, Suite C, Garden City, KS 67846	620-276-8175
Grafton Suburban Credit Union	www.graftonsuburban.com	508-839-5493	86 Worcester Street, North Grafton, MA 01536	508-839-5750
Great Lakes Credit Union Green Tree Servicing LLC	www.glcu.com www.gt servicing.com	800-442-3488 800-643-0202	7360 S Kyrene Road T214	877-265-9717

			Tempe, AZ 85283	
Harleysville National Bank & Trust Company	http://truebridge.harleysvillebank.com/hnb/home.php?b=24541143-0	888-462-2100	483 Main Street, P.O. Box 195	215-256-4903
Hartford Savings Bank	http://www.hartfordsavingsbank.com	800-844-3812	Harleysville, PA 19438 1400 Schauer Drive, Hartford, WI 53027	262-673-0459
Hillsdale County National Bank	www.countynationalbank.com	517-439-6121	One South Howell Street Hillsdale, MI 49242	517-437-3151
HomEq Servicing	www.homeq.com	877-867-7378	P.O. Box 160248 Sacramento, CA 95816-0248	866- 554-5325
Home Financing Center Inc.	www.homefinancingcenter.com	305-777-1171	806 S. Douglas Rd., Suite 580 Coral Gables, FL 33134	305-777-9819
HomeStar Bank and Financial Services	www.homestarbank.com	815-468-2265	3 Diversatech Dr., Manteno, IL 60950	815-468-2378
Home Loan Services, Inc.	www.viewmyloan.com	800-622-5035	Loan Services P.O. Box 1838 Pittsburgh, PA 15230-1838	412-499-3400
Horicon Bank	www.horiconbank.com	920-485-3080 ext.7310	326 E Lake Street, PO 126 Horicon, WI 53032	920-485-3059
Horizon Bank, NA	www.accesshorizon.com	888-873-2640	515 Franklin Square, Michigan City, IN 46360	219-874-9374
Iberiabank	www.iberiabank.com	800-968-0801	1680 Fruitville Rd. Sarasota, FL 34236	941-556-1700
IBM Southeast Employees Federal Credit Union	www.ibmsecu.org	800-873-5100	Attn: Mortgage Modifications PO Box 2850	678-797-6314

IC Federal Credit Union	http://www.iccreditunion.org	800-262-1001	Kennesaw GA 30156 Attn: Judy Kaddy 300 Bemis Road Fitchburg, MA 01420	978-343-4949
Idaho Housing and Finance Association	www.ihfa.org		565 W. Myrtle Street Boise, ID 83702	208-331-4801
J.P. Morgan Chase Bank, NA	http://www.chase.com/myhome	866-282-5682	Regular Mail: PO Box 469030 Glendale, CO 80246 Overnight Mail Attn: Chase Fulfillment Center 4500 Cherry Creek Drive South Suite 410 Glendale, CO 80246	866-282-5682
Lake City Bank	www.lakecitybank.com	888-522-2265	ATTN: Candy Little PO BOX 1387 Warsaw, IN 46581-1387	574-267-9128
Lake National Bank	www.lakenationalbank.com	440-205-8100	PO Box 1048 Mentor, Ohio 44061-1048	N/A
Litton Loan Servicing	www.littonloan.com	800-247-9727	4828 Loop Central Drive Houston, TX 77081	713-793-4923
Los Alamos National Bank	www.lanb.com	800-684-5262	PO Box 60 Los Alamos NM 87544	505-663-4053
Marix Servicing, LLC	www.marixservicing.com	866-406-2749	1925 W. Pinnacle Peak Road Phoenix, AZ 85027	623-249-2070
Members Mortgage Company, Inc	www.membersmortgage.com	800-316-9790	10 Cedar Street, Suite 11 Woburn, MA 01801	781-376-9452

Mission Federal Credit Union	www.missionfcu.org	800-500-6328 x2074	PO Box 919023 San Diego, CA 92121 Attn: Loss Mitigation	858-546-2058
Metropolitan National Bank	https://www.metbank.com/default.asp	866-796-3876	Attn: Mortgage Department P.O. Box 8010 Little Rock, AR 72203	501-907-8709
MorEquity, Inc.	www.morequity.com	800-441-3805	1) PO Box 3788 Evansville IN 47736-9984 2) 601 NW Second Street, Evansville IN 47708	812-475-7074
Mortgage Center, LLC	www.mortgagecuso.com	866-856-3750	20300 Civic Center Dr, # 403 Southfield, MI 48076	248-799-8556
Mortgage Clearing Corporation	www.mortgageclearing.com	800-727-9043		
National City Bank	www.pncmortgage.com	800-523-8654	3232 Newmark Drive Miamisburg, OH 45342	937-910-4009
National City Bank	www.pncmortgage.com	800-523-8654	3232 Newmark Drive Miamisburg, OH 45342	937-910-4009
Nationstar Mortgage LLC	www.nationstarmtg.com	888-850-9398	Attn: HAMP 350 Highland Drive Lewisville, TX 75067	214-488-1993
Oakland Municipal Credit Union	www.omcu.com	510-637-6600	250 Frank H. Ogawa Plaza Suite 6301 Oakland , CA 94612	510-238-5227
Ocwen Financial Corporation, Inc.	www.ocwencustomers.com	800-746-2936	Ocwen Loan Servicing LLC	407-737-6174

			PO Box 24737	
			West Palm Beach, FL 33416-4737	
OneWest Bank	www.owb.com/mymortgage	800-781-7399	Indymac - 1, 2900 Esperanza Crossing	866-235-2366
			Austin, TX 78758	
ORNL Federal Credit Union	www.ornlfcu.com/	800-676-5328	Attn: Mortgage Modification Dept	865-481-5810
			221 S. Rutgers Avenue Oak Ridge, TN 37830	
Park View Federal Savings Bank	www.parkviewfederal.com	440-914-3900	30000 Aurora Road, Solon, OH 44139	440-914-3656
PennyMac Loan Services, LLC	www.pnmac.com/index.php	866-545-9070	Attn: Karen Denton 27001 Aguora Road, Suite 350	818-224-7510
			Calabasas, CA 91301 Attn: Karen Denton	
PNC Bank, National Association	www.pncmortgage.com	800-523-8654	3232 Newmark Drive	937-910-4009
			Miamisburg, OH 45342	
Purdue Employees Federal Credit Union	www.purdueefcu.org	800-627-3328	P.O. Box 1950	765-497-7477
			West Layette IN 47996-1950	
Q lending, Inc.	www.qlending.com	517-439-6121	1 Corporate Drive,	847-574-7658
			Suite 360 Lake Zurich, IL 60047	
Quantum Servicing Corporation	www.quantum-servicing.com	813-371-0254	6302 E. MLK Blvd.,	203-447-8001
			Suite 300 Tampa, FL 33619	
RG Mortgage Corporation	www.rgmortgage.com/mortgage	888-264-4674	PO Box 362394	787-756-2845

			San Juan, PR. 00936-2394	
Residential Credit Solutions	www.residentialcredit.com	800-737-1192	4282 North Freeway Fort Worth TX 76137	888-775-7250
RoundPoint Mortgage Servicing Corporation	www.rpmservicing.com/	877-426-8805	P.O. Box 19409 Charlotte, NC 28219-9409	888-364-5558
Saxon Mortgage Services	www.saxononline.com	800-594-8422	Saxon Attention: Home Preservation HMP Documentation Department 4708 Mercantile Drive North Fort Worth, TX 76137	888-240-1885
Schools Financial Credit Union	www.schools.org	800-962-0990	C/O Real Estate Department 1485 Response Rd Suite 126	916-569-2047
SEFCU	www.sefcu.com	866-733-2880	Sacramento CA, 95815 700 Patroon Creek Blvd Albany, NY 12206	518-464-5213
Select Portfolio Servicing	www.spservicing.com	888-818-6032	PO BOX:65250 Salt Lake City, UT 84165-0250 3815 S. West Temple Salt Lake City, UT 84107	801-293-3936
Servis One Inc.,dba BSI Financial Services, Inc	www.bsifinancial.com	866-209-4178	Attn: HAMP Department P.O. Box 517, 314 S. Franklin Street, Titusville, PA 16354	814-217-1366

ShoreBank	www.sbk.com	800-905-7725	Attn: Mortgage Dept	773-420-4501
			3401 South King Drive, Chicago, IL 60466	
Silver State Schools Credit Union	www.silverstatecu.com	800-357-9654	1 Corporate Drive Suite 360	847-574-7658
			Lake Zurich, IL 60047	
Sound Community Bank	www.soundcb.com	800-458-5585	2005 5th Ave., Seattle, WA 98121	866-216-3405
Spirit of Alaska Federal Credit Union	www.spiritofak.com	907-459-5974	Mortgage Dept	907-459-5980
			1417 Gillam Way Fairbanks, AK 99701	
Stanford Federal Credit Union	www.sfcu.org		Attn: Tram Le 1860 Embarcadero Road Palo Alto, CA 94303	866-743-3151
		888-723-7328		
Sterling Savings Bank	www.sterlingsavingsbank.com		Attn: Tram Le 111 N. Wall, Spokane, WA 99201	509-624-8038
		800-772-7791		
Tempe Schools Credit Union	www.tscu.org		2800 S. Mill Ave., Tempe, AZ 85282	480-776-3729
		480-967-9475		
Technology Credit Union	www.techcu.com		2010 N First Street San Jose, CA 95131	408-453-8742
The Bryn Mawr Trust Company	www.bmtc.com	800-553-0880	Attn: LAD 801 Lancaster Ave., Bryn Mawr, PA 19010	610-526-5450
		610-687-4268		
The Golden 1 Credit Union	www.techcu.com		8945 Cal Center Drive Sacramento, CA 95826	408-453-8742
		800-553-0880		
United Bank Mortgage Corporation	www.unitedbankofmichigan.com		900 East Paris SE, Grand Rapids MI 49546	616-559-4631
		800-968-1990		

U.S. Bank National Association	www.usbank.com		P.O. BOX 20005 OWENSBORO, KY 42304-0005	866-847-9464
Vantium Capital, Inc.	http://www.acqura.net	866-932-0462	6500 International Parkway Suite 1500	972-444-3356
Verity Credit Union	http://www.veritycu.com	866-660-5804	Plano, Tx 75093 CU Home Mortgage Solutions	206-361-5300
Wachovia Mortgage, FSB	www.wachovia.com	800-836-8172 800-922-4684	PO Box 75989 Seattle, WA 98175 1000 Blue Gentian Road Suite 300 Eagan MN 55121	866-359-7363
Wachovia Bank, NA	www.wachovia.com	800-922-4684	1000 Blue Gentian Road Suite 300 Eagan MN 55121	866-359-7363
Wells Fargo Bank, NA	www.wellsfargo.com/homeassist	800-678-7986	1000 Blue Gentian Road Suite 300 X9999-01N Eagan MN 55121	866-359-7363
Wescom Central Credit Union	www.wescom.org	888-493-7266	5601 E. La Palma Avenue Anaheim, CA 92807	626-535-1357
Wilshire Credit Corporation	https://www.wcc.ml.com	888-502-0100	PO Box 8517 Portland, Oregon 97207-8517	888-917-1050
Yadkin Valley Bank	www.yadkinvalleybank.com	336-258-6252	PO Box 96 Pfafftown, NC 27040	

Other Resources

There are a host of other free resources at your disposal. Here is a short list that will guide you to a much longer list

www.makinghomesaffordable.gov

This web site has many helpful links and tools. It also outlines some basics on the Making Homes Affordable program.

You can find you're Hardship Affidavit and you're form 4506T on this site also.

www.hud.gov

This web site also has many tools. Also you can find a HUD approved housing counselor in your area. Many of the services are free to you.

<http://loanlookup.fanniemae.com/loanlookup/>

<https://ww3.freddie.mac.com/corporate/>

These web sites allow you to lookup your loan and find out if it is a government loan.