

DO-IT-YOURSELF LOAN MODIFICATION

STEP 1:

Keep a journal of every person you speak with, date, and time. Make notes on what you discussed. It is against California law to tape any telephone conversations without the other party agreeing to be taped.

If your loan issues do lead you to one day being in a court of law, taking notes extemporaneously, or as events happen, are considered evidence. Do not rely on your entirely on your memory.

STEP 2:

Telephone your bank or loan servicer (the company collecting your mortgage payments) and by calling Customer Service (the phone number should be on your mortgage payment information) and ask for the Loss Mitigation Department (every financial institution should have one). If they call their department something else besides "Loss Mitigation" write down the name they call this department. Very often, when you reach a live human being, you will get disconnected, so ask the person for the direct number in case you get disconnected.

When you reach the Loss Mitigation Department write down the date, time, whom you spoke with (ask them to spell their name), phone number, and department

mailing address. Also write notes on the content of any conversation you had with this individual. Also request a **Loan Modification Package**. If the bank or loan servicer will not send you a Loan Modification Package, contact us via email.

If they do not assist you, **DO NOT GIVE UP**. Telephone them later and see if you get a more helpful person. The employees in most financial institutions are overwhelmed and may not be initially very helpful. Also, keep your cool. You may be extremely frustrated at the situation this institution placed you in, but you will not get very far by taking it out on the person on the other end of the phone. *Patience is a virtue here and can only help you.*

If they will not assist you, click on the class action suit form on the top menu of this website. If you are successful in obtaining the Loan Modification Package move on to STEP 3.

Your goal, if they assist you, is to submit a completed Loan Modification Package to the Loss Mitigation Department.

STEP 3:

If you are successful in obtaining a **Loan Modification Package** from your bank, you need to fill out the **Family Budget** form to assist you in estimating your D.T.I. or Debt-to-Income Ratio.

$$\text{DTI Ratio} = \frac{(\text{Mortgage Payment} + \text{Property Taxes} + \text{Homeowners Insurance})}{\text{Gross Income}}$$

The current guidelines are different with each bank. You will proposed a DTI Ratio between 31% - 38% of your gross income.

STEP 4:

Gather and make copies of the following information:

- Mortgage statement(s). You will need copies of your most recent mortgage statements (this includes a second mortgage, if you have one).
- Current Property Tax Statement
- Current Homeowners Insurance Statement (include any statement for flood or earthquake)
- Current Car Loan Statement
- Current Car Insurance Statement
- Current Credit Card Statement(s)
- Current Utility Statement(s) (Water/Electricity/Gas)
- Current Cell Phone Statement
- Current Telephone Statement
- Current Medical Insurance Statement
- Current School Tuition and/or Student Loan Statement
- Bank Statements for Last Year
- Hardship Documents (will explain below) for Hardship Letter (Birth Certificate, Death

Certificate, Medical Bills, Divorce papers, Bankruptcy Documents, etc.)

- Tax Returns (from the past two years)
- Pay Stubs for the last two months or other income documents such as Social Security

Make a copy of all of the documents and put them into folders for future reference.

STEP 5:

Write a Hardship Letter to the lender. The letter must be in your own words. You are telling the bank the reason for your current mortgage situation is due to a personal hardship. Your request is to stay in your home, and with their assistance, you wish to meet your future mortgage obligations. Make this letter free of misspellings and grammatical errors. If you have poor handwriting, ask someone to type it. First impressions means a lot. You want the reader to know you care deeply about remedying this situation. Write it as if you were speaking to a jury who may award you a large sum of money. You want the letter to be compelling. Have an objective party read it and ask for their opinion before you send it.

If you have saved any money during this period of time, tell the bank you are willing to put this money down towards a good faith deposit on the approved loan modification.

Loan Modifications can take anywhere between four to twelve weeks. Applying for a Loan Modification does not stop foreclosure action on your home.

Any mailed correspondence **MUST** be sent via registered mail AND return receipt. If you have never done this, ask the postal service employee to assist you. When you mail anything, make a note of it and to whom you sent it, date, etc.

If you are successful in receiving a new Loan Modification, before you agree to this new contract, have it reviewed by an attorney or local legal aid organization. It is possible to hire a private attorney (familiar with real estate contracts) for 15 minutes to one hour of time for a simple contract review. While this may cost money, it is money well spent to avoid further mortgage problems.

Just a reminder: **NEVER** pay a lender or organization any money **UP FRONT** to modify your mortgage. The California Attorney General's office warns against doing this. Lenders traditionally get paid **AFTER** your loan is approved and you sign a contract agreeing to it.

If you have questions about any of the contents of this Do-It-Yourself Loan Modification, please contact us by email (preferable due to the volume of questions we are currently handling).