

When bad things happen...do you ignore them?

From attending hundreds of hearings, it appears that a lot of people go into a shell when they are confronted with a huge problem. I have seen people lose their home because they did nothing. They didn't call the mortgage company to advise they would be late, and why. They didn't call the mortgage company to see if there was anything to be done. They just ignored the issue and assumed it would all work out in the end.

Sadly life doesn't just work out in the end all the time – at least not in a happy way. So what should the homeowner who has fallen on hard times do?

First and foremost, they must communicate with the mortgage company. They must be reasonable, and any payments they promise should be payments they really can afford to make. And they should persist.

A lot of mortgage companies have a special department just to assist the homeowner that is in financial difficulty. But if the home is in foreclosure or bankruptcy, the homeowner often never gets to that department when they call. That's because they offer the first person to answer their call the information that they are in foreclosure or that they are in bankruptcy, and that's the department their call gets transferred to.

What they should do is tell the person who answers that they need to talk to someone about modifying their loan. Most of the time that means talking to the loss mitigation department. And while they are talking to that department, the homeowner can advise that they are in foreclosure or bankruptcy.

Further, the homeowner should be specific on what they would like done with their mortgage. Do they want the payments brought current? Do they want the payments reduced? Do they want the payments reduced and the loan brought current?

Just asking to get current might result in a higher monthly payment, as the processor didn't change the number of payments left; they merely added in the missed payments and fees, and calculated a new payment.

Just asking to reduce the monthly payment might result in a lower payment for a greater number of months, but might require a large down payment to get the account current first.

If the homeowner is specific in their needs, and gets the proper paperwork, they must also be very careful to completely comply with all of the requirements to complete the application. One missing document could result in the entire request being denied. Submitting should be done to an individual's attention, return receipt whenever possible. The homeowner should keep a complete copy of everything sent as well, because they may need to resubmit some documents along the way.

It also helps to follow up to be sure the correct person has received the documents, and the submitted application is complete. Having done that, be prepared to wait. I've seen loan modifications take as long as 6 months.

Now here's another issue. What if the mortgage company has filed a foreclosure? The homeowner may not have 6 months to wait, because the mortgage company will not stop the foreclosure just because you applied for a loan modification. This is where homeowners should consider getting legal assistance.

A lot of people say they can't afford an attorney. My thought is that you can not afford NOT to have an attorney if you really want to keep that house that's in foreclosure. The mortgage company's attorney will win on procedure, and the homeowner will be on the street wondering what happened.

So the moral of the story is...when hard times come your way, don't ignore everyone. Especially your lenders. Communicate directly with them, honestly and often. This may be all you need in order to avoid a foreclosure and legal expenses. If you need help with your mortgage through a modification of some type, ask for one. Get the terms in writing, comply with all the requirements.

But seriously again....communicate.