



“How to Deal with Chargeoffs”

Recorded Live Teleconference with Mike & Ryan Rockwood of
www.60MinuteLoanModification.com

Ryan: Hi, everyone. It's 6:00. This is the 60 Minute Loan Modification Insider Secrets Teleconference Series. We've got a great, great bit of information to give to you today, a great call. And I'm so glad that you're here. We're here to beat the bank, save your home and help you escape bad debt forever. My name is Ryan Rockwood and as usual I'm joined by my father and business partner, Mike Rockwood on today's call.

Mike: Hi, there everybody.

Ryan: I have a couple of quick announcements before we get started. Announcement number one. Remember when you call your bank the person you talk to on the phone might not really know the company's policies. Case in point. One of our clients last week was told five times in a row by Countrywide that they will not modify a fixed rate mortgage. Then she called the sixth time and they said yes. So, note to self. If you don't get the answer you want from your lender keep calling until you do.

Now I'm not saying to definitely beat your head against a door. You may hit a brick wall but what I mean to just try to say there is we've got a lot of people walking away from the loan modification table without a loan modification because they accepted some information that was really given to them that was not correct, right? So we just want to continue to ask for managers, continue

asking others for verification. If you've got a problem that seems insurmountable you shoot us an email at help@60minuteloanmodification.com.

And what we do here is try to leverage the collective experience of my dad, Mike Rockwood, who wrote the book on loan modification and also the hundreds of clients that we've worked with and gotten loan modifications for. And also the loan modifications that we've gotten turned down on. We'll help you. The whole point of this is you're not in it alone and will help you leverage all of our past experience.

Mike: That's right, Ryan. We like say to it yourself but don't do it alone, right?

Ryan: Absolutely. You can't be simpleminded about it. You're going to have to learn a few things before you do a loan modification yourself but if at all possible do it yourself. But get educated first. Announcement number two. To get a loan modification you must almost always submit a formal loan modification application. That's the physical paperwork you either mail in or fax to you lender. This sounds obvious but we talk to people each week who think they've applied for a loan modification or they think they're in the loan modification process simply because they've been having long winded chats with their lender.

This is crazy. And for most everyone you should submit a formal application in order to get your loan modified. We're here to help so take action now. This point, I cannot even stress enough. It seems like one of those things that it's so obvious I feel kind of dumb bringing it up but here's the thing. It doesn't matter how many times you've kicked around the idea of loan modification with your lender. You know, the lender's minion or whatever, on the phone. That didn't start your loan modification and what I get frustrated by is people say well, I called them and they said that maybe I should call back in a couple weeks. And anyway, don't settle for that.

Mike: That's a brush off, isn't it Ryan?

Ryan: It is. And we've all done it in our own line of work and we just have to recognize it in another person's work and hey, that person is probably getting paid \$6 an hour, they have a miserable job, they take a lot of calls, a lot of angry-no one's calling them saying them, you know, you are the best person, the light of my life today. So don't be surprised if you get brushed off, okay? And don't take it personally. But the main thing, there's no point calling the lender over and over and discussing whether or not you're going to go into bankruptcy or whether you want a loan modification or you know whether the new Obama plan applies to you. What you have to do is call the lender and say I want to submit a loan modification application. How do I do it? And you know, you don't say do I qualify. You know, it's like if you wanted to get into college you don't ring up the office and say hey, I really want to go to your college, what should I do? No, you can talk to all the people in admissions you want but you're going to have to pump out an application and get it in the works.

Mike: Hey, you know, Ryan, that's a better analogy than you think because not only do you need to get an application in and get in line but you need to figure out a way to get out of line, like I'm always saying. How do you get to the head of the line? How do you get an unfair advantage because if you just get in line with everybody else you're just going to get the same kind of modification that everybody else is getting.

Ryan: Yeah, but I don't want people to take that and think oh, I don't want to submit my application until it's like this, beautiful modification that's going to shine and I'm going to get put to the head of the line. I want people to know that they should get in line and then look to cut in line or something like that. You know what I mean?

Mike: That's a good way to put it. Get in line but then you gotta figure out a way to get out of line and with the way we really coach you to do that is to do an extraordinary application with a clearly articulated hardship and a very bullet proof budget. Right?

Ryan: Yep. Okay. We're here to help so take action now. Announcement number three. When calculating your debt-to-income ratio, otherwise called your DTI, your income is your net income, which is your income after taxes. Rather than try to figure out what your exact net income is, just take 80 percent of your gross income. And if that sounds like a ridiculously simple estimation, it is. And that's fine. Most of the time your lender will never question it and it's going to eliminate like, a weeks worth of accounting, for me anyway. Because I get all muddled up, oh, no, did a get a discount on that, so anyway, burn through it.

Burn through it like your pants are on fire and cause if you can't get to where you need to go on that budget, if you can't get there, if you're not darn close, you need, well, we need to talk to figure out if you're just totally hopeless or if you, in fact, could put a better foot forward to the lender. Okay? And so you want to get to that spot really quick because we don't want you to call us up after three weeks of working on finding out exactly what your net income is only to have us have to say forget it, you're not a candidate at all. You know what I mean?

Mike: Well, you know, we get kind of calloused about it because some of this stuff is a little bit more difficult than we remember that it is. But because we do it absolutely every day, you know, Ryan's example of net income is just one of about ten items or elements of the budget that are really simple and people make them way too difficult. So the point Ryan's making is get this thing banged out, get it to us for review, those of you who have purchased our basic kit because of course you get our opinions on your hardship letter and you get our opinions on your budget before you call your lender. So that's the message. Move quickly on this stuff. Don't spend too much time on it.

Ryan: Yeah. And if let's give the example of someone working out all their perfect finances and they call us in and their, I don't know, five percent off or something like that and so we have to say you know what, you're going to have to estimate your net income at 75 percent. And we could have done that three weeks earlier in a few minutes if they had just, you know, sucked it up, put down their gross, estimated it at 80 and we're on to the next thing. Does that make sense? Because if you want your take home to be less you have the right to put in some more deductions or get married or have a kid or something. So that's really in your court. Okay? It's not like the typical kind of accounting that we do. Okay. So now, let's get on with today's call but before we do, today's call is going to be chock full of questions, questions and answers. And we are just going to try to hit it hard today. We are doing a new thing now that has been very well received and what that is, is two teleconferences weekly.

Tuesday at 6:00, Thursday at 6:00. Join us. We're going to try to keep it to an hour. And we are just going to, in kind of a circular fashion, start with one point and hopefully we won't return to that topic again for oh, say a month or something like that. So you shouldn't hear the same thing twice, too often. So even if you do the questions will always be different and so on. That's what we're doing and the idea behind it is get on the phone, ask those questions. Don't hang out with us as much as we like you, you know, and we want to provide support for you, we also want to give you a little kick in the butt. Okay?

This is not a social club and the main point of joining us here is to help get your finances in order or to help you get someone else's finances in order. So if you're hanging out with us for twelve weeks at a time maybe it's time to give us a call and let us know that so we can give you a call and examine some of these obstacles that are stopping you from getting, submitting and receiving your fantastic loan modification. Okay?

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And I'm sorry, what I meant to say at the beginning of all that was email your questions in. A lot of people are embarrassed and there's various different stages of this and I don't think people should feel embarrassed about getting a loan modification at all. It's just straight up reality for millions and millions of Americans and believe me, we live in one of the most affluent areas of the United States and you know, of the world, so we live in southern California. We live near the Palis verdes Peninsula and believe me, these people are dead broke. Everyone pretty much spends what they earn. It's just a matter of whether you're spending \$2,000 a month or \$30,000 a month. It's across the classes and everything. But the bottom line is email your questions in if you don't want to talk on the phone. Okay. The email is always help@60minuteloanmodification.com. It would be awesome if you would just mute your call right now. Okay.

So with that let's kick off this call. We've got a couple different topics. I know we want to talk about why people should do their own loan modifications and how to deal with charge offs. Okay. So we've got two, here's the thing. Listen, there's nothing in life that's a cure call for everything. Loan modification is no exception. And your solution might not be fixed with a loan modification. And that's why sometimes we end up touching on short sales or regular sales or --

Mike: FICO management.

Ryan: Yeah. Bankruptcy. Other things. We don't in most cases have a solution for you unless you're in California. We can't actually offer you product. We're just not that together. But we're more than willing to admit when our product and our expertise isn't for you. So that's why also my dad Mike here wants to talk, especially about charge offs. If you're thinking I want a loan modification, I don't want a charge off. Give it a little listen. You might be surprised as to how this could, well, I think a lot more people in the next couple years are going to be--

Mike: Well, people are facing it for the first time. And some other people don't know what it is. It sounds awfully appealing, charge it off. But I'm going to give you a few pointers about how it's being used and what the ramifications are for the loan modification and for all of your dealings with liens on your property. Okay.

Ryan: And I assumed that everyone's thinking charge offs with credit cards, so that's silly.

Mike: No, I'm talking about HELOC charge offs here. But there are many similarities and I'll touch on some of those.

Ryan: Okay. Well, let's do it.

Mike: Okay, the first thing I want to do, folks, and thank you very much for your attention. I will now spend about ten minutes talking on these two topics and then we'll go to questions and the questions need not be only on these topics. But of course we'll kind of prioritize those that are and please send in your questions at help@60minuteloanmodification.com or we'll cut to audio and you can just ask your question.

The first topic I want to talk about is from Chapter three in my 60 Minute Loan Modification book. The title is Why You Must Do Your Own Loan Modification. And for those of you who have listened to us frequently you know that I'm passionate about this because this is how I did my loan modifications and so after having done six of my own and then helping so many people do theirs I realized there's such a steep learning curve and doing these yourself is really the best way so let me tell you why I think it's the best way to do it and why I think a do it yourself product like ours is really, really important to have. All right?

There really are four reasons. The first one is you have help. Okay, let that sink in. You do it yourself but you don't do it alone. You have help. Millions and millions of tax money and lender's money has gone toward helping homeowners get modifications. The lenders, the federal and state agencies involved have contracted to make the process easy and readily available to all of us. Hundreds of millions of dollars have been allocated to providing counseling services to help. There are dozens of community based non-profits that have staffed up to meet the challenge and first rate private companies that are for profit. And then in recent weeks another thing, will really in the last two months, another element has been added and that is the lenders are now making good money on loan modifications. It actually is a good business for them and they've, so you have help.

The second reason you should do it yourself is cause there's no one that loves you more than you. And that's important in this effort because like most government and bureaucratic efforts the non-profits provide way too much information and the lenders provide almost zero actionable strategies that benefit you. If you want to write a term paper on loan modifications you, it'll be very easy to do because the lenders and the non profits will provide you with tons of information. But if you want to cut to the chase and get a great loan modification for yourself than you have to have someone on your side of the table giving you insider advice and that's what we do.

The 60 Minute Loan Modification will help you cut to the chase with insider tips and strategies that help you craft and negotiate your modification faster and better. Remember the lenders are your adversaries. They will try to get you to accept the best deal. That's the best deal for them. The for profit modification companies are in it for the money. You know, get real. They have to maximize the number of clients they get, you know, that they start, and then minimize the time and expense spent on each one.

So a lot of those companies will give you, first of all they don't save you much time. They just fill out the same forms that you can fill out and then I got to tell you they don't really do much work for you and they accept the first offer that comes their way. And there's never a shortage of new and interesting scandals produced daily by these guys. So I always say cheat me once shame on you. Cheat me twice shame on me. These are the same folks by and large who have been in the mortgage business and who were in the sub prime lending business and they convinced you to take some of those lousy mortgages in the first place.

Ryan: Well how do you think this message resonates in light of the recent changes to our line up where you started offering a do it yourself service? Now we don't talk about it much because that's not our goal. Our goal is to teach people how to do their own loan modifications but we came to the realization that that's just not for everyone. Okay.

Mike: Here's how I look at it. Some people simply will not do it. Even after listening to my conversations on the Phone Tap CD some people still call in and say I'm sorry, I just get intimidated by this kind of talk. I've never said the word foreclosure in my life. I've always had an 820 FICO score. I'm just embarrassed by this whole thing and I don't want to handle it. I want you to handle it for me. That's number one. Number two. You have a lot of extremely busy and well to do people who want and need loan modifications. They would much rather pay us \$2900 and just have us do it and report in every other week on how it's going and tell them when it's done.

Ryan: Yeah, here's the thing. I would never want to talk someone out of going to a professional for loan modification help. I hope that our encouragement for them to do it themselves is just really going to get them to do it. Because for these people, these are do it yourselfers. It's either do it yourself or not do it at all. Okay, so I hope that in the past we didn't, you know, say to someone, oh I'll

probably get ripped off. So anyway, I hope that anyway we can continue to straddle that fine line where we say, you know, we shouldn't make it like people are too lazy either, because a lot of these people are calling, they are pretty darn smart in realizing that if they're not paying their mortgage--

Mike: Let's just admit it. An awful lot of folks are just too busy. They're overwhelmed. They need \$1000 relief on this mortgage if they're going to say in the home. Okay, so number three is relax, it's not rocket science. This really, I mean, is not difficult. And our 60 minute Loan Modification program can help you figure it out in less than 60 minutes, get the application and done. It's simple. And lastly you can make it personal. Business is personal. People to people. You'll be much more effective if you understand that and work with all the people on the phone, even the collection department when they call.

I always recommend you connect with them so number four is make it personal and your passion to get a good loan modification will help ensure that you get a good loan modification. So those are the four reasons that I believe in my heart of hearts that people should be doing their own loan modifications. The last one I guess I didn't get even mention is you save a ton of money. Okay.

Ryan: Money's good. So anyway, do the loan modification. How about the other point we're trying to make to people is that this may not be the last loan modification you ever do.

Mike: Yeah. No, that's right. We firmly believe, I mean, it's pretty obvious, that these loan modifications, these principal rate reductions are just intended to keep us in our homes while the whole world or at least the whole country figures out what we are going to do with the four trillion dollar devaluation of the housing market? What are we going to do about that? Because if you own a \$450,000 home in Minneapolis, Minnesota and you paid \$450 for it and you owe \$400 on it

and now you can't even sell it for \$200,000. In Minneapolis that might be a stretch. Maybe it's \$275.

That might be fine if they give you an interest rate reduction and you stay in it for now but wait until you get transferred. Or wait until your family grows so big that the house doesn't suit you anymore and you have to sell it and it's only worth \$275. That day of reckoning is down the road someday and you and the bank have to come to terms with the fact that value left and you can't cope with it. The bank has to. You have lost all of your equity. They have to lose theirs. So there's going to be additional loan modifications down the road whether it's one year, two years or five years from now. There's got to be accounting for this big, big value evaporation. Biggest one in history. Alright, now I'd like to move to the topic of charge offs and here's why I'm adding this topic today. It's not one of our usual topics but I've had three people in the last week ask me about charge offs and one of my clients decided to go ahead and let one of their HELOC be charged off. So let's review what a charge off is and how it might fit in to your strategy to keep your home.

Ryan: Home equity loans, also called HELOCs.

Mike: Home Equity Lines of Credit. Generally our second mortgages, are in fact, home equity lines of credit, very often.

Ryan: For most of the stuff we talk about the two terms can be used interchangeably.

Mike: So I'll start by explaining what a HELOC charge off is not. The term kind of makes connotes that the loan is gone, but it's definitely not gone. It is, in fact, a banking regulation and an accounting regulation. After the bank cannot unsuccessfully for collect from you in 180 days their accounting rules require that they report it as uncollectible on their books.

Ryan: So what does that mean?

Mike: So the charge off is really for their purposes, not yours, and it is in no way gone. Here's what happens to a Home Equity Line of Credit when it is charged off. It goes off the books, either off the books of the lender as a good debt. But it remains on their books as an asset and so they will pursue collection of it and they will maintain the lien that they have on your property. So one of my clients in Torrance last week decided to let her second mortgage, which was a Home Equity Line of Credit go into charge off. The bank, I got to tell you, the bank went to extraordinary lengths to avoid the charge off. You would not believe how far Wells Fargo was willing to go to allow this client not to have to let this thing charge off. They offered her zero interest. They offered her a very low principal payment and they tried very hard not to have to charge it off but she has now pretty much resigned herself to this route. This is the route that she wanted to go so she allowed it to be charged off. So now she will continue to make no payments on this loan but the lien stays on the property and when it does sell, eventually, she will be sued for that amount of money.

Ryan: Well, they won't even have to sue her. It'll just be paid out in escrow if there's any balance. And if there's no balance, if there isn't enough money--

Mike: If it's short sold, yeah.

Ryan: --they will have to approve it. They still have to approve it.

Mike: Right. And they do reserve the right to--in some states, have recourse and they can go after you personally and put a lien on other property and they can garnish your wages, etcetera. Now most of us are brainwashed by the banks and the media on the subject of credit. We've talked about that plenty. Sure, good credit is important, but I advised this person committing to payments

you really can't afford, because that's often the case, and in this case she just couldn't afford one more dollar every month.

I say it's like watering your lawn while your house is burning down. You've got to kind of prioritize and when you're in trouble you have to prioritize. Let me give you five pieces of advice for how to avoid a HELOC charge off if it hasn't happened yet. These are important, pay attention to them. First of all, don't be intimidated because the lenders and often the collection agents who are talking with you about the situation just before it goes into charge off are very aggressive and they try to intimidate you because they really do not want to charge this thing off. It's bad business for them. So don't take it personally when they try to get under your skin. Ask that, number two is ask that the minimum payment necessary to avoid a charge off is and what subsequent payments would be, frequency and amount, going forward and don't commit to it unless you are absolutely sure that you can follow through.

I advise people to try to negotiate a lump sum settlement at about 10 percent or less if you have the resources. So if you have a \$75,000 Home Equity Line of Credit, try to negotiate a settlement for \$7,500. Number four is do not allow the collection reps to talk you into providing your checking account details over the phone so that they can in the future begin tapping into your checking account.

And lastly, don't make payments based on a verbal commitment. Soon as you make an arrangement with them, like let's say you settle for 10 percent, get it in writing before you start payments and don't make the payments automatic from your checking account. Okay? Now, here are some simple rules to follow when you're trying to deal with a charge off that has already happened. And I've got three of those.

Ryan: Can you get a charge off out of charge off? Can you get a loan out of charge off?

Mike: Yeah.

Ryan: So do you need to worry about keeping it from charge off or if it goes to charge off.

Mike: Yeah. A charge off is worse than a late on your FICO score.

Ryan: I see. It's a distinct black mark.

Mike: Once it's been reported as charged off they'll stop reporting the monthly late but that charge off really hurts you pretty badly for seven years. So it's really quite negative. You really want to avoid it if at all possible. Number one because it's really bad for your credit and number two because it doesn't really do you any good. So I'm always counseling my clients to negotiate a really sweet deal. Just push them for a minimum \$100 a month payment until you figure out if you can keep the home. If you can get a good modification on your first mortgage then you can renegotiate with them at a later point.

Okay, here are some simple rules to follow when you're trying to deal with a charge off that already happened and this is the advice that I gave my client earlier in the week. You still have the opportunity to resolve the matter by dealing with the original lender or the collection agency that they assign to it. Okay, so you can still settle this thing. You can still try to negotiate a lump sum payment and gain I always recommend 10 percent and here's the third tip and this is really a good one. An important one.

If they try to bring a court judgment, a court order, ordering you to pay and giving them the right to garnish your wages, here's a tip. Go to that court hearing. Attend the court hearing. Very often, I mean, very often, most often, the lenders

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do not attend. And I have very clear advice for exactly what you should say and how you should conduct yourself there and if that happens you have a very good chance of walking out of that courtroom not owing that debt. Okay.

Ryan: Not owing that debt or not getting the wages garnished?

Mike: No, not owing the debt. Having them seek a court judgment against you really is a ray of hope for you. You really have a good chance.

Ryan: But that only happens in some states unlike California, right? Judicial foreclosure thing, right?

Mike: Yeah, but this wouldn't be foreclosure. They wouldn't be asking for foreclosure. They would be asking for a judge's ruling allowing them to pursue getting payments from your other assets. And the judge might allow that. If they are there and they show good cause. So then to sum up, a charge off is not the end of the world but it should be avoided if at all possible but not at the risk of making things even worse by committing to payments you're not sure you can keep up with. Remember paying the lender who can foreclose and take away your home is the priority.

Ryan: That's true. We got a few questions and again they're on all topics and that's okay. We go a question by email. Jackie has a renter in her home paying half the mortgage amount. She's wondering how to know if she qualifies for a modification.

Mike: Okay, Jackie, the fact that you have this renter in your home really may or may not be relevant. So it's kind of up to you whether or not you include that income in your household income and toward your qualification for a loan modification. Simple, basic, tried and true underwriting criteria will be used to determine if you qualify for the modification. So whether or not you include that

income is up to you and I can't tell you without more information whether or not you qualify.

Keep in mind, though, Jackie, it's really simple to tell if you qualify for a loan modification. And with more information I could help you almost with 100 percent accuracy. Now I have prepared a little calculator that we put on our website at 60minuteloanmodification.com that with, you know, in about 60 second it can give you good input as to whether or not you qualify. So I recommend you go there or provide us more information now.

Ryan: Well, just as a, Jackie obviously must be new. Very new. So first question. How do I know if I qualify? How would you answer that immediately? I mean the calculator is cool but it is pretty tough, I've got to say. A lot more people qualify than do on that calculator, actually. So what's your one minute answer for do I qualify for a loan modification?

Mike: You've got to qualify with seven criteria that they initially started a year ago using have really been boiled down to three. They are number one, whether or not you have a hardship. Number two, what type of loan you have and number three, how much income you have and debt you have, so your DTI. Okay, let me run through those really quickly. The first one is you must have a hardship. And I got to tell you I have only met two people in a year and a half of doing loan modification full time who did not qualify for a loan modification. Most people qualify because most people in this country make less money or have more expenses this year than last. And really that's what is required.

Ryan: And remember a hardship is not, you know, some radical thing happened. You don't have to have lost a loved one. You don't have to have come down with cancer. It's as simple as increase in expenses, decrease in income.

Mike: Right. So you got to have a hardship. Secondly if you have a particularly bad loan it dramatically increases the likelihood you'll get a modification. Adjustable rate mortgages are almost 100 percent guaranteed that you'll get a modification. Negatively amortizing ones especially. The option ARM ones particularly. Any fixed rate loan over six percent is pretty likely to be modified because by today's standards that's really not such a great loan anymore. And the third criteria is how much income to you have today? And by today I mean like now, this month, or certainly not further back than the last 90 days. It's very, very near term focused. So you're really going to look at providing income for the last 90 days and herein is the magic. And this is why you need someone like us helping you, looking over your shoulder and giving you insider tips. You can't make too much money and you can't make too little money. You need, just like Goldilocks, you need to make money that's just right. We can help you figure out what that is.

Ryan: Yeah. It's maddening. It doesn't make any sense, but it's the way it is. All right, and we should mention that depending on how Jackie found out about the call, we are advocating here that people do it themselves, get a little education and do it themselves. Don't just call our lender. And in order to facilitate that to share our knowledge we have creating a do it yourself loan modification kit. My dad, Mike Rockwood, found himself in a situation a year ago. Our income as real estate professionals had dried up and the property values nose dived. Basically everything stunk and we were in a lot of trouble and we very rapidly learned loan modification but not without an excruciating painful horrendous amount of failure first.

Mike: You know, Ryan, we've stopped on these calls mentioning on these calls that they can hear about that excruciating pain by getting that free CD, the 60 Minute loan modification secrets. It's on our website, 60minuteloanmodification.com. It's a free CD.

Ryan: Yeah, we totally forget to mention that. It tells the whole story. It's almost like we forget it because hopefully people get that before they get on the call but who knows. The whole idea is it's a free CD. It's on our website. It tells our story. And as simple as it is it's extremely, people have told us, it's extremely compelling to hear someone run through the process that's really one their side. I mean the bank the lender, the non profit, or whatever, it's very sterile, very--

Mike: Bi-partisan.

Ryan: Okay. Denise has a property and wants to modify it as primary residence but she currently has it rented out. Not sure if her bank is going to check or react, etcetera. So let's, rather than get into specifics of this let's just say that there is an incredible flexibility and, you have incredible flexibility in putting your loan modification together however you choose to do so. And I don't think if you do it right I don't think you need, you won't need to worry about getting busted, in other words. Now, you have to make the decision as to whether or not you basically want to lie on the application. And don't get me wrong. Lots of people do.

Mike: And lie is a strong word. Here's reality. A lot of my clients have purchased a home, lived in the home, and no longer live in the home. And yes, it was their primary residence 18 months ago and no it is not right now and yes, it will be again in about three years. Either because it's a retirement home, it's a vacation home, or whatever. So there is some gray area there, number one, and number two it's entirely a personal choice as to how you pursue this.

Ryan: I don't even mean to say lie as in morality or truth or something like that. Not that we want to waffle on that at all. It's just these aren't clear things. And you can get a better loan modification on your primary residence. So if you're, let's say you go about that. Let's identify a few obstacles to doing that.

Mike: Here's a big one. And that is if you happen to have the same lender on your primary residence and you're going to attempt to modify that one. That one's huge. That one's probably not surmountable.

Ryan: You know, it actually depends. Let's talk about geographic proximity because if you've got two houses that are ten miles apart and you tell them that you're renting out the 3,000 square foot one and living in the 800 foot condo I don't think they're going to buy it. But if you flip flop them and rent out your other one, temporarily, and have the other one as your primary residence, temporarily, I think you could make that fly.

Mike: My personal opinion is it's not worth a lot of contortions. You know what I mean? It's not worth a lot of contortions. You think about the modifications that we're getting on rental properties, they're pretty killer. I mean they're good modifications. So why even go through the contortions unless you for some reason you just feel you need to.

Ryan: Okay. So I think we answered that. I mean, Denise, you also do have to identify, it's not like they're going to be checking up on you, however, you're going to most likely deal with that other property in some way.

Mike: Sure. You'll show it on a schedule of real estate owned and then you have to show some kind of income for it.

Ryan: The only way I can think that, let's say different scenario, Denise, is renting now. Renting out her house. Okay, so that's a prime example of if I was her I would want to do that as my primary residence.

Mike: Well, you know, what, I think legally, technically that is your primary. If it's the only thing she owns. Like if she owns the condo and she moved out for whatever reason.

Ryan: Well, she wanted a little lower living expenses.

Mike: So she went to a rental and then rented it out. You brought up a really good point because I actually have some clients in exactly that situation and that's exactly what they're doing. They're reporting it as their primary residence. They do not report the income and they do not report their rental expense. Their own rental expense. So it's a wash.

Ryan: Denise, if in fact that's not the case though and you do own another house somewhere, let's assume you have a mortgage on it. And it's going to show up on your credit report. They will see that and you will have to identify that. There's a document included on our Black Belt CD that has all the forms. They're all active and live and everything and it's called schedule of real estate owned. Really it's as simple as an Excel spreadsheet.

Mike: Like a real estate business P&L.

Ryan: That sounds complicated but it's just basically a sheet of paper with line son it. Address, mortgage payment, you know, you list all your houses. Okay. It's not more complicated than that. Anyway, that's something that you're going to have to address. So anyway I think we've given her a really good answer there. Bear with us, Denise. Help@60minuteloanmodification.com.

Okay, we got another one from Mike. If you do not include your spouse's income can you please give guidance on how to represent the household expenses on the application? Will the lender ask about the spouse's income and / or a portion of the expenses shared by the spouse? What Mike's talking about here is many of us, over the past five years, for some reason, it was more advantageous for just one or the other of a married couple, or domestic partnership, I guess, to go on the loan documents. I know you did that several times. Why did you do that?

Mike: You know, to be honest with you I think we only did that because that's all we had to do. In other words, one of us had enough income and a good enough FICO score to qualify for the loan and our broker just advised, why not just put one of you on so I think looking back, she's pretty street smart person, she might have done it specifically to help us just for situations like this. I don't know. But that's why we did it and that's why most people do it. Not for any particular reason. You just didn't need to. So when you end up in situations like that really the lender only has the right to know about or the right to claim for a loan modification the income of the spouse that's on the loan. However, it's incumbent upon you to prove that you have enough income. So you may, if you do not need the income of the spouse, leave it off. If you need a portion of that income in order to qualify but you don't want to take all of it, because then you would not qualify because you would have too much excess income, then just take a portion of it. Just show a portion of it.

And Mike's question, I think, gets back to you want to do it in the simplest fashion possible. Not complicate your budget by trying to strip 25 percent of utility bills out and 25 percent of grocery out. I think that just raises the whole question of you know, is this really some kind of fabricated story you're telling me here. It's simpler just to have the spouse commit to \$1500 a month or \$3000 a month.

Ryan: It really doesn't make any sense to show those not as expenses anyway. Let's say, I mean, I believe what he's saying is, food for example. Let's say he's got a 4 person household, including his wife and food is \$400 month, for simplicity. Each person eats \$100 worth of food every month. So what he's suggesting is hey, I'd like to not show my wife and so I'd like to not show her income and not show her eating expenses. And that gets you \$100 off that or 25 percent, whichever, but you know, in reality, then you'd have to say that you have three members of your household. Okay?

Mike: It's unnecessary complication.

Ryan: It doesn't work because even if you were to do a situation like this where let's say your spouse pays her own way but nothing else. That should still show up as an expense and income. You know what I mean? There is no spouse that has a separate, maybe they go to different grocery stores. Okay, but anyway, I don't think you're going to get very far doing that.

Mike: And I don't think there's any reason to do it, Mike. I think the key is just show an income that balances your budget, plus or minus \$500 which is what we always recommend and that gives you to the DTI that is appropriate. Now see, you'll also got to watch out that you put as debts you put all the debts on your budget that are on your credit report. Not on the spouse's credit report.

Ryan: I hope that makes sense and gets you going in the right direction. You're in a great situation, Mike, because you have essentially the wild card. You're straddling the line where your saying I don't even want to show my wife at all. That's means you're like right, there, baby, at zero on the balance sheet. You're spending what you're making every month, just about. Not less than \$500 plus or negative. Okay. And that's the window of opportunity for a loan modification. Okay? And if you need to get there by putting a secondary income source and putting \$1000 down and then having a contribution letter from your wife saying I'm going to give this crazy old guy \$1000 month, you're there man.

Mike: Ryan, people always appreciate hearing about the budget and how important it is and the three elements of it. Can I just take a minute and go over that? It seems like people always appreciate it. So let's just review that budget document is extremely important. Don't wander into a prequalification call with your lender without having it bullet proof because you're walking on landmines

and if you tell them stuff that is wrong on your budget then all of a sudden boom, you get disqualified and it's just unfortunate.

So you can manipulate this conversation you should do so. You got to understand your budget. The first part of your budget is your income and that's got to be very clearly documentable and for those of you who are w-2 and 1099 employees that's not so difficult to do. For those of you who are self employed you have to produce a profit and loss statement showing a line item in there that is your wages or your draw or the net income totally dispersed to you every month. That's a little more complex. But your income needs to be clearly documentable and you always use your net income to do your calculating. So you come up with your net income. That's very, very important to do and remember the lender is interested in your very recent income. Like this month and the last two months. Okay. That's number one.

Number two, second item is you begin to list your expense. List them debts first. First list all of your debts, all of your credit cards, student loans, car loans, boat loans, any loans that show up on your credit report. It's entirely up to you if you want to add loans that are not on your credit report. I don't know why you would want to do that but you might. It's your call. But now remember what they want to see on this is your minimum payments. So minimum payments on all your credit cards. For your mortgage, first mortgage, include taxes and insurance. Then add up all those debts and divide that number by your net income to get your debt to income ratio.

That debt-to-income ratio should be between 45 and 75 percent. It's really cool if it's less than 70 percent. Then you are right in the bullseye. You are very well qualified for a loan modification. Now, I know those numbers don't make sense to a lot of you because you've Googled and heard that 38 percent, 45 percent, those are the kind of percentages that you're looking for. That has to do with your mortgage to income ratio.

All right, now the third element of your budget that's so important and I'll be brief, that is your cost of living. The banks are moving so quickly now that they want to use statistics to estimate your cost of living allowances that they will accept. And so what they'll typically do in the prequal conversation is they'll say well, you have a family of four, in your city, in your county, we're going to say your cost of living, that is for gasoline, groceries, for your car insurance, for your maintenance on your car, for your entertainment, and all those things that they call cost of living, we think it's \$1100 and then you have to argue it up or down. And so you should know what it is but here's the key. When you have your net income and you subtract from it all your debts and you subtract from it all your cost of living you have your net for the month and it should be a negative, not more than \$500 or a positive not more than \$500.

Ryan: What chapter is that in the book? Is it chapter five? The budget? All I can say is hit chapter five. I would really recommend. It's really simple. It is simple. You can do it in ten minutes and don't get freaked out. Go to chapter five, blast through that puppy, get that thing done, or hire someone to do it for you. Okay?

Mike: Keep in mind in chapter five there's an example. In the appendix there are blank forms for you to use for your budget. On the Black Belt CD that comes with the kit there is an Excel spreadsheet that's live that automatically counts your DTI for you and advises you on your net, etcetera.

Ryan: Let's jump online here and see if we can take a few calls before we go off. Hello, there. How can we help you? Say your name and I'll acknowledge your name and then we can get to your question.

Jane has apparently received a letter from her mortgage company about a foreclosure sale. When did you get that?

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CALLER: I got it on the 7th but I just pick it up today and they wrote it on the 6th and they sent me the registered letter.

Ryan: Is that this month? This 7th?

CALLER: Yeah.

Ryan: So you got plenty of time to do a loan modification. You've got at least 90 days before they can even--are you in California?

CALLER: No, Washington.

Ryan: Washington. Well, in California you have 90 days before they can even schedule a trustee sale. I would guess that you've got at least that much in Washington State.

Jane's letter apparently states that within 30 days of the receipt of the letter the bank will take action.

Okay. The thing is you've got regardless of whether it's 30 days or 3 months you've got plenty of time. So what is your question? Jane, this question might be better handled in email form. Sounds like it might be kind of complex.

CALLER: All right, I'll email you.

Ryan: Email me at help@60minuteloanmodification.com. I'm going to totally get on the phone with you and get you cranking because whether it's 30 days or whether it's 90 days it's really irrelevant. You've got plenty of time to get a

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loan modification in the hopper and you have to be prepared for calling each month to make sure that you're able to modify the loan, but it shouldn't be a problem. You should be able to postpone the sale date for three months, no problem, even once you get that sale date as you work out a loan modification and go through the different contortions.

Okay, Pierre owns a home, he wants to modify the loan, but loan payment includes PMI. Pierre, is there a way you can get rid of the PMI?

CALLER: Yes, I can.

Mike: Very definitely, Pierre. If there is a way to get rid of it, Pierre, you definitely should because it just wraps people around this axle. It just, man, I tell you, it's such a hassle with loan modification with PMI.

Ryan: How would you get rid of it?

CALLER: Well, here's the thing is I've put a lot of money into this house. It's a \$600,000 home and we owe about \$400,000 now so there's equity in this home. That's another thing I'm afraid of is they can probably just shove me out and sell this house with no problem so I don't know how much of a qualification I have for a loan modification.

Mike: Yeah. Describe the loan to me.

CALLER: Well, it's a fixed rate of 5.75. I bought it two years ago on stated income. Our business was really good. So I put \$100,000 down on it. But now the economy just went to shit and you know I'm to making that kind of money like I used to and the payments are \$3,000 month. It's getting pretty tough.

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Mike: Pierre, I think you have to do with all your might to try to get some short, very short term help because you're right. They're going to stiff you because you have equity in the home and because of the PMI. You're going to run into a brick wall so if I were you, if you can get the PMI taken off and then go whole hog. Have you got hardship? Your income is down.

CALLER: Yeah, my income is way down. I don't make as much anymore and all I'm asking is maybe six months, even a year of just non payment until things pick up. I don't know if that's possible.

Mike: Have you been late on the mortgage at all?

CALLER: No, I've never been late on the mortgage. That's another downfall, I guess.

Mike: Well, maybe not, because your timing is kind of good because and I know I've said this for a couple weeks now. Any day now the Obama plans for responsible homeowners, the folks who have never been late and I use that term responsible tongue in cheek. That's what the President calls most people, folks who have never been late. That program is not yet implemented as of yesterday. But it should be implemented any day now. So I think you have to move really aggressively and in that order. If you can get that PMI taken off of there I definitely would do that and then I would go after some short term help and the President's program specifically may give you some relief for like two to three years at a real low interest rate.

Ryan: How would you go about getting rid of that PMI?

CALLER: All I would have to do is get the person, that asset tells you how much the house is worth? Okay. And the house I know is worth over 20 percent of what I owe.

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Ryan: Why did you get it in the first place?

CALLER: Well, because everything was great. Everything was good. The PMI is because it was required since it was a stated income.

Mike: Okay.

CALLER: And they promised they'll take it out in two eyras. Well, I called them and they said, yeah, they'll take it out but they just need to send somebody to verify and I also finished a basement so it added an extra \$40,000 value to it. So for sure it's pretty easy.

Mike: Yeah. Go after that really hard.

CALLER: When do I start? I'd like to start this month but I'm not even thinking about being able to pay this month. I mean, should I start right now or should I--?

Mike: If you're on the verge of missing a payment I would start immediately. And if the PMI becomes an issue, you can simultaneously--

Ryan: Here's the thing, I bet you've got to make that payment until you get that PMI off. Right?

CALLER: If I miss a payment they're not going to take that PMI off at all.

Ryan: Order that DPO immediately and get that thing taken off immediately before you go late because that's going to be show stopper, I think. That PMI is going to be a show stopper. And do whatever you have to do to get

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rid of that PMI. Whether it's refinancing. If you have that much equity you could be able to refinance.

Mike: Yeah, have you thought about that?

CALLER: Because we're on a stated income. They didn't check my income, they just checked my credit and we had a large amount of money to deposit they didn't do any check our bank accounts or anything like that. They just said okay, you're approved.

Mike: Don't give up on that. Who's the lender?

CALLER: Wells Fargo.

Mike: Yeah, don't give up on that. When you contact them be sure to inquire about your qualifications for refi because remember refi is a whole new loan and if you have enough income to qualify for it the President's program has a lot of incentives for the banks to refi.

Ryan: The homeowners, the HASP thing, we haven't really talked about that. The refi program. .

Mike The refi program is actually rich as can be and it has the banks tie dup in knots, they're so busy refying. The president's program is really significant.

CALLER: If I get on the phone and get rid of the PMI and then really get them to do that.

Mike: I suggest first you get on the phone them and ask if you qualify for any of the fancy refi programs that are part of the President's Homeowners Affordability and Stability plan.

Ryan: You don't want to call up the lending department and get a refi, right. You need to ask specifically about the homeownership affordability and stability program refi and whether or not you qualify because if you did that, if you qualified under that you're not going to have to mess with the PMI at all. Although that might be a good thing to do immediately anyway as well. You know what I mean? While you wait. Unless there's probably like \$400-\$500 for the appraisal, for the person to come out and take off the PMI.

CALLER: Yeah, it's going to cost me \$400 to get the appraisal.

Pierre should check on the Homeowner Affordability and Stability Program refinance option as well as having the PMI removed from his mortgage payment.

Thank you for your attention and your support of these conference calls and remember you can email us for help at help@60minuteloanmodification.com.

WORKBOOK CHEAT SHEET

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GET YOUR APPLICATION DONE NOW – Every day counts, so take action immediately! This free money, loan modification bonanza will NOT last forever, so use this quick-reference “cheat sheet” below to zip through my 60-Minute Loan Mod Workbook and complete your application in minutes.

Did you lie about your income on your original loan application?

Join the club. See pg. 19 (Question1)

Not sure if you qualify for a loan mod?

Find out in 2 minutes flat. See Chapter 2, p. 27

Are loan mods really worth it?

Savings projections on pgs. 16, 19 ,66, 67

Worried about your credit (FICO) score?

Don't be. See why on pg. 21 & Chapter 9

Considering a refinance instead of a loan mod?

Bad idea. Learn why on pg. 7

Confused about Debt-to-Income Ratio (DTI)?

Get the straight facts on pgs.28, 31, 40, 52, 54

Do I just stop paying my mortgage?

Maybe. See pg. 22

What about RESPA and TILA violations?

See pgs. 24, 34

Ready to write your Hardship Letter?

It takes about 6 minutes. See pgs. 42-51

Worried your income is too high or too low?

Income can be subjective. See pg. 51-54

Have you heard that your credit score does not matter?

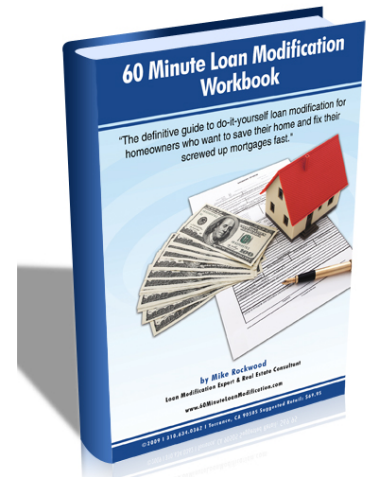
You're right. Learn why on pg.28

Want to bump your FICO Score back up to 700+ post loan mod?

Learn how in Chapter 9, pgs. 74-81

How to “stall” foreclosure?

Produce the Note Strategy – works for some p. 27



Mike Rockwood's 60-Minute Loan Modification Workbook is included in every Loan Mod Kit:

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