

How To Keep Your House

When All Around You Are Losing Theirs

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A Guide To Surviving Your Mortgage

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You have a mortgage you can't afford and you are worried about it. What do you do? You need an action plan.

The first step is to quit worrying. The second step is to start planning. This report will explain why it is *reasonable* to quit worrying and then guide you as you lay out your battle plan to keep your house.

Quit Worrying

Why is it reasonable to stop worrying about your mortgage?

You should stop worrying because you are one of millions of Americans who have a mortgage you can't afford. Although that may not be much comfort to you, consider what it means that literally millions of American families are in the same quandary:

- Banks (and mortgage holders) have millions of mortgages that are late, but they are not equipped to handle the paperwork for millions of late mortgage.
- Banks are required by law to follow a rigorous process before they can repossess your house. That process takes time and money.
- The banks have less money than they have had in a very long time, so they don't want to do anything that is going to cause them to lose more money.
- As long as they have not actually foreclosed on your house, the banks can pretend that the house is worth what the mortgage says it is worth. In other words, they don't have to record a loss on their books. The banks *really* don't want to record a loss on their books.
- Back when mortgage defaults ran less than 2% of the total loans outstanding, banks were quick to foreclose. Now, many banks have more than 20% of their loans in a state of default. The banks simply cannot afford the time, money or hassle of foreclosing on all those homes.
- Even if they DID foreclose, they would be required by law to book the loss on the home, then they would be required by law to recognize the value of the home as a liability on their books, so they will try to sell the house. If they try to sell the house, they will get no more than 70 cents on the dollar for it, (this is optimistic), because there are dramatically more homes for sale than there are buyers. This drives down the value of the home.

The bottom line is that the bank does not want to foreclose your home. They really, really, *really* want you to keep paying on it. Something. Anything. They DON'T WANT YOUR HOME.

So stop worrying.

How To Keep Your House

When All Around You Are Losing Theirs

Start Planning

The key to keeping your house is **communication with the bank**. (In this document, I use the word “bank” to mean the company or individual that owns your mortgage.) You must communicate **early** and communicate **often**. You will be calling the bank every single month until you get the resolution you want.

Call early, call often, and call regularly. Always record the date and time of your call, the name of the person you talked to, and make notes about the conversation: what you said and what the bank said. (A form is included at the end of this report for you to record these conversations. You are free to make as many copies of the form as you need.)

Here’s a step-by-step guide to keeping your home.

Calculate Your Payments

1. Calculate how much you can afford to pay. The calculations are based on your income. You will calculate a **Maximum** and a **Minimum**. If the minimum is still higher than you can afford, then you will record the amount you think you can afford, regardless of how low it is.

- a. To calculate your **Maximum** payment, multiply your net income (after taxes) by .36.

$$\begin{array}{l} \text{Net Income After Taxes} \\ \text{Times .36} \end{array}$$

Maximum Payment Amount:

- b. To calculate your **Minimum** payment, multiply your net income (after taxes) by .20.

$$\begin{array}{l} \text{Net Income After Taxes} \\ \text{Times .20} \end{array}$$

Minimum Payment Amount:

- c. If you cannot afford the Minimum, write down the amount you *know* you can afford here:

2. Calculate how much your house is worth today on the open market. You can get a good idea by checking web sites such as Zillow. Write that number here:

- a. House is now worth:

Get a Copy of the Original Note

(This section relies heavily on the work of the folks at Consumer Warning Network. If you have not yet entered the foreclosure process, you can skip this step.)

If the bank has already notified you that they intend to foreclose, you need to ask them for a copy of the original loan document, signed by you.

How To Keep Your House

When All Around You Are Losing Theirs

There is only one original note for your mortgage that has your signature on it. This is the document that proves you owe the debt. In many cases, the company that receives your mortgage payment is not the company that owns the title to your home. Instead, the company to whom you send your payment is merely acting as middleman between you and the title holder.

3. You need to be certain that the money is going to the right company. To do that, you ask the bank to “produce the note”. For a detailed discussion of this process, please see the [Consumer Warning Network](http://www.consumerwarningnetwork.com/2008/06/19/produce-the-note-how-to) website at <http://www.consumerwarningnetwork.com/2008/06/19/produce-the-note-how-to>.

Make a New Arrangement

4. Call the bank and tell them you are in trouble. Tell them that you cannot afford your mortgage payments anymore, but you want to work something out with them.
5. Tell the bank, “I can afford to pay _____” and give them the number from **1b**, (this is your **Minimum** payment.)

The bank will probably give you a big hassle. They are supposed to do this. They want to make you feel bad about not paying them. **DON'T FEEL BAD**. You have no reason to feel bad about not being able to afford your mortgage. You have a business contract with the bank and that contract already covers what will happen if you cannot afford your mortgage. Unless you have a “recourse loan”, (very unlikely), your loan is structured this way:

- The bank loaned you money. In exchange for the loan, they took title to the house.
- If you pay the full amount of the loan plus interest, they will give you title to the house.
- If you don't pay the loan, they keep title to the house.

That's it. They can't hunt you down and shoot you. They can't make your life miserable. If you decide you can't afford the loan, you just tell them, “I can't afford the loan” and walk away. According to the terms of the loan, you are free to do this. You won't get any money back, but you will no longer be obligated to pay the loan. The bank will still have the house, but you won't have a mortgage.

But here's the key idea: *the bank really doesn't want your house*. They have literally millions and millions of houses that they can't sell. They are already losing money. No matter how much hassle they give you about not being able to afford your loan, there is one thing you need to remember:

They will take ANY AMOUNT OF MONEY you can pay them rather than being forced to foreclose.

This is the leverage you have: *you know they don't want to foreclose*.

6. Keep insisting that – regardless of what the loan says – you can only afford the amount you told them.

How To Keep Your House

When All Around You Are Losing Theirs

7. Tell them you want your loan restructured to match the amount you can afford to pay.
8. Tell them that your house is now worth the amount you wrote down on **2b** and that you want the “principle” amount of the loan reduced to that amount.
9. Tell them that unless they restructure your loan to the amount you can afford, you will walk away from the home.
 - a. Don’t let this step alarm you. If everything goes wrong, and you are forced to leave your home, you will have literally months to prepare.
 - b. Don’t be surprised if the bank doesn’t cooperate at first. Back in the “old days”, before fall 2008, they had every reason not to cooperate. Most banks have yet to realize that the rules have changed. You are helping them to realize the rules have changed.
- 10. Record Names, Numbers and Dates:** Get the name and phone number of the person you spoke with.
 - a. Also get the name and phone number of that person’s supervisor.
 - b. Write down the date and time you spoke with that person.
 - c. Keep this information with your paperwork.
(A form is included at the end of this document for you to use to record your conversations. You are free to make as many copies of that form as you need.)
- 11.** Tell the person you are talking to that you will be paying only the amount listed in **1b.** on your mortgage from this point forward.
 - a. By telling the bank that you are going to keep paying something – and by actually paying, of course – you keep your mortgage from going into foreclosure, even if everything else is against you. Paying something is better for everyone – you and the bank – than paying nothing.
 - b. At this point, thank the person you spoke with. Reiterate that you cannot afford your mortgage anymore, and it must be restructured to meet the new realities.
- 12.** On the day your next mortgage payment is due, call the bank and tell them that you have sent in a smaller payment for the amount you told them you would be paying. Remind the person that you are speaking with that you called on the date and time listed in **10c.** and that you spoke with the person listed in **10a.**
- 13.** Tell the person again that you cannot afford your mortgage, and that it must be restructured. Remind them that the house is now worth the amount listed in **2a.** and that you want the mortgage principle reduced to that amount.
- 14.** You will repeat steps 12 and 13 for three months. On the third month, if the bank has not restructured your loan, call and tell them that you can no longer afford your mortgage and that you can only pay the amount listed in **1c.** (Note that this is lower than the amount listed in **1b.**)
- 15.** Continue paying the lower amount from **1c.** while repeating steps 12 and 13. Again, you will do this for three months.
- 16.** If, after six months of lower payments, you still do not have any satisfaction from the bank, cut your payments in half again. Continue calling the bank, tell them

How To Keep Your House

When All Around You Are Losing Theirs

what you want, tell them what you will pay, and record the name of the person you speak with, the name of their supervisor, and the date and time of the call.

- 17.**Continue the process of reducing your payments, making phone calls, and asking for a restructured loan.
- 18.**At some point, you will be paying almost nothing, or else the bank will give you what you want.

How To Keep Your House

When All Around You Are Losing Theirs

“Save My House” Call Record

Date of Call:	
Time of Call:	
Person you spoke with:	
Supervisor's name:	
Amount you said you would pay:	
What did the person you spoke with say?	
Date you will call again:	