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REALTY Q&A

Dec. 18, 2009, 12:01 a.m. EST

Nervous wrecks

Lenders' failure at mortgage modifications puts homeowners on edge

By [Lew Sichelman](#)

WASHINGTON (MarketWatch) -- Question: I am three months past my [mortgage modification] trial period [lowered payments for July, August and September.] I made all of my trial payments on time or early, called and begged for a letter to indicate what to do next, but all I got was lots of phone calls verbally telling me to wait for the final mod paperwork and to continue making the trial period payment amount.

I have done this for October, November and December but am very nervous since they still have not given me any paperwork indicating if, when or how the trial period will be converted to a permanent new loan. Are they planning to foreclose? I did not get the 'official foreclosure letter' but it sounds like maybe they are getting one ready? They say it is taking a long time since it was one lender and then in the middle of everything another one bought that company.



Please investigate this possible bank scam. Have there actually been any real live humans that actually have had their mortgage modified and made permanent? Or is it just a stall tactic to get people behind on their loans to make foreclosure possible while still collecting monies?

Answer: I am receiving emails like yours by the freighter full. It has now become very, very apparent to anyone with eyes and ears that lenders have totally dropped the ball when it comes to modifying loans.

Mortgage fix elusive for many

Recent evidence suggests housing is rebounding, but many mortgage holders who face financial problems because of the recession have a tough climb to modify their loans and keep their homes out of foreclosure.

(Dec. 16)

time around but also because there is more paperwork required.

I realize -- and so should borrowers who are hoping for help -- that doing a modification is the same as obtaining a brand-new loan. That is a time-consuming process, one made even more laborious because lenders are not just doing their underwriting homework this

But the numbers speak for themselves, and they don't say anything good. In fact, they say "awful."

According to the latest Treasury Department report, some 759,000 struggling borrowers have received temporary mortgage payment relief under the White House's loan-modification effort, called the Home Affordable Modification Program. But just 31,400 -- a mere 4% -- have succeeded in landing permanent changes.

The Obama administration is so disappointed with servicers' efforts -- or lack thereof -- to convert trial mods that it has initiated steps to accelerate the process.

With a track record like this, the mortgage community has only itself to blame if Congress passes legislation that would allow bankruptcy judges to write down the outstanding balances owed by borrowers to match the current value of their

homes. Currently, the court may reduce most forms of debt owed by financially strapped borrowers -- a car loan, for example, or even a mortgage on a commercial property -- but not a primary residence.

Consumer advocates have been pushing hard for "cramdown" legislation -- so-called because lenders would have balances "crammed down" their throats -- but lawmakers have voted against it. Earlier this month, the House rejected an amendment that would have allowed the courts to change the terms of mortgages for distressed borrowers.

But lenders have demonstrated such a clear inability to deal with the problem that it could come up again and again until lenders have lost all credibility with Congress.

As far as your specific problem is concerned, I ran it by several people. One suggested that you are at the point now where it is perhaps best to see an attorney who is familiar with the modification process.

But Sylvia Alayon, vice president of operations at the Consumer Mortgage Audit Center, advises that you and others caught in the same situation stay the course by continuing to make your trial mod payments. CMAC (www.truthinaudits.com) is a due-diligence and consulting company specializing in the field of mortgage forensic research and analysis.

At the same time, Alayon also recommends that you send a "qualified written request to get your loan escalated" to your lender's legal department. (You can find a sample of a qualified written request on www.cmacaudits.com in the "Get Started" section.)

"With a qualified written request, you have to be very clear in stating your problem," she warns. "Be sure to enclose copies of all documentation provided by your lender to date. Then, send your letter by certified mail so that you can track and confirm receipt."

After you've confirmed that your package has been received, begin following up. Lenders are required to acknowledge your request within 20 days of receipt. But Alayon says your foreclosure defense attorney, your consumer advocate or you should start phone follow-up earlier to help move the process along.

"Making your loan modification permanent is as time-consuming as a part-time job," she emphasizes. "So don't get frustrated and give up. Chances are that, because you're asking these questions, you're already on the right path."

Feedback

"I believe some mobile homes are registered as vehicles, including 'house cars,' motor homes, etc. If it has a license plate on it from the DMV, it may not be a "house." Just a thought. [See previous Realty Q&A.](#)

Response

Because of the way this reader worded his question, I assumed that the house in question was a mobile home, produced in a factory and trailered -- hence my off-hand remark about "axles" -- to its resting place. People who live in mobile homes don't call them that unless they are truly mobile. The rest of them live in "manufactured" houses.

Nationally syndicated columnist Lew Sichelman has been covering the housing market for more than 35 years. Because of the volume of mail he receives, he cannot answer individual questions, nor can all questions be answered in this space. Email lsichelman@aol.com

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