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**RECASTING EXOTIC LOANS WILL LEAD TO MORTGAGE CRISIS
AS LARGE AS SUBPRIME IN 2010**

FORT LAUDERDALE, Fla., Dec. 8, 2009 – Many exotic Adjustable Rate Mortgages (ARMs) will recast in 2010, leading to a mortgage crisis as large as subprime in the New Year, according to the Consumer Mortgage Audit Center.

“We’ve spoken to Florida attorneys who sit at the forefront of the U.S. foreclosure crisis and have learned that 53 percent expect recasting ARMs to present a mortgage crisis as large as subprime and 61 percent expect to work on more loan modifications in 2010 than they did in 2009,” said Sylvia Alayon, vice president of operations for the Consumer Mortgage Audit Center. “The New Year is going to hold very rude awakenings for some homeowners, but there are things you can do to analyze your situation and get help if you need it.”

Option ARMs enable borrowers to make monthly payments that are interest and principal, interest only or just part of the interest due. When the majority of ARMs begin to recast in early 2010, housing bills will inflate and many homeowners will be forced to repay the negative amortized balances they’ve accumulated over months and years of paying less than their full monthly payments of both interest and principal. Negative amortization occurs when the amount of interest due on a loan becomes higher than the amount of the actual loan, itself.

“Recasting will undoubtedly lead to another wave of foreclosures as payments begin to double and triple. When principal balances go up and house values continue to plummet, refinancing will no longer be an option for homeowners in negative amortization,” continued Alayon. “To date, only a few Option ARMs in existence have been modified, but thousands more homeowners will rush to modify their loans as they slip closer to negative amortization. Acting now to modify your exotic mortgage may save you from negative amortization and, eventually, foreclosure.”

Should you be concerned that your home loan payment is about to increase, or you simply can not afford to make your payments and are facing foreclosure, here are a few steps the Consumer Mortgage Audit Center recommends:

- Don’t wait for a notice from your mortgage lender in the mail. Depending on where you live, the foreclosure process can be very fast and may never involve you directly. Waiting for a letter that says “foreclosure” across the top is not an option. As soon as you think you may have trouble paying your monthly mortgage bill, it’s time to get organized.

- Run your housing numbers. Figure out how much you can afford to pay for housing each month, so that you're ready to respond if you get into discussions with your lender about a loan modification or solution for your unique situation.
- Get your paperwork together. Most loan modifications take at least one year to complete. The more organized you can be, the faster you'll help your case move through the system. The minimum paperwork requirements lenders are asking for to grant loan modifications include: income verification in either the form of 30 days of paystubs, or most recent tax return, if self-employed; personal debt report from one of the three major credit bureaus, note that everyone is entitled to one free credit report per year which can be obtained online and which lenders use to calculate personal debt; and, a hardship letter, the format and requirements for which you should get from your mortgage lender.
- Consider getting professional support. Whether you consult a foreclosure defense attorney in your state, or a consumer advocacy group, enlisting professional support can be incredibly helpful. Because saving your home can take months or years, you want to be sure you have a team on your side. Most foreclosure defense attorneys don't charge for their initial consultation and then—if you win your case—the lender pays the attorney fees. For consumer advocacy groups, sometimes you only need to pay a membership fee to start getting professional advice.

“Depending on each homeowner’s unique financial situation, we’ve seen everything from lenders modifying mortgages lower to make them affordable again to Fannie Mae allowing homeowners facing foreclosure to shift from homeownership to home rental,” said Alayon. “Options are out there, but you have to do some work to get to them.”

About the poll

The Consumer Mortgage Audit Center sponsored a survey of Florida Bar Association attorneys from Nov. 3 through Nov. 6, 2009. Of the attorneys surveyed, 150 shared their opinions, which were used in the above release. Responding attorneys specialize in real estate (31.4 percent), general practice (20.6 percent), civil law (20.6 percent), and foreclosure defense (19.4 percent).

The Consumer Mortgage Audit Center (CMAC; www.truthinaudits.com) is a due diligence and consulting company specializing in the field of mortgage forensic research and analysis. CMAC boasts a highly specialized team of mortgage experts who are also members of the American College of Forensic Examiners Institute and represent a combined experience of over 80 years in mortgage finance and law.

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