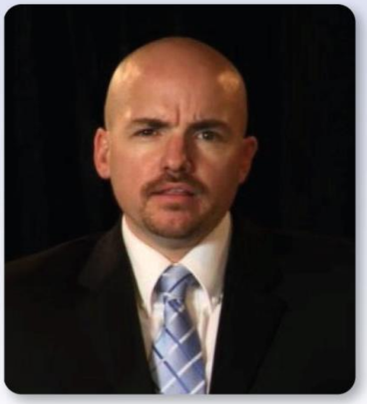

ASK THE BANKER

By Lee Honish

Lee Honish is the former head loss Mitigator for IndyMac Bank's HELOC Division. In the past four years, he has become one of the top Short Sale Trainers nationwide.

Q: What are the REAL chances of me getting a loan modification?

A: Let's start off by being practical. You are in one of three classifications:

- Early delinquency (30 - 90 DQ)
- Extremely delinquent (91 0 181 DQ or Charge Off)
- Current

Early DQ (30, 60 and 90 DQ): These are the early stages of ANY default group. Remember, all of this is handled in the "servicing" group. Loan files are graded by severity, in the eyes of the bank. Until the delinquency has reached 91 days at 5 p.m., the loan is deemed "salvageable". At a full 90 days DQ, 90% pull through to foreclosure and homeowners give up.

Typically, any bank in this stage is willing to "try" a loan modification, forebearance agreement, or any other specialty program they can think of. The goal is simple: Push back the inevitable bad debt to make it more manageable in the future and modify anything that is salvageable.

Extremely DQ (91 to 181 DQ or Charge Off): Nobody in *any* default group or servicing group feels that this type of delinquent loan will be pulled out of a nosedive to a sale date. (It's only a 10% cure rate.)

If you are in this range of delinquency, you will only be offered (on average) a trial loan modification.

I know there are exceptions to the rule, and I am painting with a broad brush. But, let's be realistic. I would say 10-15% of those who apply for loan modifications in this range actually get a full recast of terms and rate. Principal reductions are just a myth with the "Big 3" Lenders.

The Trial Loan Modification: This is a 3 - 6 month term wherein the bank will request a boat load of information, which can only be used for future collecting. They make *no assumptions* that you will make your payments. They are simply ferreting out information about you, your job and your personal assets for collection purposes later on.

It is beyond rare that a trial loan modification converts to a full recast, even if you are perfect with your new payment plan. The goal of a trial loan modification is simply to get your personal loan information. Again, I am painting with a broad brush. There are a few people who have gotten full recasts after a trial loan modification. However, it is *very rare.*

Current: Your servicer may say, "You need to be DQ", "You need to be current" or "You need to be charged off". Well, which one is it? The truth of the matter is, a current loan comes down to the original loan type. Toxic debt is labeled as anything short term with interest only rates: 3/1, 5/1, NINA, No Doc, etc. If a homeowner with a full documentation loan had a reduction in their salary, why wouldn't I adjust their payment? I have a proven history and real documentation to support that information. The bottom line is, if you are current, it's a 50-50 chance as to how it plays out. You could just as easily get your chain yanked, or get a full recast of terms and rate.

In any of these scenarios, please remember this. If your lender is suggesting a trial loan modification, then they are only offering a one-time, 3-6 month payment plan. Their underlying goal is to get information out of you. If your lender is discussing a full recast, then you are on the right track.