

THE GOOD NEWS

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A Test Drive for Modified Mortgage Payments

A trial payment plan is good news for someone who wants a loan modification.

A trial payment plan is good news for someone who wants a loan modification. If you are offered a trial payment plan, it means the documents you gave your lender about your financial situation have shown that you are likely capable of actually making modified payments.

Before lenders go through the effort of drafting and sending a loan modification offer, they want to test your ability to make payments. View a trial payment plan as a preliminary approval.

A trial payment plan is legally required for HAMP modifications and most FHA partial claims but many lenders use trial payment plans for in-house modifications as well.

What's Included in a Trial Payment Plan?

Trial payment plans are not comprehensive and aren't necessarily exactly what the lender will offer in your permanent loan modification.

The entire trial plan document is usually three pages or less. The trial payment plan simply states that you're required to make three payments at the start of three consecutive months, telling you when the payments are due and the payment amount. The payments typically

are applied only to principal and interest. The trial payment plan will say that a trial payment plan is not to be construed as the final modification agreement and that the lender reserves the right to change the terms of the final modification.

It should also state that upon successful and timely payment, the lender will offer you a permanent loan modification.

What's Not Included in a Trial Payment Plan?

Your trial payment plan does not tell you about any terms related to what you'll be offered under your permanent loan modification. It doesn't cover any escrowed payments that are due or past due. It doesn't include the term of the new loan modification. It doesn't tell you whether any balloon payments or lump sum payments will be due over the life of the modified loan. It doesn't offer an interest rate. It doesn't tell you

whether there will be any prepayment penalties, insurance payments or taxes due. Your lender is simply testing your ability to make payments with the trial plan; they aren't obligated to give information about a permanent offer. They need to know you can get yourself out of default before they will speak seriously about your permanent offer. View the trial payment plan as your next step to getting a permanent modification.



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Common Mistakes

Here are some common mistakes that are made during the trial modification process.

Sending Payment to the Wrong Address

Lenders often have multiple addresses found online or on documents they send. There are typically only one or two addresses where trial payments can be received and processed — and the right address may not be where you sent your payments in the past.

The trial payment plan should tell you where to send the payment. Send it there and nowhere else. If the trial payment plan doesn't give you a specific address to send your payment, call the lender and ask. If you receive conflicting information, ask to speak to a supervisor for clarification. If you're still unsure, take the name and employee ID number of the person who told you the address and send the documents via certified mail. It's absolutely critical that your payment arrive in the right place by the right date.

Making a Late Payment

Many lenders will tell you verbally that you have 30 days after the due date in the trial payment plan to make your payment. Sometimes this is true. Other times, they say that to get you to default on your trial payment plan. Since all you have in writing is your trial payment plan, abide by the deadline listed in the document you received.

Sending Payment in the Wrong Format

If your trial payment plan specifies the type of payments that are accepted, send your payment in the form the lender wants. Your payments may be

rejected and marked "not received" if sent in the wrong form.

Overpaying

Some borrowers think making all three trial payments at once is a way to expedite their permanent modification. This will backfire. Making all three trial payments at once shows the lender you have three months' of mortgage payments available. They could pull back on their original offer or offer you worse terms in your permanent modification.

By paying all three at once, you're showing your lender that the financial hardship you originally argued may not truly reflect your financial situation. Make all three payments individually, in the months they're due.

Underpaying

If you can't make your full TPP payment, a modification may not be the right move for you. If you underpay, the lender may stop your TPP but still keep your partial payment. Don't lose money trying to satisfy the terms of a modification you can't afford. You have other options.

Common Misperceptions

Here are some of the common misperceptions people have about trial payment plans.

The Trial Payment Plan is Your Permanent Loan Modification

NOT TRUE! The trial payment plan is not your permanent loan modification. It's the first step to getting your permanent loan modification issued. The lender is only testing your ability to pay. If you make it through the trial successfully, they will offer you a permanent loan modification.

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You Don't Need to Track Your Trial Payments

NOT TRUE! Lenders often won't do anything unless pushed. After you send your payment, call every day. Assuming you're done after you mail your payment could cause problems in obtaining your permanent loan modification. The lender needs to be told what you've done and what you need from them.

"Payment Received" is the same as "Payment Applied"

NOT TRUE! Just because your lender *received* your payment doesn't mean they *applied it* to your account. After the lender receives the payment, your representative (sometimes called the "single point of contact") has to apply the payment.

Applying the payment means someone actually goes into the lender's system and marks the payment as received. Application usually happens about 72 hours after receipt, because the lender has to cash the check. After you confirm the payment has been received, ask "Have you applied the payment to my trial plan?" If the answer is no, you need to keep calling until they show the payment as "applied."

Tip: If you call your lender and ask when the next payment is due — and they give you the current date — then your payment has not been applied. If they give you the date for the *next month's* payment, then your current payment has been applied.

When Your Trial Plan is Complete, You Will Automatically Have a Permanent Loan Modification

NOT TRUE! You have to follow each payment, track it carefully, make sure the lender applies it. It's up to you to see that your account stays active and current.



Next, you must ask when the permanent loan modification is coming. Find out who is drafting it and follow up regularly to make sure they're working on it. Never assume your lender is doing something — or is doing it correctly. Double-check everything!

The Lender Wants to See You Successfully Complete Your Trial Payment Plan

NOT TRUE! Your lender may issue a trial payment plan because they're required to, not because they want to. Some lenders want homeowners to fail during the trial payment plan period. Lenders can issue trial payment plans only to comply with government regulations, but they actually want to take the property back at foreclosure.

They may be looking for errors in your payment method, payment time, etc. It's your job (or your attorney's job) to stay a step ahead of them during the whole process. They train their representatives to say they're on your side. They may not be.

Your Permanent Loan Modification Payments Will Be the Same as Your Trial Plan

NOT TRUE! Often, permanent payments will be almost identical to trial plan payments. Under most trial payment plans, payments likely won't skyrocket when a permanent modification comes through. In-house or lender-specific modification programs may have varying terms under the permanent modification.

They may also include things like balloon payments, tiered interest rates or an extended term. It's very important that you review your permanent loan modification — with legal counsel, if possible — before signing so you fully understand the terms.

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Tips to Successfully Complete Your Trial Payment Plan

- Mail your payment certified or with a tracking number
- Make a copy of the check or money order and save it
- Make your trial payment over the phone if allowed, and:
 - ① Get the name and employee ID number of the person you spoke to
 - ② Get the confirmation number for your payment
 - ③ If your phone has the ability to record, record the payment conversation with your lender
 - ④ Have your trial payment arrive a few days before your due date, if possible
 - ⑤ Be mindful of holidays and how that affects your lender or the mail
 - ⑥ Double check the amount so it matches your trial payment plan document to the penny (Overpayments or underpayments can be rejected.) If you're considering doing your own loan modification, our free guide will show you how to submit your loan modification documents the right way the first time. Just ask for your copy to get one or let us review your application and make suggestions to increase the odds of approval.

Frequently Asked Questions

How long do the trial periods last?

The trial is typically three months long, usually beginning on either the 1st or the 15th of the following month.

Can you skip the trial payment plan and go straight to the permanent modification?

It's unlikely. If you receive a trial payment plan from your lender and you want a permanent modification, you don't have the option to skip over the trial period. Make your three payments on time, in the correct format. Confirm that the payments were received and applied.

If three months pass and the lender hasn't issued the permanent modification yet, do I keep paying the trial payment plan until I receive the permanent mod?

Typically, yes. You should have your permanent modification before the beginning of the fourth month. If you don't, continue to abide by the terms listed in your trial payment plan. Generally, trial payment plans state that you are to continue paying the trial payment plan amount each month until the permanent modification has been fully applied to the account. Lapses in payments could cause a problem with the permanent modification, so we recommend you make your payment per the terms of your trial payment plan if your permanent modification is late coming from the lender.

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Frequently Asked Questions

Does the trial payment plan include escrow, insurance or property taxes?

Trial payment plans generally include only the principal and interest. If the trial payment plan payments include escrow, insurance or taxes, they will be itemized. It is unusual for trial payment plans to include these fees.

What is a partial claim?

A partial claim is the name for how the FHA enters loan modifications. Instead of offering you a loan modification, FHA will enter a “partial claim” against your property. The claims are typically recorded in second position on your title report, similar to a second mortgage. FHA will not usually reduce your principal, extend the terms of the loan or adjust interest rates. Instead, they will lend you the amount of money needed to bring the account current. It’s like receiving a loan from your original lender (the investor) for the amount you’re behind. Then, you resume making monthly payments on the loaned amount of money, or the partial claim.

Do I have to sign my trial payment plan or tell my lender I accept it?

This depends on the directions given in the trial payment plan. For most trial payment plans, simply sending in the first payment indicates your acceptance. Other lenders require a copy of the signed trial payment plan in their system, as well as your first payment. If your trial payment plan has a

due date for a signature, make sure you send the document back signed (with a wet signature) by the due date listed.

Can I make my three trial payments and still not get a permanent loan modification?

If you successfully make your three payments and confirm receipt and application with your lender, they are generally obligated to give you a permanent modification. If you don’t receive one, there is a problem and you need assistance.

Going from trial payment plan to a permanent loan modification:

1. Receive the trial payment plan which states the amount and due date of the payments.
2. Make each payment, each month on the due date.
3. Track each payment, make sure they are received and applied,
4. Around the second week of the last month of the trial payment plan, the lender will issue permanent loan modification documents.
5. Review, sign and notarize the permanent loan modification documents.
6. Mail the originals back to the lender and keep a copy for yourself.
7. Follow up with the lender until the permanent loan modification is applied.
8. Resume making regular mortgage payments under your permanent modification.



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