



LOSS MITIGATION VIA LOAN MODS

Creating a win-win situation.

BY CURT MELONE

We were having a company meeting, and the volume was turned down on all the flat screens broadcasting financial data when CNBC announced that New Century had filed for bankruptcy. We immediately turned up the volume. Like a war veteran with post traumatic stress syndrome, I flashed back to my days in the dot com industry. I had seen what kind of devastation could happen to an industry and fast. Something told me this was going to hurt.

Over the next few weeks and months, I would turn on the TV only to see cable news minimizing the scope of the problem – no one was predicting a housing bubble and recession to follow. It seemed as if New Century might be a simple case of incompetence or corruption, isolated from the rest of the real estate industry, a one-time anomaly. That wishful-thinking-scenario didn't last long.

It took a little over 90 days for the sub-prime mess to even be mentioned on cable news. But events snowballed, more mortgage companies went bankrupt, and suddenly we were facing a full-blown housing and loan crisis – a perfect storm of economic pain. And the whole world was in denial.

I tried to tell myself that somehow my company would be exempt. I spent hours a day on the Implodo-Meter website, alternating between horror at the sheer number of companies going under, and thankfulness that mine was not one of them. Pretty much every entity with which we did business made the Implodo-Meter

list. I knew we wouldn't be far behind.

It became all too clear that the industry would not be able to absorb this shock. I have seen things fall, then rise, money lost then made, but this was different. It was like a plague that moved from victim to victim, first sub-prime, then on to alt-a, then to a-paper, wholesale, insurance, hedge funds -- ultimately no entity involved with real estate was safe.

For six months, maybe more, we tried to find our way. I worried about my company, my employees, and the people with whom we did business. There didn't seem to be a safe harbor anywhere. By late 2007, I felt that a new chapter was being written in our industry. In my gut, I knew that with all this destruction there must also be a possibility of hope. I just didn't know where to find it.

As the market evolved (devolved?), I searched for a business model based on what people needed in this environment. Our clients wanted loans, financial circumstances had driven most of our competitors out of business, and still we could barely get any deals funded. It kept getting worse and worse: Banks were running out of money, home values were plummeting – the only thing going up was foreclosures. I started checking the Implodo-Meter so often I was sure the letter "I" was going to be worn off my keyboard. I expected to see my own company's name there any day – and then it happened – not my company going out of business, but rather, what the marketing gurus like to call the

“aha moment”.

We needed to get 5% off of a loan balance in order to meet the LTV requirements or else the deal in question wasn't going to go through. I didn't know what else to do, so I called the bank holding the note, told them what the problem was, and they cut the note by 5% -- just like that. Just that simple. It made good business sense (for them as well as us) in a difficult environment, and they did it.

120 days later, we have started a new company specializing in loss mitigation, debt settlement, and credit repair products to brokers who can now help the clients they once turned away or referred to a bankruptcy lawyer. As we started trying to modify loans via loss mitigation services, the banks became increasingly more helpful, and we became increasingly more useful. We have cut interest rates, extended terms, lowered principle balances, and kept clients in their homes while also keeping a performing loan on various banks' books.

The service we perform, helps banks, helps brokers, helps people... not a bad concept because we all can use a little help right now.

Early on, we recognized that everybody and their uncle would probably jump on this bandwagon. We wanted to make sure that our company did it right. We perform loss mitigation services through an attorney. If there is an “I” that needs to be dotted or a “t” that needs to get crossed, they make sure it happens.

Brokers often ask us, “How ➤

does this work?” Lots of phone calls, lots of networking, lots of software, and lots of attorney contracts. Inventing a new product that most can’t define, and doing it legitimately, has its challenges. We have gone to many seminars, met with the CFL, DRE, legislators, you name it. Laws are changing every day, and the only thing consistent... is nothing is consistent. By using attorneys on all our files, we guarantee that the most up-to-date legal practices are the rule rather than the exception. We don’t look for ways to circumvent the rules, but rather, to embrace them. Loss mitigations helps people, but it can only help if it is done correctly – there is too much at stake to cut any corners.

HOW DOES THE PROCESS WORK?

Brokers forward us leads with the documentation that we need to underwrite the file. The process is so tedious and delicate that we keep everything in house. The entire work load of loss mitigation is done by us. All we require of the broker is to find someone that needs help and send them over.

Once a case is opened, the process that results is often a classic case of hurry up and wait as we zig and zag uphill, downhill, left side, right side fast and slow as we make our way through various bureaucratic mazes – we move with urgency, but also with complete deliberation and attention to detail and proper process. It doesn’t help anyone if you skip a step and everything falls apart. We do not want the house going into NOD, so time is of the essence, but so is proper

procedure. To top it off, each bank, servicer, or warehouse has its own procedures for dealing with defaults. Some have staffed up and risen to the occasion, and surprisingly enough, some have not. Some banks want to clear the books, some banks don’t. The key to it all is to speak the language of common business sense – the homeowner and the bank both have needs, and by meeting each other part way, they can avoid a devastating collision.

People have the capability to call the bank themselves and try to work things out. Depending on the bank and the individual homeowner, the outcome can be positive – or awful. I personally would not recommend a homeowner attempting loss mitigation, and I have heard enough horror stories to be confident in the value of our service.

It has been quite a process educating people about how loss mitigation works. The scams are plentiful, and some brokers are so desperate that they will do and say anything to make a buck. We have total control of the process so even the worst brokers cannot take advantage.

Homeowners need to be careful about whom they do business with these days. In tough times, the public tends to be more vulnerable and gets caught up in scams more easily. If you add in the emotional attachment to a home you own and live in... desperation can take over, and desperate people more often than not make poor decisions. It is important to do some

research on the company that is representing you. Sometimes this is tough because loss mitigation has only recently appeared in the marketplace – no company has a sign out front that says “Loss Mitigation – For the last 25 years” – they don’t even have a sign (or at least a truthful one) that says, “Loss Mitigation – For the Last three years”. The business is just too new.

The way to find out who you are dealing with if a company is new, is to find out who owns it and what they did before. It is worth the time to do your research; your home is the biggest investment you will ever make. As a Broker/Lender, we have seen our share of modification companies that claim to help and seem to be good at cashing checks, but not so good when it comes to the actual work of modifying loans. If you’re a homeowner, or even a bank, you don’t want to get involved with a company that is incompetent, overwhelmed, or just plain crooked. Due diligence is a must.

If I have one major concern, it is that the focus of the people who will ultimately write the book on how loss mitigation is done, will look to place blame, as opposed to looking how to make the situation better. As a broker/lender, we have been audited in almost every state we are licensed in, and have been scrutinized by various mortgage entities. It is our goal to help regulate, help standardize, and work with all the relevant agencies and businesses in order to develop the right products, and the right rules to protect the public.

This is a monumental time ➤

Are the ever changing market conditions affecting your lenders?



How does Fairview Commercial Lending continue to fund while the market is in flux?

- **Privately funded “No-Doc” lender. Does not rely on outside funding sources.**
- **Underwrites all deals in-house. No appraisal required.**
- **Answers typically within 24 hours.**
- **NO Up-Front FEES prior to commitment.**

FAIRVIEW *Commercial* Lending

Toll Free (866) 634.1270
www.FairviewLending.com

WHEN IT COMES TO NON-TRADITIONAL COMMERCIAL LENDING,

WE'RE THE REAL DEAL

HERE'S THE PROOF:

SBA/USDA/non-conventional
owner occupied commercial
mortgages to \$2MM

Credit scores as low as 500

Up to 85% financing

Difficult-to-finance industries welcome
including gas stations, auto repair,
motels and specialty trade contractors

Low minimum debt-service
coverage required

Private money refinancing specialists



Unique Solutions for Unique BorrowersSM

Call now for a fast evaluation and approval of your deal!

1-877-337-3757

www.oceancapitalonline.com

Brokers are fully protected and well compensated

that will define the way the mortgage industry operates for many years to come. As the regulators try and regulate, the law makers make more laws, and the home owners find their way back into financial security, I think we all will be a bit more conservative moving forward and rightfully so. There's a lot of pain out there. Ultimately, you need to make sure the client will be protected from scams that prey on people who need help. Big Banks and legislators, let's work together and we will get more done. Nobody has a perfect answer – at least not yet.



Curt Melone is the Founder of PacWest Funding and Green Credit Solutions. PacWest Funding is a Broker/Lender established in 2004. It has been noted as an industry leader in technology and customer service with some of the fortune 500 banks and industry leaders. Green Credit Solutions has been credited as a leader in new product development as well as helping regulate products during. If you would like to learn more please info Green Credit at info@getgreencredit.com or call (877) 793-8634.

COMMERCIAL FUNDING CORP.

YOUR SOURCE FOR COMMERCIAL MORTGAGES



NOW OFFERING BRIDGE LOANS FROM 1 MILLION TO 50 MILLION

OVER 25 YEARS OF EXPERIENCE & COMMITTED SERVICE
CALL US TOLL FREE 1.888.373.1700

CFC PROGRAMS

CFC STATED ■ CFC BUSINESS
CFC COMMERCIAL 90% ■ CFC PREFERRED
CFC COMMERCIAL ■ CFC BRIDGE LOANS

OUR PROGRAM HIGHLIGHTS

UP TO 90% LTV - UP TO \$5 MILLION ■ NO INCOME, NO ASSETS UP TO \$1 MILLION
UP TO 95% CLTV ■ FLEXIBLE TERMS
CREDIT AS LOW AS 600 OR LESS ■ MOST PROPERTY TYPES CONSIDERED
COMPETITIVE RATES ■ UNRESTRICTED CASH OUT
BRIDGE LOANS UP TO \$50 MILLION ■ QUICK CLOSINGS

MAIN OFFICE PHONE 973.471.2229 :: TOLL FREE 888.373.1700
WWW.COMMERCIALFUNDINGCORP.COM

ALL LOAN APPLICANTS MUST QUALIFY UNDER COMMERCIAL FUNDING CORP'S UNDERWRITING REQUIREMENTS. LOAN PROGRAMS ARE NOT AVAILABLE IN ALL JURISDICTIONS. LOAN PROGRAMS ARE SUBJECT TO CHANGE WITHOUT NOTICE.