

42TM Rules

*for Saving Your House
from Foreclosure*

DAVID COLEMAN AND
CRAIG TRIANCE



“42 Rules for Saving Your House from Foreclosure” Book Excerpt

A Practical Guide to Avoiding
Foreclosure, Navigating the Loan
Modification Process and Keeping
Your Home

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My Story: David Coleman

My story starts back in late 2002, when I refinanced our home to do some significant repairs and additions. I added a two-car garage and a second bathroom. I replaced wood flooring in two bedrooms, and installed new cabinetry in the kitchen and upstairs bathroom. To create work-at-home space, I converted the old garage into an office (since the right-of-way to this building had been sold by a previous owner so it could no longer be used as a garage). I ended up putting more into the house than it originally cost. I bought the home 21 years ago for \$225k and refinanced the house several times for either a better rate or to make repairs and additions.

Unfortunately, this was also a tough time for the high-tech industry, and things kept getting worse. I lost many of my clients and by 2003 reached a low in revenues. We ended up using up all our savings just to stay afloat. In 2003, I finally filed for bankruptcy to help keep my house and deal with some of my business and credit card debt. I did a chapter 13 bankruptcy and by July of 2007 had paid it all off. I had no debt.

In the summer of 2007, we started looking to refinance because my first mortgage was due to adjust in November and my mortgage broker said "oh the five year fixed 25 year adjustable should be no problem, just re-finance before the five years is up and get a fixed rate." And I believed her. Initially, the refinanced mortgage was at a five year fixed rate of 5.375%, and the monthly, interest-only payment

was \$2418.75; all payments were made under this rate for five years. In November of 2007, the rate jumped to 7.5% and the monthly, interest-only payment increased to \$3990.55, an increase of \$1571.80 per month, which was more than we could afford. We used up whatever money we had to pay this new higher mortgage rate and at the same time tried to contact the mortgage company to explain the problem.

After trying for several months, we finally talked with someone who said we should talk to the people in the loan modification department. We called an 800 number and two weeks later they sent us a loan modification application. We filled it out, along with about 80 pages of supporting documentation, and sent it in during February of 2008.

We got a letter back saying they had received the application. We waited about six weeks and heard nothing back. So I called the mortgage company, they said they were swamped with applications and it might take a while for anyone to get back to me. So I waited for a few more weeks and called back again only to find out that they had lost the application. After talking with someone for almost an hour, I got them to send me another application for loan modification. This one went in at the end of April 2008 and by June I still had not heard back from our mortgage company. However, the mortgage company was also failing.

Since I was getting nowhere, and being a smart and educated person, I swallowed my pride and decided I needed help from an expert. I had this happen once before when I applied for a building permit in San Francisco to change a basement into a garage. After two years of fighting with the city of San Francisco, my contractor threw in the towel and recommended we get an "expediter." We paid him \$1500 and in less than two months we had our building permit. So I figured this was one of those situations. I went on the Internet to look for someone with expertise to help. I talked to a number of people, and particularly liked a woman I talked to in San Diego, who was also a mortgage broker and sounded honest and sincere.

It turned out I was a good judge of character but a bad judge of companies to get help from. One clue I should have seen is that they wanted all the money up front. If you give them all of it up front, you have no leverage, which is where I found myself.

I got a frantic call one evening from the mortgage broker saying that the company she had worked for were crooks, and that she had 10 clients here in California (the parent loan modification company was in Florida) and that the company had done nothing on behalf of any of her clients. Further she had found out that companies in Florida could not legally help homeowners in California. So here we had paid \$2850, spent all this time filling out forms again, and got nothing out of it.

Now, to her credit, the mortgage broker used her own money to hire a lawyer to sue the parent company because first, they had stopped her commission check, and second, they had done nothing for any of her clients. I did talk to the lawyer on the phone and by e-mail a few times, and sent her the documents she requested, but have not heard anything for almost a year and never expect to see that money again. An expensive lesson in not doing my homework!

At that point I still felt I needed help, but was not willing to pay anyone again and was very wary of getting ripped off, yet again. I went to a nonprofit organization in San Francisco that helped people with similar problems. I spent a few hours with the counselor catching him up on what had gone before. He assured me that he did these applications all the time and had great success with loan modifications. So at the end of June, my third application for a loan modification went into the mortgage company. I was also told that if I kept paying the mortgage at the higher rate (7.5%) there was no reason for the mortgage company to ever talk to me because I was doing what they wanted. So I stopped paying my mortgage in hopes that someone would look at my application and talk to me about a loan modification.

I had to endure an unending stream of collection calls and patiently explained the situation to anyone that would listen. However, I soon learned that these were low-level people just hired to try to collect what monies they could and they had no authority or knowledge of how to do anything else. So I unplugged our home phone. This whole process took quite a toll on both my wife and me, and on top of all of this my dad died suddenly at the end of April 2008. I have not been sleeping well since, was exercising only intermittently, went on antidepressants, and even had days when I did not want to get out of bed.

Finally, just before Christmas of 2008, I was fed up and since I got nowhere in calling Washington Mutual (WaMu, who had been bought over the summer by Chase Manhattan), I figured I would call the CEO and Chairman of the Board of Chase Manhattan and give him a piece of my mind. So I found his number on the Internet and called. A real person actually answered (someone on his staff, I never got to speak to the CEO). She listened to my story patiently and said that she would see what she could do, and that people at Chase really had no idea what the WaMu people were doing. About two days later, I did get a response from WaMu asking for additional information, information we had already sent them. I sent that request along to the counselor at the nonprofit and he sent in the documentation again. A few days later, just after Christmas, we got a letter from WaMu denying our loan modification. The reason was we had too many expenses.

I then decided that I was never going to get anywhere without a lawyer, and since they were going to take my house anyway, why not make it as painful for the bank as possible. So instead of giving my money to the mortgage company I gave it to a lawyer. That lawyer turned out to be Craig Triance, who is the coauthor of this book.

I called back the counselor at the nonprofit and told him I had received a letter denying the loan modification. His response was “try to sell the house and find someplace else to live.” He even referred me on to his girl friend who was a real estate lawyer and she came to the same conclusion. I have lived in this house for 21 years and would be damned if a bank was going to take it from me because of some mistakes they had made that messed up the whole U.S. economy with other industries falling like a row of dominos.

At that point, I thought it was a good idea to find out what my house was really worth. We had it appraised (in the unsuccessful refinancing process) in January of 2008 for \$1.1 million. The total of my two mortgages was about \$740,000, so I thought I was OK—boy was I wrong! My real estate agent friend pulled some comps for me to see what other houses like mine were selling for in my neighborhood (which was supposed to have held up well compared to other neighborhoods in San Francisco). I found out that the house had dropped in value \$200,000 in one year. But that it was worth about \$900,000. Unfortunately, I did not want to sell the house or move, so I decided to try exploring some other options.

Early in December, my house was put into foreclosure by the new mortgage company. Did the mortgage company notify me, of course not! I found out about it by talking to someone from the mortgage company on the phone, which I had called to see what I could do about paying my mortgage at a more reasonable rate.

She told me I was in foreclosure and that they could not accept any payments from me. This was a big shock to me, and eventually I did get a written notification from the mortgage companies lawyers (trustee) that I was in foreclosure. Evidently, when you file for foreclosure, it is a public document. We were deluged with offers from real estate agents to sell the house, from investors who wanted to buy the house (at a huge discount), and lawyers who said they could help me with a loan modification.

Although my consulting business was very busy at that time, I patiently talked to them all, asked a lot of questions, and tried to educate myself more on my situation. I eventually talked to a saleswoman for this lawyer (who helped with loan modifications) who was very sharp and had an accounting background. When I told her the whole story she asked me to fax her not only my profit and loss (P&L) statement but also the financial

forms we (with the help of the counselor at the nonprofit) submitted to WaMu. I did, and a series of phone calls ensued with me, my wife, and the saleswoman. She had looked through the documents and found some discrepancies in our expenses (the exact thing that WaMu said we had too many of the last time they denied our application).

My wife is a bookkeeper and tax preparer and also works for our accountant, so she is pretty good with numbers. We went through all the numbers again and the saleswomen came back to us and said that we had double counted some of our expenses and that they were represented both on the P&L as well as the loan modification form. When we worked this out, our expenses had dropped \$3000 a month.

At this point, I was not stupid enough to call WaMu about this, so I called the CEO of Chase Manhattan again (the woman I had talked to before had given me her number). I never did get to talk to her, but did complain vociferously that WaMu had taken six months to respond to my application, and then denied it, and that we had new financial information to give them. Sure enough, two days later I got two calls from WaMu, one from the supervisor of the negotiator who had denied our loan modification. The calls gave me a fax number to send in the new documentation and that they would consider it. Of course I faxed the documentation they requested in just before 2008 ended. I did get a letter back promptly from the WaMu negotiator for my mortgage saying that they were reviewing my application, that this review did not stop the foreclosure process, and was no guarantee of a successful application. Finally, for the first time in a year, after two calls to the CEO, WaMu had actually responded to me.

But I was not very trusting of WaMu and their process, so I did agree to hire the lawyer to review my case and see if there was enough merit to fight WaMu and save my house.

By now you are probably exhausted just reading this saga, but it is not over. I talked with a paralegal in the lawyer's office, who had taken an afternoon and carefully reviewed all of the documents we sent. We not only sent the 80 pages that went with our WaMu application, but all of the original loan documents for both mortgages. The lawyer was going to do a forensic audit of all of the documents to see if the mortgage company had made any mistakes in the mortgage documents and the mortgage process itself.

In the mean time, my consulting business had been doing well (2008) was one of my best years since 2000. However, my credit score with my bankruptcy and the reports of late or nonpayment on my mortgage had dropped to the 500s (which is terrible), but not something I was going to worry about because I never expected anyone to give me credit (for anything) ever again. I was now in a cash, rather than a credit economy.

I started putting money in the bank (after paying off the rest of the bills we owed). The lawyer's representative, whom we talked with first, said we had to reduce our debt, and suggested that my wife call the credit card companies and negotiate with them to get our debt down. I did not have any credit cards or debt, after my bankruptcy, but my wife, who had racked up a lot of credit card debt (separate accounts), is not a great negotiator and so was not very successful in dealing with the credit card companies.

We wrote a new hardship letter detailing what we had been through and that we wanted to save our house and wanted to talk with the mortgage company about how we could do that. At this point, we owed them about \$30,000 in back mortgage payments, and their only response was "send us the \$30,000 or we will take the house through foreclosure." Not exactly an organization willing to work with us. I did not have \$30,000 lump sum they wanted to get me back into my mortgage and out of foreclosure. I wondered if they might settle for some lesser amount and renegotiate the terms of our mortgage. We did not want to be in an ARM (Adjustable Rate Mortgage – described later) because as soon as rates went up again we would be back in the same position. With all of the news about banks failing and all the foreclosures in California (and the rest of the country), I thought (wrongly) that the bank would want to preserve a customer willing to pay rather than foreclose on the house. A foreclosed house not only costs the bank money, but the bank's trustee would auction it off for even less than the loan value, compounding their loss. No wonder the banks were going out of business. I would too if I did business like that. The only reason I could figure out was that the bank wanted a tax loss, but I turned out to be wrong again.

In the meantime, we were now late on our second mortgage and that company started calling again, 5–10 times a day. I did talk to the collections people and told them that we were in foreclosure and that we were instructed by our lawyer not to pay any mortgages until we got the situation resolved. However, the second mortgage company kept calling many times a day. Finally, out of frustration I asked the person on the phone why they kept calling and that I was already in foreclosure. Their response (which I should have expected) was "it was company policy to keep calling until they got the money." I again unplugged my home phone, blocked their number on my cell phone, and would not take their calls on my work phone. I also called and e-mailed my lawyer about this situation. Since I had given him power of attorney, I was hoping he could help deal with the constant calling, and my lawyer responded by sending forms to both the mortgage companies to say that they were the ones to contact about the mortgages.

On a conference call with my publisher (I have written four books about electronic collaboration), I happened to mention my situation with the mortgage companies, and my frustrations. I jokingly said "I should write a

book about how to save my house.” Her response was “how soon can you get it in?” I was shocked, and stammered a response about I would think about it and get back to her. I thought about it for a few days, and talked to my wife and family, and decided that no one should have to go through what we had gone through so far. Maybe by writing this book, it would be cathartic and help me personally work out some frustration and also help the many others that are in a situation similar to mine. I talked to my lawyer Craig, and enlisted him as a coauthor in the book project. We went over what was needed to produce this book quickly. We needed to each write two rules a day to meet our publisher’s deadline. Since I am an expert on collaboration tools (and Craig is not), I set up a wiki to support our interactions and coordination of the writing for the book, and away we went!

I moved into my house on April 1, 1988. As of the writing of this book (21 years later), I am not sure if I will still be living in my house by the time this book is published. Chase (who bought WaMu) did open “Homeowner Centers” in early March, 2009 to start to deal with the mortgage problem (much to their credit) and I met with a loan officer a few weeks ago. Not only did I find out that I had qualified for a loan modification two times over the last year, but that the investor that owned the loan had denied the modification both times (Craig explains this well in his part of the introduction). What was even more ironic was the loan officer herself was trying to get a loan modification (through another bank) and was going through the same kind of frustrating process I was, so she was very empathetic.

Admitting that my home is in foreclosure is embarrassing, and made me think I was a fraud. But then I realized that it was just my shame talking. Keeping silent only helped the mortgage companies and a banking system that is very broken. It is my hope that you find my story appalling and that if you are in the same situation, that it gives you hope and maybe a few ideas in how to save your own house. To keep up with this evolving situation please see my blog at: http://www.42rules.com/saving_house_blog/

Craig’s Story

I began my legal career in 1992 at a plaintiff personal injury firm. After a few months of that, I got a job with a sole practitioner who represented about 15 companies in the downtown Los Angeles garment district. I was there for two years and learned street corner law—that is, piracy and buccaneering. After two years, my boss retired from the law to sell golf socks. Really!

I went out on my own and had a probate/real estate/business litigation practice in San Dimas, California. It was quiet and close to home. I did some real-estate investing during this period and accumulated some

rental properties. I followed the real-estate market in southern California closely and by the early 2000s, realized that things were askew.

In 2002, I attended Foreclosure training with Ward Hanigan in San Diego, California. If you are ever interested in doing foreclosure work, you need to attend Ward's training in San Diego. There is simply no comparison anywhere in the world with what you learn there. I took away two valuable lessons from that class; first, how to do my own title examinations work, which ended up saving a few of my clients many thousands of dollars; and second, people in foreclosure need help, and they are preyed upon.

Ward taught us that telephone calls and mail were a waste of time, and if you wanted to speak to people in foreclosure, you had to knock on their doors. The deal was simple. They would move out, you would take over their payments, renovate the house, and sell it at a profit. You and the homeowner split the profits 50/50.

I soon learned that most of the people we contacted were interested in staying in their houses, but were not willing to help themselves. We were told time and time again that they were not interested in selling their homes, but were interested in getting a loan. My business partner at the time and I saw a need, obtained the necessary licenses, and began writing loans with the help of a long time processor who kept us out of hot water.

Once you begin to write loans, you get bombarded by lenders offering their products. As we looked at the various loan products, it became clear that many of them were simply dangerous for the homeowner. The business decision was made to sell only "hard money" loans and 30 year fixed rate product. A hard money loan is based on the equity of the property. A 30-year fixed rate loan is the mortgage your mom and dad got.

We did not write that many loans. We were careful and conscientious, and I am proud to say that none of the loans we wrote have ever gone bad and none of the loans we wrote have ever resulted in a foreclosure.

In late 2007, my mortgage company began to be contacted by borrowers who heard I was an attorney and they needed help with their mortgages. I began to review their mortgage files looking for an angle to see if any of these loans could be refinanced or altered. I began to find many violations of federal and state lending laws, and began to write letters requesting loan modification based upon violations of state and federal law.

For most of the first half of 2008, the main response I got back from lenders on loan modification was to ask "how many stories the building my office occupied was." I told them the building was four stories, and I was then advised to jump off the roof head first. This went on for a few months.

In the spring of 2008, many of the lenders realized that I would not go away and they had a serious problem on their hands, and attempted to begin to modify loans. Loan modification has now become a cottage industry. This book is being written to expose the readers to what goes on behind the closed doors of these lenders and mortgage companies.

Since early 2008, I and my staff (an awesome group) have modified a few hundred loans and have saved our clients many hundreds of thousands of dollars. We are not successful every time, but our overall percentage is quite good.

I want to take a few paragraphs here to describe how the mortgage business has changed from what your mom and dad's mortgage company did and what the industry has done since 2000.

When mom and dad bought a house, they went to the local bank, filled out an application, and waited. The local bank reviewed the application, obtained additional documents and went to a loan committee. The loan committee would examine mom and dad's entire scenario, and would approve or deny the loan, based upon experience and their analysis of mom and dad. The process was slow and careful. It had to be, because the bank was basically investing in mom and dad and the house for the next 30 years. Most of the loans were either held by the bank for a long-term investment, or in some cases were sold to either Ginnie Mae or Freddie Mac if the loan met their criteria.

In the early 2000s, the business model changed. The "mortgage-backed security" or the "collateralized debt obligation" was introduced. This was an entirely new way of selling mortgages to a secondary market. If you wonder why modifying a loan is difficult, you will understand once I explain the process.

Loans, many hundreds of loans, were packaged by a company, such as Lehman Brothers, and resold on the secondary market as an investment. The process worked generally as follows. Loans were gathered into "pools" of loans, with an estimated market value at maturity. These carried names like the "Deutsche Bank National Trust Company as Trustee under pooling and servicing agreement dated as of December 1, 2006 securitized asset backed receivables LLC Trust 2006-WM4 Mortgage pass through certificates series 2006-WM4" (seriously, I am litigating against these folks).

The loans also produced an income stream, and the prospective investor was sold an interest in the pool based upon the income stream and maturity value. Within the pool, the loans themselves were divided into "tranches". These were loans of a similar underwriting criteria, interest rate, etc. There are several tranches within a pool. The way the individual

investors are paid works as follows. Everybody in tranche A is paid from revenues, and then the revenue flows to tranche B, etc., much like a waterfall.

The problem with this model is that the expected mortgage failure rate was less than 1%. If the mortgage failure rate rose above 5%, the lowest tranches don't get paid. If the mortgage failure rate rises about 10%, nobody gets paid. In reality, failure rates are usually higher than 1%. We are tracking a pool where the expected failure rate is in excess of 50%.

The individual pool loans were sold and resold to a variety of individual and institutional investors. Sometimes the same loan was sold to more than one person. It is not unusual to have five or six investors be required to approve a loan modification. All the investors need to approve a loan modification for it to succeed. If that does not happen, a loan modification does not happen. Some investors are upset they have lost money, and are not sympathetic.

I am telling you this because the loan modification industry is in a constant state of turmoil and programs appear and disappear; loan modifications are approved or disapproved, pretty much at random. It is very frustrating that what a lender will approve today is not something they will approve tomorrow. Nor should you expect that by reading this book, you can do a successful loan modification. It is not as simple and as easy as it sounds.

As I write this in early February 2008, a loan modification takes between 90 and 120 days to accomplish, sometimes longer. It takes 2–3 hours per file per day to communicate with the lenders on the status of things. Most of that time is spent on hold. The turnover at the banks is high. What is posted on the bank's computer system is sporadic. What you are told one day is not what you are told the next. They lose paperwork. They lose entire files.

Also bear in mind that some loans simply cannot be modified.

I am assisting in writing this book to give an overview of the process to help educate the consumer. With this information the consumer should be able to ask the right questions, be able to spot a scam when they see one, and to stay away. This is a "sea monkey" business. What appears on the box top and what appears in your aquarium are two very different things. Ask any little boy who bought a cube of sea monkeys.

3

Learn from the Past

“These loans were made without requiring much documentation or validation of the borrower’s credit, job, and indebtedness.”

Those who do not remember the past are condemned to repeat it.

—George Santayana

The economy is a mess, foreclosures everywhere, banks failing, the jobless rate is up, and the homeless rate is up. How did we get into such a mess when eight years ago the government had a surplus in the budget, the jobless rate was a few percent, and your house’s value was rising at a steady rate?

The Genesis of the Problem

Over the last decade, we have seen a long housing bubble (where prices continued to rise) and then the bubble popped and splattered all over the place. That splatter is the economic crisis we have today. For a really good flow chart on how the subprime mortgage crisis happened and what all the contributing factors were, see <http://www.tinyurl.com/3wxqog>¹

A crisis can come from a number of factors happening in the same time frame, and thus compounding the effect of any one factor (think of the perfect storm). A crisis can also happen from a number of mistakes you made over time eventually catching up with you (like mine did).

1. upload.wikimedia.org/wikipedia/en/1/13/Subprime_Crisis_Diagram_-_X1.png.

In 2002, when I went to refinance, my mortgage broker talked me into a five-year fixed ARM at a low, initial interest rate. I fell for it, and so did millions of others. This was my first mistake.

This mistake was compounded by the fact that mortgage brokers and the banks they were selling mortgages to people who really did not qualify to buy them. But everyone wants the American Dream—owning a house. There was a kind of conspiracy because the mortgage qualification rules were relaxed. Often an application required “no stated income” (kind of like the “don’t ask, don’t tell rule” in the armed forces) allowing people to qualify for loans on homes they could not afford at standard mortgage interest rates.

When these low “teaser” rates adjusted to an often much higher rate (in 2006–2007) that the borrower could not pay for, that was one of the first big cracks visible in our economic foundation. That is exactly what happened to me in November of 2007. Of course when I went to talk to the bank about the situation, the bank did not want to hear it.

What I Learned from This Mistake

- Don’t count on things being much better in the future, that may not happen.
- Five years sounded like a long time but in the context of a mortgage it wasn’t.
- Don’t let people talk me (or you) into loans I fundamentally have a problem with, no matter how low the “teaser” rate is.
- Don’t believe the “you can always refinance in a few years and maybe at a lower rate” line; that too may not happen.
- You may never understand the bank’s reason for doing things, it may seem illogical and even stupid to you, but they would not keep doing it if they did not get something out of it. Don’t assume the bank’s reasons for the mortgage are in line with your reasons for the mortgage.
- Once you put your money in you lose your leverage and become an account number.
- The left hand almost never knows what the right hand is doing (don’t expect different departments in the same bank to have talked to each other about your situation).
- Figure out if the mortgage is good for you, or good for them. You could be in a mortgage for 30 years, and so you are establishing a long-term relationship with that lender. Make sure you can live with the terms of the relationship because it is not so easy (or inexpensive) to switch to another bank (and they may be worse).

5

Confronting Moral Hazard

“What happened then is that the federal government stepped in and assumed all the risk on behalf of the public at large. Whether or not this was a good investment is still very unclear.”

This is an excellent opportunity to address the concept of moral hazard. Moral hazard is the concept that a party protected from risk will behave differently from a party not protected from risk. The system over the past few years has divorced lending practices with repayment practices and created the mess we currently have by encouraging risky behavior in that investors or the government will ultimately write the checks.

The idea originated in the insurance industry, but is commonly found in the finance industry as well. The problem of moral hazard changes drastically decision making on the finance level as well. Moral hazard arose in the finance industry as follows.

Mortgage salespeople were not using their own money to fund mortgages; they were using borrowed funds supplied by banks. This moved the risk of loan failure from the mortgage sales people to the banks. The banks then sold the loans to investors shifting the risk from the banks to the investors. The investors then sold the loans to investment banks, shifting the risk to the investment banks. (Investors and investment banks are two related but very separate entities.) The investment banks then sold portions of the mortgages in small pieces to a different group of investors, moving the risk along to that group. Risk was passed like a baton in a relay race; the last person to hold the baton took all the risk. What happened then is that the federal government stepped in and

assumed all the risk on behalf of the public at large. Whether or not this was a good investment is still very unclear.

An Example of Moral Hazard in Everyday Life

In your neighborhood are two houses. One was purchased using a stated income 100% down loan with toxic financing and the loan resets within five years to double the house payment. The other was purchased at 20% down with a 30-year fixed rate mortgage, and the payments have been made timely.

In the mortgage bailout world we are about to experience, House One will get all kinds of assistance and breaks as the government works to prevent further foreclosures. The 30-year fixed rate mortgage holder will be offered nothing, no assistance.

Now consider this. House One forecloses and now becomes the low price leader in the neighborhood (in most of the country, REO [real estate owned] property set the prices). House Two's owners are now upside down (they owe more on their property than the mortgage amount) on their properties and nobody will help them. Their only real choice to obtain relief is to sell their home at a loss or walk away. Think this does not go on? It goes on every week at open houses in Southern California—people being punished for following the rules. What kind of message does that send?

Maybe it is time to send a message. Write an e-mail or a letter to your congressperson or senator advising them that dumping an unlimited amount of money on fixing the housing crisis is maybe not so good an idea and is actually making the problem worse.

8

Watch Out for Yourself

“Understand that none of these people are looking out for you or even have your best interest at heart.”

There is a sucker born every minute.

—W.C. Fields

You can bet if there are millions of homeowners today having problems with their mortgage or facing foreclosure that there are people out there willing to scam these desperate people out of whatever they have left.

I know this is true because I receive offers in the mail every day for help in loan modification, refinancing, immediate buying of my home, help in selling my home, etc. Understand that none of these people are looking out for you or even have your best interest at heart. They are looking out for #1, themselves. Many were mortgage brokers who over the last six to seven years made a killing, and when the bottom dropped out of the mortgage market they had to find some other way to earn an income. Many left the mortgage (real estate) industry. Many decided that since no one could get a loan or refinance anymore that they needed to see where they could apply their skills.

Some of them are truly helping people with the more difficult processes of loan modification, or are syndicating investors to buy up distressed or foreclosure properties. If someone is having a hard time, there are always others willing to take advantage of it. I see these commercials all the time on late night TV (when I can't sleep) extolling the virtues of buying at foreclosure auctions, that you can get a \$300,000 house for \$40,000 or just for

back taxes! Come on people, if it was that easy and that profitable everyone would be doing it. The only one making money here is the one who has the commercial and is trying to sell you their full proof system for new wealth.

A good analogy is the 1849 gold rush. Once gold was found people flooded into California looking to seek their fortunes and get rich. Very few struck it rich by finding gold. Those who did get rich were the people like Levi (the jeans maker) who sold pants to all of the miners and made their fortune that way.

I guess in my own way I am like one of those fools rushing in to get the gold, only in this case I am trying to save my house from a banking and economic system that is radically broken because of the greed of a few. However, there are still sharks out there willing to take a bite out of me, no matter how small a fish I am.

Steps to Save You More Pain

I made the mistake of looking on the Internet to find someone to help me with my loan modification process, and because I was scared and in a rush, I made an emotional choice and picked the person I felt the best about, believing that they would never do me harm. I was right, she was a nice and honest person, but the company she worked for had tricked her also (she never got her commission check) and they were not nice people, they were sharks. If I had bothered to do more investigation before I sent in my money I probably could have avoided losing the \$2850 I lost in May 2008, so it was an expensive lesson. Before you give money to someone to help you with loan modification

- Be sure to check them out thoroughly on the Internet, look at conversations people are having online about the company.
- Get a personal referral from someone you know and trust. Once you get the referral
- Ask to speak to some of their clients.
- Look for any red flags when interviewing those clients (like they did not return my calls, I was never sure they actually did anything).
- Give it a time limit. The banks will not wait forever. If your situation has not changed in 90 days, you need to start asking some hard questions.

It is your money and your house, be prudent in taking care of it. Even if you swim with sharks it does not mean they have to take a bite out of you, after all there may be bigger or slower fish they would rather eat!

About the Author



David Coleman is an internationally recognized consultant in the field of collaboration technologies, and the author of four books on the subject. He is also a guy who got caught up in the “financial crisis” and currently finds himself fighting to save the house he has lived in for 21 years. Sharing his story is an exercise in humility as well as an act of bravery and compassion. David and his family live in San Francisco, California. He can be reached at: dcoleman100@gmail.com or on Twitter as: dcoleman100

http://www.42rules.com/saving_house_blog/

Books by David Coleman:

Groupware Technology and Applications, Prentice Hall, 1995

Groupware: Collaborative Strategies for Corporate LANs and Intranets, Prentice Hall, 1997

Collaboration 2.0 (with Stewart Levine), Happy About Press, February 2008

42 Rules for Successful Collaboration, Superstar Press, April 2009—David wrote rules: 1, 3, 23, 25, 27, 28, 30, 31, 35, 39, and 42

42 Rules for Saving Your House (with Craig Triance), Superstar Press, April 2009—David wrote rules: 1–6, 8–13, 15, 18–20, 24–28, 33, and 42



Craig Triance received his JD from Loyola Law School of Los Angeles, California in 1992. From 1995 to 2005, Triance was the principal in Law Offices of Craig Triance in San Dimas, California. Triance's legal background includes civil and probate litigation, estate and business planning, and real-estate issues. In 2005, he cofounded Cambridge Financial Consultants, LLC, a mortgage company located in El Monte, California. From 2004 to 2008, he was a member of the board of directors of Rubicon Financial, Inc. a publicly traded financial holding company. He is also a California real-estate broker and auctioneer. Craig wrote rules: 7, 14, 21–23, 29–32, 34–41.

Getting “42 Rules for Saving Your House From Foreclosure”
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