

Taking Responsibility for Your Mortgage

For a more detailed explanation of Chapter 13 vs. chapter 7, call the Law Office of T. Kevin Dougherty at 831-783-3440 and make an appointment. Our first consultation is free of charge.

It may not be the best idea, but our government offers a mortgage relief plan to homeowners who face losing their homes. The Plan is this: a homeowner facing foreclosure is given the opportunity to have their mortgage interest rate reduced for five years. Here is a summary of the Plan. Do NOT consider this to be legal advice. DO consider it to be only a summary of the Plan. If you want legal advice, you will need to contact attorney *T. Kevin Dougherty*. If you want advice on your mortgage, contact your lender. (This article isn't titled "Taking Responsibility" for nothing.)

Who is eligible for the mortgage modification?

- Have obtained the mortgage before Jan 1, 2009
- The home should be owner occupied
- May be default or at risk of default
- Have the primary mortgage of less than \$729,750

Who is NOT eligible?

- Speculators, who bought as investment
- Those who misrepresented their income in the loan application
- Should not be a jumbo mortgage

What you should do?

- If your total debt (like car loans etc) is more than 55% of your income, you are still eligible but should undergo debt counseling
- You should prove that you have income to make loan repayments

Benefits you will get

- Refinance mortgage loan to low interest rates, rates cannot be less than 2%
- Borrowers who are prompt in making loan repayments will get incentive bonus of \$1000 per year for 5 years
- The lender will lower the monthly payment to 31% of the gross income.
- The refinance will last for 5 years

The Obama mortgage modification website reads:

“Homeowners whose loan have been scheduled for foreclosure or missed one or two payments should talk to their loan servicer immediately to postpone foreclosure.”

Here is where the *“taking responsibility”* comes in. Of the approximately 8 million people who could take advantage of this Plan, only about 5 percent have successfully done so. Why? *Homeowners do not complete the necessary paperwork.* (Often these are the same homeowners who received loans for which they simply were not eligible.) They fail to provide the banks with the documentation to complete the process. While there is some criticism of mortgage companies having lost paperwork, it is still the homeowner’s responsibility to start, pursue and complete the process. After all, who should care more about having a roof over your head?

This article started with the words “It may not have been the best idea,” because the money used to fund the Obama Mortgage Modification Plan comes from taxpayers. Mortgage lenders, pressed by Congress to offer loans to un-qualified borrowers, are now pressed by Congress to walk borrowers through the mortgage modification plan. Robbing from Peter to pay for Paul’s house ever worked, and it never will.

Again, “taking responsibility” rears its ugly head. Only you know your income, your expenses, and your expectations. If you cannot afford a house, or a car, or a whatever, accept the reality. There is comfort in living within your means. One of the many wonderful things this country still has to offer its citizens is the opportunity to improve their means. If *they* take responsibility.