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**The Consumer Bailout That Nobody Knows About**

Ann Arbor, MI September 30, 2008 – “As congress considers various bailout proposals for the financial system, there is a little known ‘bailout’ for home owners that has already been enacted into law,” said Gibran Nicholas, Chairman of the CMPS Institute, an organization that certifies mortgage bankers and brokers. Section 1403 of the new housing bill that was signed into law on July 30, 2008 (HR 3221) requires mortgage servicers to modify loans for homeowners and help them avoid foreclosure as long as three requirements are met:

1. Default on the mortgage either has already happened or is “reasonably foreseeable”
2. The home owner is living in the property as his or her primary residence
3. The lender is likely to recover more through the loan modification or workout than by forcing the home owner into foreclosure

“The fact is that this law is effective immediately, and most distressed home owners are simply not aware that they have this option,” Nicholas said. Borrowers make their monthly payments to mortgage servicers, and servicers keep a portion of the payment as their profit while sending the rest to the Wall Street investors who actually own the mortgage. “This law requires servicers to act in the best interest of all their investors and obligates them to modify your loan if you can afford the modified loan terms and if they are likely to recover more for their investors by working with you than by going all the way through the foreclosure process,” Nicholas said.

When negotiating a loan modification with your mortgage lender, it is advisable to follow this four step process:

1. Make sure you are dealing with your lender’s loss mitigation and/or work out department
2. Write a hardship letter demonstrating job loss, serious medical condition, balloon payment coming due, adjustable rate reset or some other financial calamity that will make it impossible for you to continue making your mortgage payments as scheduled. Unless you are in imminent danger of default as required by this new law, lenders are not likely to work with you.

3. Send the lender your financial statements, employment records, tax returns and bank statements demonstrating how you would be able to afford the modified loan terms under your present financial circumstances

4. Send the lender a current appraisal of your home or some documentation on recent comparable sales in your neighborhood demonstrating the current value of your home. "The key is to demonstrate how the lender is likely to recover less money through foreclosure than they would by working with you in your proposed loan modification plan," Nicholas said.

Here is a sample letter that you can use during your renegotiation:

<http://www.cmpsinstitute.org/pdf/SampleLoanModificationRequest.pdf>

It may be advisable to consult with an attorney – especially if you qualify for a loan modification under the law and your lender still refuses to work with you.

**About CMPS Institute:** CMPS is a training, examination, certification and ongoing membership program for financial professionals who provide mortgage and real estate equity advice. Recognized for its preeminence within the industry, the CMPS curriculum represents the core knowledge expected of residential mortgage advisors regardless of the diversity of specializations within the industry. Over 5,500 financial professionals have gone through the program since its launch in 2005. For more information or to find a certified professional near you, please visit [www.CMPSInstitute.org](http://www.CMPSInstitute.org) or call 888.608.9800.

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