**WORKING THE DEAL BACKWARDS WITH THE BANK**

**Property Value minus the following - \_\_\_\_\_\_\_\_\_\_\_\_\_**

* **Lost Interest \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Real Estate Taxes \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Forced Insurance \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Eviction Expenses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Rehab Expenses \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **R/E Commission \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Attorney’s Fees \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Days On The Market \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**
* **Misc. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**TOTAL TO THE BANK \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Trump Card – BANKRUPTCY - \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

Which is better for the bank – our offer now or the above offer in two years? This is your ammunition…

**TIME LINE LETTER**

Dear Loss Mitigation Rep,

As you know I am working on Bob and Sally’s property located at 123 Elm Street. We have both agreed the property is worth $200,000 in a perfect world. However, we both know it needs work.

I offered you $80,000 cash closing in 30 days and you countered at $150,000. I raised my offer to $93,500 and we are still off on our figures. I can appreciate your wanting to get as much money as possible for your company, but let’s look at the numbers a little closer. I think you will agree with me that my offer is more than fair.

First of all, Bob and Sally are going to sale January 7th. It is now January 3rd. Their attorney said they could live free for one to two years and has given them the following scenario:

He said, “First of all, let’s **file a Chapter 13** bankruptcy January 6th. This will stop the sale. The bankruptcy trustee will set a 341 hearing in approximately 45-days which will buy you until February 15th. At that point, we’ll ask for one extension which will buy you until April 1st. At that point, the bankruptcy trustee will put you on a payment plan that will start May 1st. We both know you don’t have the money to make the payments. So, you’ll miss May’s payment.

The bankruptcy trustee will give you until June 1st to make-up May’s payment and to make June’s. When you miss that payment, the trustee will write you a nasty letter giving you one more month to make-up both payments, which puts us at July 1st. **At this point the bank will seek a “stay of relief” which we will bypass by rolling your Chapter 13 into a Chapter 7.**

The bankruptcy trustee will set a 341 hearing which will take us to August 15th. We will ask for one extension, which will buy us 45 more days taking us to October 1st. Bankruptcy takes a few months and we’ll ask for the final dismissal after the first of the year as to not stress you out over the holidays. This will buy you until January of next year.

Wow, is that some plan or what. Now let’s take a minute to review the financial side of this to your bank:

During this 24-month time-period while Bob and Sally are in foreclosure,you will lose $48,000 ($2,000 per month payment) in interest payments because they will not be making their mortgage payments. The property also needs $30,000 in rehab (which will increase over the next year). You will have taxes of $5,000. Once you gain possession of the property and list it, you’ll have to pay real estate commission of 6%. You’ll also have closing costs of approximately $3,000. Not to mention the eight months of payments you’ll lose while evicting Bob and Sally and while the property is being rehabbed and on the market.

It looks like this:

 $200,000 value

- $48,000 in lost mortgage payments

- $30,000 in rehab costs

- $12,000 in real estate commission

- $5,000 in unpaid real estate taxes

- $3,000 in closing costs

- $16,000 another 8 months of lost interest

 while the property sells

TOTAL TO YOU IN OVER 24 MONTHS IS ONLY $86,000.

In addition to only making $6,000 over my **original offer**, you’ll have to carry this bad debt on your books for two more years. I know you have quarterly reports due and I am certain this will look bad on those reports. **I’m curious, how will your supervisor feel when he sees you kept a bad debt on the books when you had a valid offer on the table.** You are a bank, you are in the business of lending money, not sitting on a bad debt for two years.

This doesn’t even cover what you have already lost. The homeowners **missed nine payments** before you filed foreclosure. The foreclosure process in this area adds another six months to that. All in all, you’ll be carrying this bad debt for almost three years! What will the property be worth in this declining market in 24-36 Month?

**I am making one final offer of $100,000.** This is just a few thousand dollars less than you countered and thousands MORE than you’ll receive in 24 to 36 **more** months.

Let’s do the right thing, and settle this deal now. I will close quickly and will help you look great in the eyes of your boss. I’m sure you don’t want to deal with this for the next two years and I know Bob and Sally don’t either.

I will be happy to send your boss a letter of recommendation letting him know how lucky he is to have such a savvy employee working for him. Let’s get this deal done, together.

Sincerely,

Investor

As you can see, this letter lays out a bleak scenario for the bank. We use this as a last ditch effort. Again, if the bank still says no after this letter, there is no hope.

If you have done your job, your short sale should take no more than a few weeks from beginning to end. Submit the first offer, pin the rep down for an answer, submit the second offer and again, pin down the rep, submit the third offer to everyone (rep, the reps boss, and the bosses boss), and wait for an answer.

Read the following student testimonial to see how one student got a no, offered less, and then got a yes.

***Dear Dwan,***

***Thank you, thank you, and thank you - Your Financial Freedom Through Foreclosures course saved us!***

***In April, my husband and I attended one of your seminars. At that time we were in the middle of putting together a “short sale” deal with a bank in Texas. The homeowners were in a pre-foreclosure state. The homeowners owed approximately $68,999 on their mortgage and were six months behind on payments. The bank agreed to entertain a short sale.***

***We did a drive-by and peeked in the windows. We estimated that the home needed $15,000 in repairs so we made a short sale offer to the bank of $50,000. While the bank was considering the offer, we had the opportunity to access the property. Once inside, we discovered that the home was infested with mold and was not even inhabitable. We brought in a mold remediation company. They estimated that it would cost $20,000 to remediate the mold!***

***Every night I would go to bed wondering how I was going to get out of this mess. I knew the bank was looking at our offer and thinking, “Suckers, you are paying way too much and we are taking you to the cleaners!”***

***A few days later, the call from the bank came in… they declined our offer! The bank claimed that they had had the home appraised for $63,000 and that if we wanted the property we had to come UP on our price! I could not believe my ears! I was thrilled, but at the same time, I was saying, “Huh?”***

***I sat down and started reading your manuals. I knew that somewhere I would uncover what went wrong with this deal. After reading a few chapters, my husband said, “Why don’t we resubmit the offer.”***

***I sat down, opened your manual and prepared a written offer exactly as your program explains. However, when I resubmitted the offer, I lowered the offering price to $38,000 allowing for the mold remediation, added the rest of the information to back-up my offer, and faxed it to the bank.***

***You won’t believe what happened next … The bank called within 48 hours and accepted the offer, “as is.” I was floored!***

***The house was rehabbed (on a part-time basis because my husband and I both worked full-time jobs). We spent a total of $23,000 on rehab and holding costs. The house went on the market and sold eight days later for a retail price of $88,200! We netted approximately $25,000! Not too bad for our first rehab.***

***In addition, we owe it all to your program!***

***Sincerely,***

***Danita***

***Cincinnati, Ohio***

**OPTION #1 “THE LOAN MODIFACATION”**

**WHAT IS A LOAN MODIFACATION?**

The loan modification simply means to change or modify your original loan.

Example:

 $200,000 Value of the home

 $185,000 What is owed

 $ 1,500 Monthly Payment

 $ 10 Payments behind

 $ 15,000 What is owed to bank in back payments

 $ 2,500 Attorney fees

Call the bank and tell them you have six or seven payments saved and that you want to do a loan modification. This means the bank will put the other three or four payments on the end of the loan, increasing your original loan by a few months in length.

Example:

Let’s say the payments you owe are payments # 22, 23, 24, 25, 26, 27, 28, 29, 30, 31. Remember, a 30 year loan has 360 payments. Making 7 payments to the bank you would be paying payment # 22, 23, 24, 25, 26, 27, 28. Payments 29, 30, 31 would go to end of the loan with payment 360 and become payment 361, 362, 363.

Typically the bank will require 60%-70% of the back payments to be made plus, all attorney fees. If you have not saved any of the money that was supposed to be used for mortgage payments, you would not be able to take advantage of this option.

Example:

10 payments behind at $1500 per payment. You pay 7 payments plus attorney fees. Due to the bank is

 1500 x 7 = $10,500

 Attorney $ 2,500

 Total Due $13,000

Note: If you have late payment fees, back real estate taxes, property inspection charges or forced insurance that has been added to your payment, the bank will make you pay this at this time as well. Sometimes they will waive the late fees.

You will end up paying $13,000 to get current and to get out of foreclosure instead of $17,500.

**Remember this point**

You can only do 1 loan modification per year. You can do a total of 4 over the length of the loan, but no more than one per calendar year. If you refinance with another mortgage company then the loan modifications you did with the current mortgage company won’t count – a new mortgage company equals a clean slate.

The bank might ask for “Proof of Funds.” This means you have to prove you have the $13,000. The bank may ask for a copy of your last 12 months of bank statements.

Once this is done, you are one step closer to keeping your home. **If you choose this option call me for some FREE advice so I can help you with this process. Good Luck and God Bless!**