

We can be heroes — just for one foreclosure

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REPRINTED FROM SCOTSMAN GUIDE RESIDENTIAL EDITION, JUNE 2005



“The trick is to force the lender to approve a modification where the delinquency and legal fees are on the end of the loan, which keeps loan payments far lower than a forbearance plan.”

Most homeowners face sad realities when they find themselves in foreclosure. However, as loan officers, we can help them — and make a profit.

Foreclosure starts when something really bad happens — a lost job, death, illness, accident, divorce, drug problem, separation, problem with a family member, gambling, etc. The results are heartbreaking and add up to the loss of a home. A family is on the street, and family members blame each other.

Meanwhile, banks put borrowers in the hands of their collection departments. And they are relentless. They call at all hours, at home and at work. Some subprime lenders even call neighbors. A few “A” lenders try to be helpful and offer to review information to see if a program can help. However, most homeowners do not understand the guidelines for these unknown programs and tell lenders what they think they want to hear.

Homeowners also find some interesting folks drawn to their mailboxes and front doors, as foreclosures are legal matters often printed in local newspapers. Fifty or more attorneys write to say bankruptcy is the only way to save their home. Never mind that bankruptcies often fail, as homeowners must pay every creditor, all those old IRS taxes, medical

bills and credit cards long-forgotten. Then there’s that problem of their credit reports looking really rotten for the next 10 years.

They also receive a few letters from foreclosure-solution companies and face visits from people trying to buy (think “steal”) their home at prices far less than market value. They use fear as the motivator and warn, “The sheriff will be here any time to force you out.” Some even offer to rent their house back to them, with the option to buy it back in a year or two at a much higher price. All the homeowners must do is pay the loan payments, taxes and insurance; clean up their bad credit reports; save enough cash for a down payment; and qualify for a new loan. Fat chance.

These people need someone they can trust. Most homeowners solve their financial problems in a few months. They often can handle their expenses but are \$10,000 to \$30,000 behind on their home loan, and their lender will not take a payment. They have saved some money from the nonpayment but still are losing their home.

The question is: Can you make money by helping the 800,000 or so families who will find themselves in foreclosure this year?

Perhaps some have enough equity for you to do a “B/C” loan. Others need the services of a company that can work with their lender to approve a home-retention program.


Lenders offer many programs but frequently require borrowers to meet

unknown underwriting guidelines. Often, a lender will approve a forbearance plan that might not fit your homeowner’s budget. The trick is to force the lender to approve a modification where the delinquency and legal fees are on the end of the loan, which keeps loan payments far lower than a forbearance plan.

U.S. Federal Housing Administration loans can offer better solutions. One program offers the homeowner enough money to cure the loan. With no interest and no payments, homeowners pay off the loan when selling or refinancing the home.

Many times, you can make a \$300 to \$600 commission, and your homeowners come out of foreclosure. You could make a “B/C” loan, as a lender can pull an 80 percent or 90 percent loan-to-value with the homeowners out of foreclosure. A year later, you might offer them an “A” loan if their credit has improved.

That could be two loans and a commission from one client. It can be a great program to offer your loan agents.

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