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# 450,000 at risk in foreclosure-prevention program

By Tami Luhby, senior writer January 23, 2010: 7:25 AM ET

NEW YORK (CNNMoney.com) -- Hundreds of thousands of troubled homeowners who are making lower mortgage payments on a trial basis are at risk of being kicked out of President Obama's foreclosure-prevention program.

Companies that service the mortgages have until Jan. 31 to review all trial modifications that have been underway for several months under the Home Affordable Modification Program (HAMP), according to a Treasury Department guideline issued late last month. The Treasury Dept. said it would issue new guidelines next week, but wouldn't give details.

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During the review period, servicers must determine whether borrowers have made all their payments and have handed in all the necessary paperwork. Those who haven't will get letters giving them 30 days to comply.

The goal is to clear up the backlog of borrowers stuck in trial modifications, in which a homeowner's monthly payments are lowered to no more than 31% of pre-tax income.

Some homeowners have spent seven or eight months waiting to hear if they qualify for a permanent

adjustment to their mortgages.

This directive, however, has some bank regulators concerned.

"About 450,000 homeowners currently have HAMP trial modifications and have demonstrated a willingness and ability to make timely payments for at least three months," said Richard Neiman, superintendent of the New York State Banking Department.

"Now, unfortunately and very alarmingly, these same homeowners face the prospect of foreclosure strictly on account of documentation issues," he said.

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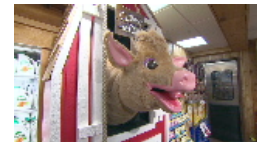
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Paperwork has proved a major stumbling block for the president's foreclosure-prevention program. Homeowners complain that their servicers continuously lose the documents they send in, while financial institutions argue that borrowers have not been sending in their paperwork.

Aware of the problem, Treasury officials said they plan to issue new guidance to servicers next week that will help expedite the conversion of borrowers in the trial period to permanent modification. It may also lighten the documentation requirements.

### Converting to permanent modifications

Under fire for the low number of people receiving long-term help, the Treasury Department in late November ramped up pressure on servicers to convert borrowers to permanent modifications.

Some 66,500 people have received permanent adjustments, with another 787,200 homeowners in trial modifications.

Under the president's plan, delinquent borrowers are put into trial modifications for several months to make sure they can handle the new payments and to give them time to submit their financial paperwork.

Once the modification becomes permanent, servicers, investors and homeowners are eligible to receive thousands of dollars in incentive payments.

Overall, about three-quarters of people are making their payments on time, according to the Treasury Department.

Treasury officials already lightened the documentation requirements in the fall in hopes of speeding up the conversion process. But more needs to be done, Neiman said.

For instance, Treasury should accelerate its implementation of a standardized documentation form and the creation of a Web portal that will allow homeowners to track the receipt of the paperwork, he said. Also, it should allow servicers more flexibility in accepting alternative documents.

If this isn't done, a lot of homeowners could soon face foreclosure, he said.

"This is a real concern to borrowers, particularly borrowers who've continued to make payments for three, four, five, even seven months," Neiman said. ■

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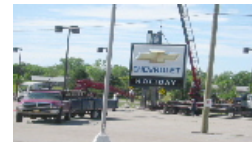
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<a href="#">S&amp;P 500</a>	1,091.76	-24.72 / -2.21%	
<a href="#">10-year Bond</a>	98 2/32	Yield: 3.61%	
<a href="#">U.S.Dollar</a>	1 euro = \$1.413	0.005	

January 22, 2010 4:04 PM ET

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**Stock Trader** 10:55 pm

Get ready for deflation to hit us again. Refusal to pay debt is deflationary. The economy is built based on the assumption that these mortgages would be paid with interest at a certain date. If these homeowners foreclose, or if they pay less than agreed upon, total money supply will fall short of expectations. Read the 13 page 2010 deflation report for free:

[http://www.tradingstocks.net/html/2010\\_stock\\_market\\_forecast.html](http://www.tradingstocks.net/html/2010_stock_market_forecast.html)



**Jackie Rowe** 10:45 pm

I have had the same thought of giving \$100grand to each taxpayer and skipping the bailout... I'm wondering how all these comments apply to the commercial foreclosures which I see coming in very much larger numbers this year? Will the same comments apply when businesses go down the mortgage tubes? My personal attitude, and one which I have tried to instill in my children, is to live on 50% of my income. Those businesses which are facing foreclosure may not like me not being a good consumer; but my local CSA sure does appreciate me! I have long since sold my stock in Bank of America and choose mutual funds and so on for retirement investment based on some moral decisions.



**William Babishoff** 10:01 pm

Many people don't understand what is happening here. The purpose of HAMP is not to help homeowners, it is to reduce and delay the high number of foreclosures that are pending or near. If all these people were foreclosed on the real estate market would be flooded with homes priced below their fair market value. This over supply of cheap homes would drive prices down even further causing more short sales and foreclosures. This could cripple the mortgage banking system. IT IS TO PROTECT THE BANKERS NOT THE HOMEOWNERS! In the end a few lucky homeowners will be bailed out at a huge cost to taxpayers.

If they were helping out the unfortunate people who lost jobs why are they only helping homeowners? Renters have lost their jobs too. The renters have been hit even harder because when they can't pay their rent they are out on the street in 2-3 months. Even after the foreclosure process homeowners can't be kicked out for more than a year!



**Albert Lee** 9:58 pm

As the servicer plays a game to put Trial Modification Program and now asked home owners pay off for full amount that is really bad . that those home owner who can not afford for full payment and applied for Loan Mod b/c the difficulty and happen by the accelerated home price caused by the banks let those bought houses with easy program and wrong way ( no credit and work documents ) that never apply in the financial history on the world.

How to deal with this concern as the job market goes bad day after day. As we have to get together to solve a problem when the banks made money and then let home owners die w/ foreclosure and the banks get bail-out from taxpayer and when their stock market went up they get more big bonus .



David Charles 9:24 pm

"Think For Yourself" - "The Importance of Maintaining Individuality and Freedom of Thought"
The individual life always matters.
What we say and do truly does affect those around us.
If you have something inspiring to say, then say it.
If you disagree with something then speak up. Be Heard.
Take charge of your life and your destiny.
"THINK FOR YOURSELF" https://www.createspace.com/3396981



Facebook User 9:03 pm

always rent, never buy.



Facebook User 8:53 pm

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Joan L did & Made \$977,000 Profit in 8 Hrs!
3,141 Counties All Just 3 Clicks from Home:
http://cme4money.eztaxliens.hop.clickbank.net



Ginger Trest 8:49 pm

Instead of a bail out...and then no money loaned out to help create jobs. the stimulus should have went to the small businesses and the reg citizens....not avg joe he was an idiot and didn't pay his taxes...but now wall street are getting back to all is well with their bonuses and the banks are not loaning money out...and charging excessive fees....my family and i are business owners and we will be dropping bank of america and wachovia in the next 2 mos...we are going with a credit union....forget these banks and their fees and no help. obama and the dems better step up and get things moving....



Facebook User 8:38 pm

Wells Fargo Is the worst They get the paperwork tell you they got it and all is ok then they deny you on account of missing paperwork. This is a sham. What they give you is a forbearance not a trial modification. Then the so called missing paperwork lets them demand all the back money they didn't collect.If you don't have the money your closer to losing you home. These banks should have been left to go under.They took our tax money raised interest rates on credit cards and are doing whatever they can to drive people closer to foreclosure.If you are trying to get a modification DO NOT ACCEPT A FORBEARANCE AGREEMENT. THIS IS THE BANKS UNDERHANDED WAY OF MAKING YOU BEHIND.



Facebook User 8:19 pm

Sounds like a lot of red tape to me.

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