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# LOAN MODIFICATION AND DEBT SETTLEMENT MAY NOT BE ABLE TO HELP YOU SAVE YOUR HOME

St. Louis, MO (2010). If you are thinking that a loan modification will solve all of your financial woes, James Brown, president of Castle Law Office, has news for you. America's biggest lender has only been able to modify 4% of loans. Brown remarked, "Sure, you could be one of the lucky 4% that actually receives a loan modification but, chances are, you will join the other 96% of folks that won't get approved. Foreclosures are now at a record high—expecting to hit 2 million this year and it seems that companies like Bank of America and JP Morgan Chase are not prepared to handle it."

Brown explained that there is no argument that preventing foreclosures is good for the housing market and even better for the home owner; but it seems the usual fall back, the loan modification, isn't what it is promised to be. So, *what's the problem?* Brown replied, "Nobody has provided the answer to that question. The rationale lately has been missing paperwork or financial data. Perhaps the banks are overwhelmed with the staggering amount of new people

knocking on their doors for help. The banks could also be thinking that in the long-term these modifications still won't be enough to help consumers make their payments."

The people that have been lucky enough to get one are finding that their payments and principle balance haven't decreased at all. *In fact, lenders are rolling late fees and back taxes into mortgages, resulting in payments the homeowner can't afford and balances bigger than they were before the modification.*

"Most lenders tell you that to apply for a loan modification, you must already be behind on your payments. This entices some people who are barely making it to purposely fall behind. What they don't tell you is that you'll be paying the price for it," continued Brown. "What if you are one of the 96% that don't get approved?" asked one homeowner falling behind on his payments. Brown answered, "You'll still owe the missed payments *plus* the late fees. I have consulted with clients that have been strung along for as much as 15 months with no approval, being told there is nothing to worry about, and then finding themselves being denied and now too far behind to catch up on their payments." According to Brown, many times you won't find out the status until a foreclosure sale is just a few days away.

CreditSights, a financial research firm, reported that 90% of loan modifications resulted in a higher balance. Unfortunately, government programs that have set out to battle this crisis are not being fully launched. When asked, "What else can we do?" Brown responded, "There is no such thing as an easy fix. Often, a mortgage is the largest and longest term loan that a family can have—and your house in your biggest asset. It isn't wise to give it up."

As the truth about loan modification spreads throughout the nation, more and more people are coming to the realization that bankruptcy isn't so bad—and it is definitely worth keeping their family from total crisis. In a time of such uncertainty, it is wisest to focus on safe routes for relief. Bankruptcy was designed to do what loan modifications may not be able to: provide a way to keep you and your family safe and sound. Chapter 13 bankruptcy can actually stop the lender from taking your home. Even a Chapter 7 bankruptcy may be able to free up enough of your income to let you keep making your mortgage payments. Either form of bankruptcy will certainly lead you down a more certain and less vulnerable path.

One homeowner looking at options to protect his family from foreclosure asked, "Now I know that loan modification isn't the best way...but wouldn't debt settlement still be easier than bankruptcy?"

James replied, "Every morning on my way to the office, I hear the same commercial—and, though I think they're intending the opposite, it reminds me of all the dangers involved in debt settlement. The commercial promises anyone who suffers from credit card or medical debt the chance to march into their banks and proclaim that they don't intend to ever pay their debt back! I know, I know, you are saying, 'But James! That sounds great!' And in a perfect world, you'd be right. Unfortunately, 15 years of experience in the debt relief business has told me that it just isn't true."

While many take the safest, most reliable route with bankruptcy, some still are looking into the uncertain world of debt settlement. Even the basic idea of debt settlement is flawed. It claims to settle your debt for pennies on the dollar but it *still* doesn't protect you from the legal backlash. Brown went on to say, "They can't stop the creditors from calling you. They can't stop you from being sued. They can't stop your wage garnishment. They can't really do anything for you that you need to get back to a normal life."

Not to mention, a large proportion of debt settlement firms have turned out to be scams.

In July of 2009, 13,000 credit card holders were the victims of fraud by a Florida based group of debt settlement firms. Brown said in response, "It is sad that stories like these are hardly newsworthy anymore. You could probably write an entire newspaper about scams carried out by debt settlement agencies. The internet and yellow pages are filled with advertisements for debt settlement firms—and it is hard to figure out if it is scam or not."

Here are some warning signs provided by Brown that may help you identify a scammer:

- Be wary of early payment. Since their fees are not regulated by the government like bankruptcy attorneys, debt settlement firms often charge big fees before the job is even done. This is usually a good indication that they won't work that hard for you because their payment won't be tied to the results of your settlement.
- If the debt settlement firm makes claims that sound too good to be true, they usually are. They often claim that they can eliminate *all of your debts*. This is one of the most common tactics used by fraudulent debt settlement firms. Even firms that are not trying to scam you will say that they can get 30 cents on the dollar. But why take a chance and pay a huge fee for a voluntary settlement? With a bankruptcy, under federal law, in most cases you will pay nothing.
- They also don't have the authority to change your credit report—your debt settlement will be on there. Creditors are the actual parties that make changes to your credit report. When a creditor agrees to settle a debt for less than the amount owed, they will report it as such on your credit report. This will likely have the same effect on your overall score as filing a bankruptcy case.

Going head to head with your debt is no easy task—and choosing how to do it is not any easier. That's why a lot of folks get caught up in the idea of loan modifications and debt settlements. They often seem quick, easy, and painless. The truth is just the opposite. Brown finished, "Getting approved for a loan modification is a long, unpredictable process that has turned out worse for most of America. Debt settlement may be even worse. With the prevalence of scams and unregulated fees, it sure isn't a risk that I would let my family take."

The world is taking a second look at bankruptcy and so should you. It just may be the way for your family to get relief—and keep it.