

Foreward

“I am a firm believer in the people. If given the truth, they can be depended upon to meet any national crisis. The great point is to bring them the real facts.”

Abraham Lincoln, Sixteenth President of the United States of America

The most remarkable characteristic of Lincoln’s optimistic quote is not his faith in Country, God or even in the Office of The President to calm the storm of national crises. It is *the people* themselves that Lincoln has unquestioning faith in. Whether America is now suffering from a great economic crisis is beyond question. We should not look to government, to our leaders or even to our sitting President, then, in an effort to alleviate the current economic crisis. In following the spirit of Lincoln’s deep seated convictions, we should look to each other to repair our dire circumstances.

Millions of jobs have been lost since the beginning of 2008. For over a year credit has been scarce for the average American to acquire, even if it would save them from utter economic collapse. Perhaps trillions of dollars in toxic mortgages have flooded the international markets. Subsequently, home values across the

nation have dropped precipitously. A great majority of recent homebuyers are straddled with mortgage debts that exceed the values of their homes. These problems are exacerbated by the fact that over the last decade, exotic home loans like interest only, short term adjustable mortgages and negative amortization loans have been made to a vast number of American Consumers. The resulting problem is so immense economists and legislators can barely conceptualize how to manage it.

While professors of economics sit in their ivory towers philosophizing about potential restorative measures and while politicians blame their opposing party members for the creation of this crisis, we the people are in a unique position to change things for the better. We will do this for one American at a time and, more importantly, we will do this where it matters most: at the core of the American Dream, the dream of home ownership.

The Loan Modification Business is situated perfectly to solve a great deal of problems for the average American. There is a great deal of money to be made in this business as well. Some people may say that loan modification firms prey on the weak in a time of crisis. In fact, there are many laws that protect consumers from predatory foreclosure avoidance counselors. There is no doubt that where there is money to be made there will also exist greed and the propensity for people to conveniently forget their guiding morals and values. I say, like Lincoln that

empowered with the truth about our business there will be no need for greed, no forgetfulness of our principles and we will come to understand that helping American Homeowners save their homes from foreclosure and earning an honest income in equal proportion to the benefits we provide our clients will be most easily obtainable. In the loan modification business, this is not only our charge but our solemn duty to the millions of suffering American Homeowners.



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The Purpose of This Manual

This manual is designed to provide you with the most comprehensive information on how to ethically and effectively operate a loan modification business. To that end it covers the various laws governing our business, strategies for ensuring compliance and the methods of effectively managing a loan modification from the beginning to its successful conclusion.

Vision for the End User of This Manual

As an expert in the loan modification business my vision for you is to be able to first and foremost easily digest the vast amount of information required to begin setting up your company. I highly suggest reading through this manual thoroughly and referring back to it often. If you are an attorney, a mortgage broker or a real estate broker you will have a head start in that the terms used in this manual should be familiar. If you are not an attorney or broker this manual will provide you with the foundation for setting up your business however, you should expect your learning curve to take a bit more time than those intimately familiar with real estate

and finance. This does not mean the task is impossible, just that you will have a bit more homework to do. The design of this manual is such that it takes you through every step of the process so that you too will be successful and your clients will be happy with your results.

Introduction

LoanSafe.org & AttorneySafe Solutions Company History

AttorneySafe Solutions is a Forensic Loan Document Auditing and Processing company located in the city of Corona in Southern California. AttorneySafe Solutions originated as a branch of LoanSafe.org founded by President and Chairman Moe Bedard. Launched in Early 2007 as a free consumer information website, the original goal of LoanSafe.org was to provide up to date information for homeowners across the country on the subject of loss mitigation. LoanSafe.org has helped hundreds of Americans save their homes absolutely free of charge. Over time, LoanSafe.org and AttorneySafe Solutions have come to be known as the premier loss mitigation consumer advocate source of knowledge. Using proven methods, LoanSafe.org and AttorneySafe Solutions have successfully worked with homeowners nationwide in finding sensible solutions to their home mortgage related problems.

LoanSafe.org, LoanWorkout.org, AttorneySafe Solutions and Moe Bedard have been featured in the following media outlets:

Los Angeles Times

The New York Times



REUTERS

BusinessWeek

Slate

PE.com



Bloomberg.com

Results Oriented Auditing and Processing

Since 2007 LoanSafe.org and Attorney Safe Solutions have received more positive media attention than any other forensic auditing and loan modification processing company in the entire nation. Our free information website for consumers, www.loanworkout.org, consistently ranks number two on a Google search for “loan modification.” The only website that outranks www.loanworkout.org is the Department of Housing and Urban Development’s page regarding loan modifications. Nearly one million American consumers turn to www.loanworkout.org each and every month to get their questions answered. We receive nationwide media attention, consistently high, organic Google ranking and millions of visitors to our website for one reason: what we provide makes a difference in the lives of our clientele.

Our hope is that you will come to understand the loan modification business from start to finish in the shortest time span possible. While utilizing Attorney Safe Solutions for your forensic loan auditing and loan modification processing needs is by no means mandatory, it would give you a great advantage over your

competition. In choosing Attorney Safe Solutions for your back end processing you:

1. Immediately obtain an auditing and processing infrastructure that is second to none
2. Free yourself to develop more clients
3. Rest assured you are dealing with competent professionals
4. Avoid the need to purchase and learn to use the analytic software that performs the forensic loan audit
5. Avoid the need to develop your own internal client relationship management software

Our auditing service includes a review of all of the loan documents produced by the client's attorney and lender, a telephonic interview of the borrower to identify any qualitative data that may lead to violations that cannot be tracked with traditional compliance software systems and a loan audit report that may be given to the lender and attorney's client at the attorney's discretion.

Our loan modification and processing service includes managing the loan modification process itself from beginning to end. All you supply is a qualified written request for your client, all requested documentation in our easy to follow checklist of loan documents from your client and a formal request for a loan modification from your firm to your client's lender. However, we cannot negotiate the terms of the modification itself. Only a duly licensed attorney in good standing can negotiate the terms of the loan modification.

While the goal of this manual is to give you all of the information you need to successfully operate a loan modification business on your own, remember, you do not have to reinvent the entire wheel. We highly suggest using our back end auditing and processing services if you are new to the legal, real estate or mortgage fields. What we have found, as well, is that many experienced professionals prefer to simply outsource all of the backend work anyway. In either case we wish you the best of luck!

Preliminary Legal Considerations

Disclaimer: The information presented in this manual is not to be construed as legal advice. Legal information is NOT legal advice. You should contact an attorney to obtain advice in regards to any particular questions you may have. Use of this manual or any of the links contained within the manual do not create a legally binding relationship between Attorney ySafe Solutions, Loanworkout.org, Loansafe.org and its affiliates and the purchaser of this manual. The opinions expressed in and throughout this manual are the opinions of the individual author and may not reflect the opinions of Attorney Safe Solutions, Loanworkout.org, Loansafe.org or any of its affiliates.

Laws Governing the Business of Loan Modifications

Who can perform loan modifications? Is there a specific license required to perform loan modifications? How can clients be legally billed for service in the course of providing a loan modification, forensic loan audit or other service during states of financial distress? These are the most important questions you should be asking yourself before proceeding any further in this business. This section is not to be construed as legal advice. Instead, this section is intended to inform you about just how important it is to understand the laws of your state concerning the operation of anything that can be construed as “homeowner foreclosure consulting”, “distressed homeowner consulting” or “foreclosure prevention consulting.”

Numerous states have recently enacted laws to prevent fraud in regards to foreclosure consulting. Many of these states have modeled their laws on the State of California Civil Code Section 2945 – 2945.11. A full description of this civil code follows as well as some of the laws regarding foreclosure consultant regulation in ten other states. These laws have a great deal in common, namely, that Attorneys are generally excluded from the definition of a foreclosure

consultant and that foreclosure consultants are restricted from accepting advanced fees.

In the State of California, according to civil code 2945 – 2945.11, a “Foreclosure Consultant” is “any person who makes any solicitation, representation, or offer to any owner to perform for compensation, or who, for compensation, performs any service which the person in any manner represents will in any manner do any of the following:

1. Stop or postpone the foreclosure sale.
2. Obtain any forbearance from any beneficiary or mortgagee.
3. Assist the owner to exercise the right of reinstatement provided in Section 2924c.
4. Obtain any extension of the period within which the owner may reinstate his or her obligation.
5. Obtain any waiver of an acceleration clause contained in any promissory note or contract secured by a deed of trust or mortgage on a residence in foreclosure or contained that deed of trust or mortgage.
6. Assist the owner to obtain a loan or advance of funds.

7. Avoid or ameliorate the impairment of the owner's credit resulting from the recording of a notice of default or the conduct of a foreclosure sale.
8. Save the owner's residence from foreclosure.
9. Assist the owner in obtaining from the beneficiary, mortgagee, trustee under a power of sale, or counsel for the beneficiary, mortgagee, or trustee, the remaining proceeds from the foreclosure sale of the owner's residence.”

Another important aspect of this Act is that anyone performing anything remotely related to any of these services after a notice of default has been filed **cannot** accept payment or any form of remuneration for service until said services have been **completed in full**. Only an attorney, licensed by their respective state bar and in good standing, is **not included in the definition of a “Foreclosure consultant.”** As such, only an attorney in good standing may accept an up front fee for service of any kind while a client is past the notice of default stage during the foreclosure process. This fee for service is for legal representation during their time of crisis. Attorneys may, at their discretion, contract out the services of auditing and processing companies in connection with a loan modification or forensic loan audit. These contracted companies may **not** negotiate the terms of a loan

modification. These contracted companies may only process the formal requests of an attorney.

The California Department of Real Estate maintains a consumer alert webpage that serves to inform the public about advanced fees paid to anyone performing loan modification services. This webpage, http://www.dre.ca.gov/mlb_adv_fees.html , indicates:

“If you are behind in your mortgage payments, you may be contacted by individuals or companies that will offer to help you work out a loan modification with your lender or provide other services to you in order to help you prevent a foreclosure on your home.”

*“You must be very careful if you are asked to pay for any of these services in advance, whether in cash, check or by charging your credit card. First, California Civil Code Section 2945, which regulates "foreclosure consultants", forbids anyone who falls under the definition of a “foreclosure consultant”, as well as a real estate licensee, from collecting any advance fees for these types of services if a Notice of Default has been recorded against your property. **If your lender has recorded a notice of default, do not pay an advance fee to a real estate licensee, or to any person or entity. California licensed lawyers when rendering services in the course of their legal practice(s) are exempt from this prohibition. There are non-profit agencies that can assist you without charging you a fee and real estate licensees who can represent you for a fee to be paid after they have completed their work.**”*

Let us, now, summarize these statements in a very easy to understand format:

1. Only a licensed Attorney, in good standing with their State Bar, may collect what the California DRE refers to as advance fees from a client prior to AND subsequent to a notice of default being filed.
2. If you are not an Attorney, in the State of California, then the ONLY WAY YOU CAN ACCEPT ADVANCE FEES IS IF YOU ARE APPROVED BY THE DEPARTMENT OF REAL ESTATE TO DO SO.
A listing of all approved brokers that can accept advanced fees follows:
http://www.dre.ca.gov/mlb_adv_fees_list.html .
3. Even if you are approved with the Department of Real Estate in California to accept advance fees YOU STILL CANNOT ACCEPT ADVANCE FEES IF THE PROSPECT HAS HAD A NOTICE OF DEFAULT FILED AGAINST THEM.

One consideration you should SERIOUSLY take in to account is the relative value of operating a loan modification firm with only an advance fee approval from the California Department of Real Estate. If the majority of the clientele you will be working with are in serious distress then they are likely to either be close to or past the point of having a Notice of Default filed against them by their lender. As such,

these advanced fee agreements are not very valuable in the long run. Therefore, it is best to operate the loan modification business as a law firm, staffed with Attorneys that specialize in real estate or mortgage law that are in good standing with their respective state's bar association.

Other states have enacted their own laws to prevent homeowners from becoming victims of foreclosure consultants that commit fraud. A sample of the laws from ten other states begins on the following page.