Credit Repair MAGIC

PRESENTS

How to Reduce Your Mortgage Payments and Postpone Payments--Without Hurting Your Credit.

How to Drastically Reduce Your Mortgage Payments and Postpone Payments for Up to a Year--Without Affecting Your Credit.

This strategy is deceptively simple. But you must be careful to follow the steps carefully. This strategy works best if you are already behind on your mortgage payments, but it can be effective for any homeowner.

The reason mortgage holders are often willing to renegotiate loans is that the current economic crisis has increased the number of defaulting loans to record highs. The banks cannot afford to add another loan to their list of foreclosures. If they believe there is any chance whatsoever that a loan will default, they will do almost anything to avoid it.

In fact, many banks have given authority to even entry-level customer service representatives to lower your interest rates and defer your payments.

If you are in danger of defaulting on your loan, negotiating new terms is not only good for you, it's good for the lender, the economy, and the country.

Step One

Determine your current interest rate, monthly payments, mortgage balance, and loan terms. Write all these down on a piece of paper.

Step Two

Figure out what rate and terms you want to obtain. A good rule of thumb for the MOST you can obtain is one point below prime and a year of deferment. That's right. Some people have negotiated a full percentage point below the prime interest rate and as much as a year of deferred payments—even with bad credit.

The best strategy is to always ask for much more than you expect to get, so you can start with 1½% below the current prime interest rate (which you can find at www.primeinterestrate.com—look for the Federal Prime Interest Rate figure). If you have a variable rate, you may want to consider changing to a fixed rate—but consider all the financial outcomes of that decision first.

You can also start out by asking for a year of deferment, which eliminates payments now, but tacks them on to the end of the loan term.

Step Three

Determine your reason for negotiating new terms. The weakest argument is that you have found better rates or terms elsewhere. The strongest argument is that you are upside down on the value of the house and it's simply not worth it to you to maintain payments anymore.

If you or your spouse are currently out of work or about to be out of work, that makes for an even stronger argument. If you are behind on payments, the strategy can work even better because it adds credence to your claims. However, it is certainly not advisable to deliberately avoid making payments in order to get a lower rate. It will damage your credit.

Step Four

Contact your mortgage holder by phone (it may not be the company you got the loan from—it will be the company to which you currently make payments).

Tell the person who answers that you have a mortgage with them and you may have to default on it because of your circumstances, but that you want to see if there is anything you can do to avoid that scenario.

They may transfer you to another department, but you should insist on speaking with someone who has the authority to negotiate the terms on your mortgage. When speaking with this person, be very calm and polite, but it will help to sound a little bit desperate. Remember, they do not want to foreclose on your loan, but they don't want to be taken advantage of either.

Plead your case and then ask them what they might be able to do to help you through this situation. It's important that they see that there is some light at the end of the tunnel. Tell them that you will be back to work in a few months and that you don't want to lose the home, but that you may not have any choice if you can't get some help.

If they ask what you are looking for, tell them that you would like a reduction in the rate and to see if they are able to postpone the mortgage payments for a while. If they ask for details, give them the numbers you determined in Step Two.

If they balk at these figures, don't give in right away. Tell them that a couple of months deferment or a few bucks lower payments aren't going to be enough to help you right now. You are in a serious situation. It sometimes helps to tell them that you need your payments lowered by a certain dollar amount (try 30% lower than your current payment, rounded up to an even number), rather than a certain interest rate.

As far as the deferment is concerned, ask for the year, but see how much they will allow. Don’t settle for the first offer, which may only be a month or two. Tell them that you are going to need at least 7 or 8 months. Hopefully, you can settle at 4 to 6 months.

Step Five

They may ask that you make a formal request with a letter, or they may send you documentation for your signature. Read these documents carefully. Make sure that the new terms work for you before signing anything.

It’s important to ensure that the deferred payments aren't going to show up on your credit report as late payments. If it’s a proper deferment, that shouldn’t be a problem. If you can afford it, it won’t hurt to have these documents reviewed by an attorney.

Step Six

If at any time they refuse to negotiate, tell them that you won’t be making any more payments and ask them if there is an easy way for you to give the house to them without having to go through a lot of hassle. This is a bluff, of course, but it will let them know that you are serious.

It also helps to have information on home values in your area. Tell them that homes just like yours are selling for less than what you owe on your home right now. Quote actual figures if you have them.

They may tell you that a default will ruin your credit. Tell them that you don't have any choice about that and you will just have to let it get ruined. Stay strong during the negotiations, but always be polite and grateful.

A Final Note

Remember: there is no downside to trying this strategy. The worst-case scenario is that it won't work. It's not going to affect your credit or create any other problems if nothing happens.

A foreclosure is one of the worst things that can happen to your credit. Avoid it by trying this simple but amazing strategy. You'll be doing yourself, the bank, and the economy a big favor.