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NEW FEDERAL LOAN MODIFICATION RULES WORK WITH BANKRUPTCY LAWS

Beginning on June 1, 2010, new HAMP rule changes will now make it possible to seek mortgage modification while in an active bankruptcy case. Under existing U.S. Treasury rules, mortgage lenders are not required to consider modifications under the federal government's Making Home Affordable Program (HAMP) while a homeowner is in an active bankruptcy case; however, these rules are about to change and they will prevent lenders from saying no to mortgage modification during bankruptcy cases.

This will make it much easier for homeowners to seek modification of their mortgages and save their home while adjusting and discharging other debts in a single proceeding. The rules also allow use of the schedules filed in the bankruptcy case to be used as the modification application and other streamlined procedures that will make it easier to communicate with lenders. It also gives the homeowner the added protection of a Court Order approving loan modifications to prevent future mortgage problems caused by the mortgage company.

In the Orlando Division of the Middle District of Florida, the U.S. Bankruptcy Court has also launched a Mortgage Mediation Program to bring mortgage lenders to the negotiation table and offers sanctions against mortgage lenders who refuse to participate. In most cases, the trial period may be waived by making mortgage payments through a Chapter 13 Trustee.

These new rules make Chapter 13 Bankruptcy a much better option to seek mortgage modification and stay other creditors at the same time. It can also allow for the "stripping off" of second mortgages, lowering car loan payments and minimal if any payment to unsecured credit card debts. A homeowner who files for Chapter 13 Bankruptcy to reorganize may emerge from the case with a modified first mortgage, a second mortgage that is gone forever and be otherwise debt free upon plan completion and discharge.

"Finally a rule change to help the American Homeowner save their home" says Consumer Bankruptcy Attorney and Chair of the Orange County Bar Bankruptcy Committee Richard R. Baker, Esquire of Winter Park, Florida. "Most homeowners I meet with here in Central Florida need a mortgage modification and bankruptcy relief and now rules will make it easier to get both types of relief at the same time. I believe this will really give homeowners a better chance to save their homes and resolve other debt problems through Chapter 13."

To learn more about how these new HAMP rules and Bankruptcy Court Mediation in the Orlando Bankruptcy Court may help you, contact Mr. Baker by visiting www.legalquestion.com or call him toll-free at 888-841-3588.