



## **PRINCIPAL PAYDOWN PLAN**

### **FOR UNDERSECURED MORTGAGES**

#### ***WHY IS THIS PLAN NECESSARY NOW?***

- Voluntary mortgage modifications will never work – promises are not enough. The HAMP experience proves that servicers will never do modifications in sufficient numbers to address the crisis, nor will they voluntarily follow established rules.
- There is no agency or entity that can handle this problem other than the bankruptcy courts, which provide this function every day.
- This proposal makes sure most homeowners are represented by attorneys – bankruptcy attorneys.
- The proposal provides the solution for the enforcement problems inherent in a voluntary program such as HAMP.
- The proposal assures the borrower a more affordable debt-to-income ratio after the mortgage modification is in place. By reducing or eliminating unsecured debts, such as credit cards and medical bills, this proposal will greatly improve the likelihood of success of the modifications. The inability to deal with unsecured debt is a huge problem with HAMP, causing many permanent modifications to fail.
- The proposal also reduces or eliminates junior mortgages and, accordingly, prevents the conflict of interest of the big banks who own the major servicers from defeating effective modifications.