



Well written article defining Loss Mitigation on both sides of the fence.

*Editor: National Mortgage Network*

Featured in Mortgage News Daily 2/06/08

## Loss Mitigation Specialist Explained

### Related Questions:

- What is mortgage loss mitigation?

#### Answer #1

The trustor or mortgage holder needs to repay a delinquent portion of a loan as a result of impending default, foreclosure, bankruptcy, REO, and so on. Before a foreclosure or bankruptcy occurs after a one or two months default, a repayment plan may be proposed to the delinquent mortgage holder by a **loss mitigation specialist** to satisfy the amount owed to a bank or lender. Loss mitigation may prevent foreclosure or bankruptcy.

The loss mitigation specialist can be a real estate agent or broker, bank officer, attorney, paralegal, or anyone that has been trained and has experience with a loss mitigation business opportunity. Loss mitigation specialists should be investigated by the consumer regarding prerequisite experience, knowledge of repayment plans, and experience in dealing with banks and lenders. Knowledge of real estate financing and laws, good communication skills, and so on, is essential in being effective.

As mentioned above, loss mitigation is the act of lessening the mortgage holder's risk of foreclosure. A loss mitigation specialist can propose several plans or strategies to the bank or lender to put the loan back in good graces. Many banks and lenders want to **avoid the foreclosure** process since, on average, both homeowner and lender stand to lose tens of thousands of dollars. It's much more equitable if a "meeting of the minds" can occur to agree on a repayment strategy in which both homeowner and lender can benefit.

Another tool available to the homeowner was the filing of a Chapter 7 or 13 bankruptcy. This would automatically "stop" or "stay" a foreclosure from occurring. But since the new inception of bankruptcy laws, this process no longer exists for the homeowner or mortgage holder.

The *foreclosure loss mitigation specialist* can provide multiple strategies for fulfilling loan repayments depending on the type of loan debt or delinquency. He or she can provide a loss mitigation business opportunity for a prospective buyer or investor. Let's identify and define some the ways a homeowner may become delinquent in paying off

his or her mortgage.

Currently, it seems like almost anybody can get a mortgage loan. Historically, monthly mortgage loan payments consumed about 25% to 30% of a wage earners paycheck. Today, it's more like 50% to 60% of a person's income every month that goes toward paying off a mortgage. But since real estate prices have gone up almost exponentially over the past few years, house appreciation has offset this income to debt ratio.

Creative loans and financing in its several forms blast the airwaves. No money down, first-time buyers, 80/20 programs, and others, exploit the uninformed. Many people who live paycheck to paycheck are ignorant that these programs contain risky repayment or interest rate schemes that come due sooner than later. A temporary loss of a job or a hardship illness can quickly push the homeowner into **mortgage delinquency**.

The loss mitigation specialist can go to the bank or lender and state his client's case. He can propose **repayment plans** to fit both his client's and the lender's needs. Time is key. All key parties should act expeditiously to find resolution before a loan default occurs. Either the homeowner knows about loss mitigation and seeks debt relief in a timely manner, or the loss mitigation specialist is versed at seeing signs of foreclosure in his proximity to the real estate market and acts on them.

## Answer #2

Historically a Loss Mitigation Specialist works for the bank, typically in the **Loss Mitigation Department**. These were newly created only 20 or so years ago. They were designed to help nonperforming assets become performing ones. This way the lender could make their portfolio of loans to a Senior Investor look good.

A Loss Mitigation Specialist is commonly referred to as a Loss Mitigator. These people can handle [Short Sales](#), Foreclosures, [Forbearances](#), Loan Modifications, Repayments, and Deed-in-Lieu etc.

However, some people are not aware that Investors that work with preforeclosure or foreclosure clients may also have a "Loss Mitigation Department" and hire Loss Mitigation Specialists to work with lenders.

The term "**mitigation**" seemly means to mitigate or "control or manage" a certain loss amount. So... although commonly known for only banks to hire, Loss Mitigation Specialists can be anyone assisting in the controlling of loss for the asset in question. This is usually found working in the short sale investing arena.



[Cory Boatright](#)

[www.ShortSaleFundamentals.com/blogcory@ShortSaleFundamentals.com](http://www.ShortSaleFundamentals.com/blogcory@ShortSaleFundamentals.com)  
Expert real estate short sale trainer, course author and teacher. Proven successful short sales with preforeclosures & foreclosures.