

Law Offices of
TIMOTHY G. MCFARLIN
4 PARK PLAZA
SUITE 1025
IRVINE, CALIFORNIA 92614
TEL (949) 206-0400; FAX (949) 206-0404

Re: Loan Modification Counseling and Negotiation

Dear Client,

This is the written fee agreement ("Agreement") that California law requires attorneys to have with their clients. The Law Offices of Timothy G. McFarlin, (hereafter "Attorney" and/or the "Firm" and/or "McFarlin"), will provide legal services to _____ ("Client") on the terms set forth below.

This Agreement will not take effect, and Attorney will have no obligations to provide legal services, until Client returns a signed copy of this Agreement.

RECITALS:

WHEREAS McFarlin is a Real Estate Law Firm in the business of Real Estate Litigation, Counseling and Negotiation;

WHEREAS Client wishes to employ McFarlin to negotiate with their current lenders on real estate to restructure the current debt in a way that will allow Client to achieve and maintain financial stability;

WHEREAS Client understands and hereby acknowledges that legal services provided by McFarlin are not guaranteed, no particular result has been promised or guaranteed, no prediction of result has been made;

NOW THEREFORE in consideration of the foregoing and every term, covenant and condition hereafter set forth, McFarlin, Client do hereby understand, covenant and agree as follows:

Provide Complete and Truthful Information. Client shall provide McFarlin, in a timely fashion, all information requested by McFarlin reasonably necessary for McFarlin to perform the Services. Failure by Client to provide McFarlin all information so requested within 30 day's execution hereof shall constitute a waiver by McFarlin of any obligation for performance hereunder. Client expressly represents and warrants to McFarlin that he/she/they will at all material times, provide McFarlin with information that is accurate and true to the best of their knowledge and belief. Client hereby agrees to defend and hold harmless McFarlin from and

against any liability of any nature whatsoever arising out of or in connection with Client's breach, in whole or in part, of the representations and warranties herein contained.

Performance of Services. Upon completion of McFarlin's analysis and research efforts, McFarlin shall present to Client the options which are, as a result of such research, available, including but not limited to practical ways to improve Clients present debt structure.

Entire Agreement. This Agreement constitutes the entire agreement between the parties. McFarlin makes no warranty, express or implied, as to the fitness of any recommendation it may make to Client arising out of this Agreement. Except for cause, Client unconditionally waives any right of action against McFarlin, its officers, directors, employees, agents, brokers and assigns, at law, equity or any other cause of action for any reason, directly, indirectly or proximately believed to arise out of this Agreement, for any damages of any nature whatsoever that Client may incur by reason of Client following any recommendation of McFarlin or Client's failure to follow any recommendation of McFarlin, whether any singular, concurrent or series of recommendations are acted upon or not acted upon in whole or in part by Client.

Gender. Whenever used in this Agreement, the singular shall include the plural, the plural shall include the singular, and the neuter gender shall include the male and female as well as a trust, company, corporation, or other legal domestic or foreign entity, all as the context and meaning of this Agreement may require.

Headings. The paragraph titles and headings contained in this Agreement are inserted as a matter of convenience and for ease of reference only, and shall be disregarded for all other purposes including the construction or enforcement of this Agreement or any of its provisions.

Cross-references. All cross-references in this Agreement, unless specifically directed to another agreement or document, refer to provisions in this Agreement and shall not be deemed to be references to the overall agreement or to any other agreements or documents.

Time Essence. Time is of the essence of every provision of this Agreement that specifies a time for performance.

Facsimile Signatures. The parties mutually understand and agree that signature of a facsimile copy of this Agreement shall be deemed an original for all lawfully enforceable purposes.

Agreement Received. By virtue of their signatures below, Client acknowledges that he/she has read, understands and agrees to every term, covenant and condition of this Agreement and that he/she has received a true and complete copy hereof, effective the date first above written.

Counterpart Execution. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Client retains Attorney to represent Client in connection with facilitating loan modification of residential property.

Attorney will represent Client in a Counseling and negotiation capacity only. No litigation or litigation related activities are contemplated at this time, and this Agreement does not encompass such matters.

Attorney will provide those legal services reasonably required to represent Client in the matters described above and will take reasonable steps to keep Client informed of significant developments, and to respond promptly to Client's inquiries and communications. Client agrees to be truthful with Attorney, to keep Attorney informed of any information and developments which come to Client's attention, to abide by this Agreement, to pay Attorney's costs on time and to keep Attorney advised of Client's address, telephone number(s) and whereabouts. Client agrees to appear at all meetings Attorney deems necessary and to cooperate fully with Attorney on all matters related to the investigation, preparation and presentation of Client's claims.

Attorney will be compensated for legal services rendered, as follows:

\$3,500.00 for loan amounts up to \$400,000;
\$5,000.00 for loan amounts between \$400,000 and \$800,000;
\$7,500.00 for loan amounts over \$800,000;
\$10,000.00 for commercial properties up to \$1 Million.

Attorney will use his best efforts to negotiate and counsel Client in Real Estate matters related to a Loan Modification of residential real property. Should Client request Attorney to negotiate a deed in lieu of foreclosure as an alternative to a Loan Modification, an additional fee shall be required by Attorney for such negotiation and counseling.

Other than the fee structure discussed in the preceding paragraph, no out-of-pocket monies will be due from Client to Attorney for legal services.

The fees set forth above are not set by law, but are negotiated between attorney and client.

Client acknowledges that The Law Offices of Timothy G. McFarlin, PLC does not carry errors and omissions or malpractice insurance.

Attorney will incur various costs and expenses in performing legal services under this Agreement. Attorney agrees to pay for all costs and expenses. Costs and expenses commonly include photocopying and reproduction costs, notary fees, long distance telephone charges, messenger and other delivery fees, postage, travel costs including parking, travel and lodging expenses, investigation expenses, and other similar items.

This Agreement does not cover other related claims that may arise and may require legal services. (For example: lender lawsuits, disputes with Client's insurance company regarding coverage or amount of loss or reimbursement for benefits paid, disputes with Health Care Providers regarding amounts owed or reimbursement of any deficiency.)

If additional services are necessary in connection with Client's claims and Client requests Attorney to perform such services, an additional fee arrangement must be made between Attorney and Client in writing. Such additional services may be required, for example, in defense

of a lawsuit, cross-complaint or other cross demand filed against Client in connection with the above-referenced matter.

Attorney will not make any settlement or compromise of Client's claims without Client's prior approval. Client retains the right to accept or reject any adverse party settlement offer, if applicable. Client agrees not to make any settlement or compromise of Client's claims without prior notice to Attorney.

Client may discharge Attorney at any time, upon written notice to Attorney. Attorney may withdraw from representation of Client (a) with Client's consent, (b) upon court approval, or (c) for good cause upon reasonable notice to Client, (c) for Client's failure to cooperate with Attorney and provide documents and information. Good cause includes Client's breach of this Agreement, Client's refusal to cooperate with Attorney or to follow Attorney's advice on a material matter, or any other fact or circumstance that would render Attorney's continuing representation unlawful or unethical.

Client hereby grants Attorney a lien on any and all claims or causes of action that are the subject of Attorney's representation under this Agreement. Attorney's lien will be for any sums owing to Attorney for any unpaid costs or fees at the conclusion of Attorney's services. The lien will attach to any recovery Client may obtain, whether by arbitration award, judgment, settlement or otherwise.

Nothing in the Agreement and nothing in agreement and nothing in Attorney's statements to Client maybe construed as a promise or guarantee about the outcome of this matter. Attorney makes no such promises or guarantees. There can be no assurance that Client will recover any sum or sums in this matter or have his loan modified or deficiency waived, and in fact, Client may be liable for deficiency judgment resulting from foreclosure sales, or required to sign a promissory note by mortgage lenders. Attorney's comments about the outcome of this matter are expressions of opinion only. Client acknowledges that Attorney has made no promise or guarantee about the outcome of this matter. Specifically, Client acknowledges Attorney has not promised or guaranteed to stop any foreclosure sale of Client's property, but rather has agreed to use his best efforts to stop such a sale from going forward.

This Agreement contains the entire agreement of the parties. No other agreement, statement or promise made on or before the effective date of this Agreement will be binding on the parties. This Agreement may be modified by subsequent agreement of the parties only by an instrument in writing signed by both of them. This Agreement will govern all legal services performed by Attorney on behalf of Client commencing with the date Attorney first performed services.

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THE PARTIES HAVE READ AND UNDERSTAND THE FOREGOING TERMS AND AGREE TO THEM AS OF THE DATE ATTORNEY FIRST PROVIDED SERVICES. THE CLIENT(S) SHALL RECEIVE A FULLY EXECUTED DUPLICATE OF THIS AGREEMENT.

TIMOTHY G. MCFARLIN

CLIENT

CLIENT

INFORMATION ABOUT THE PROCESS

Our goal is to keep you in your home if you can afford to stay. We are experienced in working with you lenders to restructure your current property loan(s) by providing you with a unique, professional plan that you and your lenders can consider.

We fully understand, and you acknowledge, that you have a serious financial problem and only a short time to overcome the real possibility of losing your property.

We are a group of experienced attorneys, residential and commercial bankers and real estate brokers who understand that federal rules and lender foreclosure policies often conflict. Few people outside the banking world have the knowledge to work with your current lender to restructure your loan.

Please note: We believe that bankruptcy is the absolute LAST resort.

Typical results of our restructuring plans:

1. **LOAN MODIFICATION** – 99% of all ‘A’ type lenders and 70% of sub-prime lenders (with high interest rates) and general creditors will negotiate a loan modification where most of the delinquent payments and foreclosure fees are added on to the back end of the loan. Payments can remain approximately the same. In some cases the interest rate will be reduced permanently.
2. **FORBEARANCE PROGRAMS** – Typically 30% of sub-prime lenders (with high interest rates) will only offer a workout program that requires borrower to immediately pay at least 20% or more of the total delinquencies including foreclosure fees, plus the balance of the delinquency will be added to their regular monthly payments over a period of six to forty-eight months. Forbearance plans do not remove a foreclosure action but simply stop it in place until the loan is current.

FORBEARANCE PROGRAMS OFTEN FAIL IF THE LENDER IS NOT FORCED TO CONSIDER THE ABILITY OF THE BORROWER TO PAY. WE REQUIRE THEM TO CONSIDER YOUR ABILITY TO PAY.

Rate reduction program

Many homeowners with the 2/28 and 80%/20% purchase loans are having a pay rate adjustment of 28% to 44% and many homeowners can't afford the new payments and will not qualify for a new loan.

They have only one chance to keep their home: a pay rate reduction. A pay rate reduction is not simple to get approved, but we have approximately a 70% success rate on pay rate reductions for qualified borrowers. That is a risk for the homeowner but it is often their only hope.

The key to our 99% rate of success is constructing a financial plan that you and your lenders will approve and, most importantly, that you are able to afford. We work with you to compose a

hardship letter that describes why the problem occurred and, the good news, why it won't happen again. (A sample hardship letter is attached to this document).

We construct a financial plan that considers your current income and details a list of your monthly expenses and make recommendations to improve your budget and cash flow so your income exceeds your total monthly expenses each month.

Warning---- homeowners that try to work *directly* with their lender have a failure rate of over 80%. Even attorneys don't represent themselves.

We cannot help you if you have not solved, or we can't solve, the problem that caused the delinquency.

We cannot accept you as a client for negotiations until the problems that caused the delinquency have been solved.

The lender wants to see a **provable** relationship between your income and expenses that will ensure them and the federal regulators that you will be able to make your payments in the future.

What is a DEED IN LIEU? When there is no hope or little equity and no interest or hope of keeping the property or selling. Then the borrower may want to offer a DEED IN-LIEU to the lender to avoid the lender going to court and getting a deficiency judgment against them. This is a problem in 44 states. We can negotiate with the lender to accept the property as full payment. Note: some lenders will pay up to \$2500.00 to the homeowner.

Note: a deed in lieu will also prevent the lender from filing a 1099 on their loss which is regular income to the borrower.

FREQUENTLY ASKED QUESTIONS

CAN I DO THIS MYSELF?

Very small chance. If the lender forecloses on your home they will be the owner and they will sell your home and pocket your equity (if any). They will use everything you say against you. They will want lots of cash down to do a forbearance payment plan you can't afford. You lose the cash and your home. We are attorneys and retired bankers and know your rights.

HOW LONG DOES THE PROCESS TAKE?

There is no exact answer. Generally, forbearance plans take only two to three months. If a government guaranteed loan is involved (FHA for instance). Some Government loans can take longer to work out.

Fortunately, most lenders will take only a few months to approve a loan modification program once they have received a complete package.

Many lenders will postpone the sale of your property if they have received a complete package at least two to three weeks before the sale date.

HOW MUCH TIME DO I HAVE BEFORE THEY SELL MY HOME?

Every situation is different, typically in California the entire foreclosure process takes about three months. The sooner we start the loan modification process and the more time we have to work, the greater the likelihood of success. If you are unsure of the foreclosure laws in your State contact your broker or our office.

REMEMBER THIS - MAXIMUM SUCCESS IS POSSIBLE WHEN WE RECEIVE THE CLIENT'S INFORMATION 60 DAYS OR SOONER BEFORE THE FILING OF THE NOTICE OF SALE.

INFORMATION REQUIRED

In order to process your request for a debt restructuring we will need the following documentation:

1. **Hardship Letter**: Your lender wants to understand what the problem was that caused the delinquency, and how you have solved or intend to solve the problem. In other words, tell what caused the problem and why it won't happen again. It should be a DETAILED letter. Note that we will consider this letter a DRAFT and will help you if necessary.
 2. **Authorization to Represent** form(s) for each lender: Be sure to give us complete information about your lender(s). For example, copies of correspondence you received, address, phone number and name of any individual with whom you have discussed this matter.
 3. **Legal Notices**: Copies of all legal notices you have received from your lender(s).
 4. **Income and Expense Form**: A completed Income and Expense Form (attached).
 5. **Tax Returns**: We only need the first page of the *last two years* of Federal Income Tax returns. If you have not filed for last year, please include a copy of the extension and a brief note explaining why you have not filed.
 6. **Bank Statements**: Copies of all bank statements for the last three months.
 7. **Pay Stubs**: Copies of your last two paycheck stubs. If you are self-employed include a profit and loss statement for the last six months and bank statements for your business accounts for the last six months. If you have rented a room(s) in your home the lender will require a rental agreement.
 8. **Other Income**: Verification of any other source of income. Example: Rental agreements, Social Security benefit statements, and so forth.
 9. **Borrower Financial Statement**: A completed Borrower Financial Statement.
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10. **Retainer Agreement**: A signed Client Contract.

11. **List of Creditors**: A list of all creditors.

Please complete and mail the above items to:

**Law Offices of Timothy McFarlin
4 Park Plaza, Suite 1025
Irvine, CA 92614**

Or Fax to: 949-206-0404

AUTHORIZATION TO REPRESENT

Date: _____

Lender: _____ Re: Loan Number: _____

Address: _____

_____ Social Security # ____/____/____
Social Security # ____/____/____

Subject Property:

Dear Sir or Madam;

I/We have authorized:

Law Offices of Timothy McFarlin and
Linda Barsamian
540 E. Foothill Blvd., Ste 209
San Dimas, CA 91773

PHONE: 909-973-7907
FAX : 760-406-5709

To represent me/us in all matters regarding the above referenced loan(s).

Borrower(s) name(s) and address:

Phone: _____

_____/_____
Borrowers' Signature Date

_____/_____
Borrowers' Signature Date

Income and Expenses

Assets

Description	Amount/Value	Amount Owed	Net Value
Checking Account	\$		\$
Savings Account	\$		\$
401K/IRA/Keogh Account	\$		\$
Other Cash	\$		\$
Primary Residence	\$	\$	\$
Second Lien Amount	\$	\$	\$
Other Property	\$	\$	\$
Automobile 1	\$	\$	\$
Automobile 2	\$	\$	\$
	\$	\$	\$

Monthly Income

Description	Borrower	Co - Borrower	Total
Gross Income	\$	\$	\$
Overtime	\$	\$	\$
Commissions/Bonuses	\$	\$	\$
Rental Income	\$	\$	\$
Miscellaneous Income	\$	\$	\$
Less: Federal Income Tax	(\$)	(\$)	(\$)
State Income Tax	(\$)	(\$)	(\$)
Other	(\$)	(\$)	(\$)
Monthly Net Income	\$	\$	\$

Salary income is based on 12 months average

Sign _____ **Date** _____

Sign _____ **Date** _____

Monthly EXPENSES

Description of Expense	Monthly Payment	Balance Due	Months
Mortgage 1	\$	\$	
Mortgage 2	\$	\$	
Property Tax	\$	\$	
Homeowners Insurance	\$	\$	
Automobile Loan 1	\$	\$	
Automobile Loan 2	\$	\$	
Automobile Insurance	\$	\$	
Automobile Maintenance	\$	\$	
Gasoline	\$	\$	
Other Loans	\$	\$	
Credit Cards (Visa, MC, Sears)	\$	\$	
Utilities (Water, Gas, Electric)	\$	\$	
Telephone	\$	\$	
Medical/Dental	\$	\$	
Groceries/Food	\$	\$	
Entertainment/Vacation	\$	\$	
Child Care	\$	\$	
Clothing	\$	\$	
Other	\$	\$	
Total Expenses	\$	\$	

Discretionary Dollars \$ _____

Sign _____ Date _____

Sign _____ Date _____

Borrower Information Statement

Borrower's email address: _____

Part A- Borrower(s) Information

Borrower Name:		Social Security #:		Co-Borrower Name:		Social Security #:	
Borrower Birth Date:	E-Mail Address:			Co-Borrower Birth Date:	E-Mail Address:		
Borrower Phone #: ()				Co-Borrower Phone #: ()			
Borrower Home Address:				Co-Borrower Home Address:			
City:	State:	ZIP:		City:	State:	ZIP:	

Part B- Borrower(s) Employment Information

Employer Name:		Position Held:		Employer Name:		Position Held:	
Employer Address:		Employer Phone#:		Employer Address:		Employer Phone#:	
Employer City:		State:	ZIP:	Employer City:		State:	ZIP:
Employment Date:		Annual Salary:		Employment Date:		Annual Salary:	

Part C- Dependents

Name	Relationship	D.O.B.	Daycare (Y/N)?

Part D- Rental/Leasing Information (if NOT owner occupied)

Address:		City:	State:	ZIP:
Tenant Name:		Monthly Rent:	Month Last Paid:	Date Lease Expires:

NOTICE: Please complete this form, as your lender will require all this information

NOTICE TO NEW CLIENT

We are here to help you.

Here are a few things to keep in mind:

We will show your mortgage lender(s) that as of a certain date you have solved your financial problems and can now pay your home payments and make your regular payments on your other debts.

You will need to provide proof that this is true by documenting your income with checks stubs, and proof of any other income you may have. Example: if you have a tenant, or a relative that helps you with the payments, or rent your garage space, we will need a written agreement between you and the tenant.

If you are self-employed we will need a Profit and Loss Statement for each of the last three months --- If you have any questions on how to complete – ASK US FOR HELP.

The lender will expect you to have in your bank account an amount equal to one or two of your home loan payments. They will say – since you are not making your payments, and you say you can, the money should be in your bank account from the date you solved the problem (or the date we tell them you solved the problem).

SO SAVE YOUR MONEY ---- DON'T pay OFF your credit cards or other bills --- KEEP THE CASH --- Your lenders will want you to pay at LEAST their COSTS of foreclosure.

When we get your complete financial information we will call you and review our recommendations. We can't help you unless you give us the information requested.

Remember to send us ALL notices from your lenders and their attorneys --- IF EITHER CALL YOU --- JUST REFER THEM TO US

TIME IS OF THE ESSENCE
