

# LOAN MODIFICATION *FAQs*

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## *What is a mortgage modification?*

A mortgage modification is a process through which the mortgage lender changes the:

- o interest rate
- o principal balance (through a reduction)
- o loan terms (example: from an adjustable to a fixed rate)

This process can allow borrowers to stay in their property when they can no longer afford their current mortgage payments.

## *Why would a lender modify a mortgage?*

Foreclosure is expensive. Lenders realize it can be better to work with current borrowers to lower payments or improve terms in order to keep homeowners in their properties. The average foreclosure can cost a lender from 35 to 50 percent of the value of a property. Helping borrowers stay in their homes is a good option for everyone.

## *What do I need to qualify for a mortgage modification?*

The Making Home Affordable website ([www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)), provides a list of information for the lender to consider in modifying the mortgage:

- o Monthly mortgage statement
- o Second mortgage or home equity line of credit statements
- o Credit card account balances and minimum monthly payments
- o Debts, student loans and car loans account balances and monthly payments
- o Most recent income tax return
- o Savings and other assets information
- o Monthly gross (before tax) income of household, including recent pay stubs
- o Documentation of income from other sources
- o Written description of any circumstances causing income reduction or expenses to increase (job loss, divorce, illness, etc.)

## *How does someone qualify for a mortgage modification?*

The lender's customer service department can suggest options:

- o Loss Mitigation
- o Mortgage Modification
- o H.O.P.E. – A Hope Loan is an FHA insured, 30 year, fixed rate loan that replaces a bad mortgage, lowers mortgage debt, and reduces payments. This is a voluntary program.

Prior to contacting the mortgage lender, take a test to see if you are eligible for a loan modification through the government-sponsored Home Affordability and Stability Program (HASP). For the test see: [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov).

## *What is the Making Home Affordable Program?*

The Making Home Affordable Program offers two different potential solutions for borrowers: (1) refinancing mortgage loans, through the Home Affordable Refinance Program (HARP), and (2) modifying mortgage loans, through the Home Affordable Modification Program (HAMP).

## 9 Ways to Avoid Foreclosure

**Reinstatement**—Bring the loan current

**Forbearance**—Temporary loan repayment plan

**Refinance**—New loan with reduction of monthly payments

**Loan Modification**—Modify original loan terms

**Sell the Property**—Use equity to payoff or pay the difference

**Rent the Property**—Must make the loan current

**Short Sale**—Negotiate with bank to accept sale under loan amount

**Deed in Lieu of Foreclosure**—"Friendly Fore closure"

**Bankruptcy**—Will stall foreclosure, but not prevent it

There are countless ways home ownership can become a burden from the loss of a job, medical bills to an increase in a mortgage payment. There are ways to avoid foreclosure.

To find out which options work best for your situation call a Certified Distressed Property Experts (CDPE) who have the training and experience to help guide you through the complex maze of avoiding foreclosure. Time is of the essence.