



TERRA TITLE COMPANY

"Your Reliable Information Source"

NEWSBRIEFS

OCTOBER 19, 2009

Loan Modification

If you're concerned about how to do a loan modification, here are **7 things** you should be aware of.

- 1. Review your financial situation:** Prepare a Financial statement including a detailed list of your expenses (food, gas, credit cards and other financial obligations) in a spreadsheet and calculate the average costs on each item for the past 3 months or so. This is important because most lenders would ask you questions on your financial situation and require you to submit a Financial Statement.
- 2. Hardship letter:** Prepare a Hardship letter of not more than 2 pages wherein you'll put down why you aren't able to carry on with the usual payments and why you need a loan modification. Know how to write a hardship letter.
- 3. Collect documents:** You need to gather certain documents which the lender may review when you request for mortgage loan modification. The documents are:
 - Pay stubs and bank statements for past 2 months
 - W-2 Form for last 2 years for the employed
 - Form 1040 for last 2 years if you're self employed
 - Rental Agreement if the loan is not on your primary home
 - Most recent mortgage statement
 - Property tax statements
- 4. Contact your lender:** Call up the lender and make him aware of your situation. An even better way to communicate is by sending a hardship letter. It is easier to get a home loan modification if you're behind on payments. However, you may get approved even though you're not yet late but are not sure whether you can keep up the payments.

- 5. Fill out paperwork:** Once you qualify for mortgage modification, the lender will send an information packet and a financial worksheet for you to calculate your expenses. You need to attach documents you've collected along with the worksheet. This is for your lender to assess your financial situation and interpret whether you can pay your mortgage after home loan modification.

What you need to prove by filing out the paperwork is that the loan modifications will help improve your situation and make your payments manageable.

- 6. Written Agreement:** Once the lender reviews your paperwork, he may verbally agree to modify your loan. He'll also send you a document explaining the loan modification offer for your approval.
- 7. Stop gap repayment plan:** Once you accept the offer, the lender will need you to start off a stop gap repayment plan till the mortgage modification goes through. This will go on for maximum 60 days during which the lender reviews your loan status, financial statement and documents in order to assess the risks in modifying your loan.

During the stop gap period, you need to prove that you can afford monthly payments along with other expenses after loan modifications. Only then you have a fair chance to get your loan modified.

Home loan modification may be offered alone or as a part of forbearance. However, not all loans are appropriate for mortgage modification. Loans being modified are mostly those which are above the market rates or have lower loan-to-value ratios and mature terms. *Mortgagefit.com*

*Note: If you feel that you need help with the negotiating process, **Fortified Financial** is a Loan Modification Company (with offices in St. George) that can help people modify their current home loan who cannot refinance. They have been extremely successful in helping families from losing their home from foreclosure.*

Visit their website at fortifiedinancial.com