

# Do-It-Yourself Loan Modification



[Loan-Modification411.com](http://Loan-Modification411.com)

April 2009

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## INTRODUCTION

Thank you for your purchase of our Do-It-Yourself Mortgage Loan Modification package, and welcome to the world of DIY financial services. Because you have purchased this package, you've already figured out that there is no reason to pay someone thousands of dollars to get you the same mortgage loan modification you can get for yourself.

Our materials provide you with everything you need to work with your lender and give you the best chance to get the loan modification you can. Our package includes an introduction to the modification process, some important things to keep in mind as you go through the process, the forms you will need to begin the process, and a detailed explanation of how to complete each of the forms provided. In putting together this package, we consulted with an experienced mortgage and real estate attorney who has been involved in the mortgage loan business for a number of years, as well as other mortgage professionals. We took these extra steps to make sure we provide you with the best materials and chance of success we could.

You've probably seen advertisements or websites with people promising to "bring the lender to their knees" or "force the lender to give you a modification" through their aggressive action or even threatening a lawsuit. Those claims are little more than an attempt to get your money, and can actually make getting a modification take longer. Instead, you should follow these general rules whenever you are dealing with your lender:

1. **Honesty**. Be honest at all times. If the lender finds you are not dealing honestly, your chance of getting the modification you are looking for goes down;
2. **Patience**. When contacting your lender, you may be on hold for quite a while and may end up dealing with someone who does not seem to want to help you. Remember to be patient and remain calm throughout the process;
3. **Politeness**. Your lender is probably dealing with thousands of modification requests, and the person you speak with is probably handling dozens of them each day. No doubt, some of those people have not been nice in their dealings with the person you are now talking to. While being nice may not get you a loan modification, being rude could hurt your chances;
4. **Follow Up**. Remember to follow up on a regular basis. When you speak with your lender, ask when you should expect to hear from them, and if it is longer than a week, tell them you will call back in a week to check on status. Then do what you say you're going to do; and
5. **Stick To It**. Getting a loan modification usually takes longer than you think it should and the process can make you feel like you are not making progress. Don't give up out of frustration or because the process is taking too long...your home is at stake and worth it!

With these important rules in mind, let's move on to the steps you need to take in order to modify your mortgage loan on your own.

## **PART I**

# **UNDERSTANDING YOUR OPTIONS, LOAN MODIFICATIONS, AND THE FORECLOSURE PROCESS**

## A. WHAT IS A LOAN MODIFICATION AND CAN I GET ONE?

One of the first questions people ask is: What is a loan modification? That's usually followed quickly by: Do I qualify for a loan modification? Let's answer these questions so we're all speaking the same language.

### What Is A Loan Modification?

When you first bought your home, or when you refinanced it, you signed a lot of documents to get your loan, including a document called a "Note." The Note is your promise to pay the bank for the loan they gave you, and it includes all the terms of that loan (interest rate, when payments are due, etc). Now, because of a change in circumstances, you're struggling to repay the loan on the terms originally agreed to. So now it's time to ask the bank to make a change to, or to "Modify", the terms of your Note so that you can stay in your home and pay back the money you borrowed.

As you've no doubt figured out from the paragraph above, a modification is a way for both you and the bank to agree to new repayment terms, so that you can continue to make your payments. Perhaps the bank will lower your interest rate, lower your payments, move any past due amount to the end of the loan and allow you to repay the loan over a longer period of time, or take other steps to help make sure you can make the payments. When you and the bank agree to the new terms of your loan, they send you a document that you sign, and that document changes certain sections of your original Note. That is a modification.

### Do I Qualify?

Loan modifications used to be pretty unusual. Today, they are pretty common. However, not everyone is eligible for a loan modification, though there are other options if a modification is not available (more on that a little later). So let's look at what it takes to qualify for a loan modification. Really, you need three things:

1. **Desire To Keep Your Home.** This part is pretty easy to understand. If you don't want to keep your home, there's no reason for you to do anything more. The fact that you are reading this says you want to keep your home;
2. **Hardship.** The bank wants to know that something has changed in your life, creating a hardship and making it difficult for you to pay your loan as agreed before. The hardship could be a loss of job for someone in the home, unexpected bills (like medical bills), or even a change in interest rate that makes the payment too much. Telling the lender about this hardship is an important part of the loan modification process; and
3. **Income.** Someone in the home must have enough income to make the payments on a successfully modified loan. Unfortunately, if there is no household income, a modification becomes very difficult, or even impossible. Because with no income, there's no ability to make the payments. And if you can't make any payment, no matter the amount, because of a lack of income, a modification won't help.

So, if you (1) want to keep your home, (2) have suffered a hardship, and (3) have household income to make the payments on a modified loan, you may be on your way to getting a loan modification.

### What If I Don't Qualify?

Most people want to keep their home. And most people have suffered some kind of hardship, which is why they fell behind or expect to fall behind in their mortgage payments. The one thing we can't always count on today is having income. If you don't have income to make payments on your loan, what do you do? YOU HAVE A CHOICE!

Foreclosure is an unfortunate and painful process, but it's not always necessary. If you don't qualify for a loan modification because of a lack of income, or for any other reason, you can ask for a forbearance, giving you some time to start earning money again, at which time you can try to modify your loan. Or, if you can't do that, you can still try to sell the home through a short sale or even work with the bank to give them back the house in good shape, in return for some additional time to live in the home and find a new place to live. Each of these alternatives is described below:

**Forbearance** - A forbearance is a kind of repayment plan your lenders may be willing to negotiate after you've suffered a financial hardship. In a forbearance, your lender may be willing to let you miss payments for a period of time (for example, 3 months) while you find a job. After the forbearance time ends, you will then begin making your normal payments again, plus a little extra to make up the missed payments over time. Lenders are often willing to do this, because they would like to keep you in your home, making your normal monthly payments, while providing you with the ability to pay the past due amount over an extended period of time.

**Short Sale** - A short sale is when the lender agrees to let you sell your home for less than the amount owed. Sometimes, when borrowers find themselves in a situation where they simply cannot afford the home, even with a lower payment, a short sale is the best outcome. It is important to remember the bank will get all of the money from the sale (since they are owed more than the sale price) and that a short sale can affect you and your taxes. We recommend you consult with a knowledgeable tax advisor of your choosing before making a short sale.

**Deed In Lieu Of Foreclosure** - A deed in lieu of foreclosure, sometimes referred to as a "DIL" or simply a "Deed in Lieu," allows you to voluntarily give your property back to the lender. This may be the right solution if you can no longer afford your mortgage payment, don't qualify for a modification or short sale, and you want to avoid going through the foreclosure process. Typically, your lender will want to inspect the property before agreeing to a DIL. While a DIL may impact your credit history negatively, our experience is that in most cases it is viewed more favorably by future creditors than a foreclosure or bankruptcy.

In all of this, one thing to remember is that YOUR LENDER DOES NOT WANT YOUR HOME! As a result, they are willing to work with you and try to find a solution.

## **B. THE FORECLOSURE PROCESS**

A shocking number of homeowners are faced with the possibility of foreclosure, which is why we've produced this Mortgage Loan Modification Package – to help homeowners avoid foreclosure whenever possible. So what do you need to know?