Be Prepared to Do Some Work to Get Your Mortgage Terms Modified

Homeowners by the millions face interest rate adjustments on their adjustable rate mortgage loans each year. For many owners, the adjustment comes as a shock and causes panic as the monthly payments increase to much to be covered by the monthly income. The result is often that homeowners get behind in their payments, and eventually lose their home in foreclosure.

This scenario has become so commonplace in the past several months, and the effects on the economy significant enough that U.S. lawmakers and economists have started calling on mortgage lenders to work out loan modifications as much as possible to help homeowners avoid foreclosure. They have even started creating coordination efforts among lenders to streamline the process. And in general, most lenders have already been implementing their own such programs to reduce the number of foreclosures. Lenders loathe the foreclosure process because it is costly to pay for the legal fees and it is expensive to fix up and sell the foreclosed home. Sometimes the lenders do not even make back the money they lent on the sale. So typically lenders would rather work with the borrower to pay off the loan at a modified or slower rate rather than let the home go into foreclosure.

Getting a mortgage modified is not always a simple and easy process though. If you are facing foreclosure, you should be prepared to work hard to stay in your home and get your loan terms adjusted. In order to get your monthly payment lowered or to be able to skip a few payments, you need to do your homework.

First, start by calculating how much you can truly afford to pay a month. Find out what your debt-to-income ratio is. That means how much total debt, including mortgages payments you are carrying, divided by your income. Ideally, your ratio should be under 36 percent. So if you expect to get a loan modification, your ratio would probably have to be much higher. Collect and provide documentation of your income as well as your debts. You will need things like W-2s, bank statements, insurance bills, credit card statements, and bills showing any other debts you have.

If you have already unsuccessfully attempted to prevent foreclosure by selling your home, you should show your lender how many (or how few) bids you received on your home and the offering price. This will demonstrate to the lender that it would be easier and cheaper to keep you in your home than have to try to sell it at a drastically reduced price himself.

Finally, be prepared to practice a lot of perseverance to get your loan modified. It may take several hours a day trying to contact the right people and your documents may get lost in the process and you may get shuffled around to many different employees, but keep trying. Keep backup copies of your paperwork, and record the names of all the people you talk with. Your hard work and patience is likely to pay off and keep you in your home!