

# Questions *and* Answers on Mortgage Modifications



The one reality about today's housing market is that many people have more questions than answers. As a community service your area real estate expert has provided you with this information to help you with your situation or someone you may know who may need answers. Your provider understands that helping people out of difficult financial situations helps us all.

## Mortgage Modifications

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

- Your interest rate
- Your principal balance (through a reduction)
- Your loan terms (example: from an adjustable to a fixed rate)
- Any or all of the above

This process will often allow a borrower who can no longer afford their home at their current mortgage payment to stay in their property.

## Mortgage Modification Q & A

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

Lenders have realized that in some cases it is better for them to work with their current borrower to lower their payment or possibly improve their terms in order to keep them in their property. The average foreclosure can cost a lender from 35 to 50% of the value of a property (or more) so keeping a borrower in their home is better for everyone.

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

According to the Making Home Affordable government website ([www.MakingHomeAffordable.com](http://www.MakingHomeAffordable.com)) you will need the following information for your lender to consider a modification:

- Information about your first mortgage, such as your monthly mortgage statement.
- Information about any second mortgage or home equity line of credit on the house.
- Account balances and minimum monthly payments due on all of your credit cards.
- Account balances and monthly payments on all your other debts such as student loans and car loans.
- Your most recent income tax return.
- Information about your savings and other assets
- Information about the monthly gross (before tax) income of your household, including recent pay stubs if you receive them or documentation of income you receive from other sources.
- It may also be helpful to have: A letter describing any circumstances that caused your income to be reduced or expenses to be increased (job loss, divorce, illness, etc.) if applicable.

### *How do I qualify for a mortgage modification?*

The first call you make should be to your lender, have the information above ready to discuss with them and call your customer service line to ask them what options you have available. If the person you speak with does not understand what you are asking about you can ask to be referred to one of the following departments (different lenders have different names for this department):

- Loss Mitigation Department
- Mortgage Modification Department
- H.O.P.E. Department

Prior to contacting your mortgage lender you can quickly complete an eligibility test at [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov). This test will let you know if you are eligible for a modification through the government sponsored Home Affordability and Stability Program (HASP).

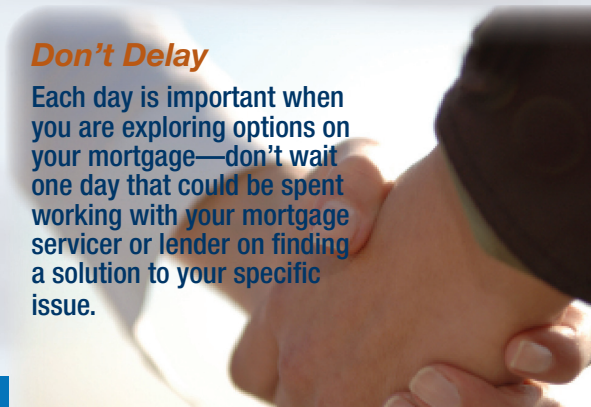
For a list of mortgage lenders and servicers with contact information your can visit [www.HopeNow.org](http://www.HopeNow.org).

### *What is a Home Affordable Refinance?*

If Fannie Mae or Freddie Mac owns your mortgage you may be eligible for a Home Affordable Refinance. This will allow you to refinance your home and often lower your payments.

### *Don't Delay*

Each day is important when you are exploring options on your mortgage—don't wait one day that could be spent working with your mortgage servicer or lender on finding a solution to your specific issue.



## HUD Approved Counselors

- ACORN Housing ©  
<http://www.acornhousing.org/>
- Catholic Charities USA ©  
<http://www.catholiccharitiesusa.org/>
- Citizens' Housing and Planning Association, Inc.  
<http://www.chapa.org/>
- Consumer Credit Counseling Service of Atlanta™  
<http://www.cccsatl.org/>
- HomeFree-USA ©  
<http://www.homefreeusa.org/>
- Homeownership Preservation Foundation ©  
<http://www.995hope.org/>
- The Housing Partnership Network ©  
<http://www.housingpartnership.net/>
- Mission of Peace Housing Counseling Agency ©  
<http://www.missionofpeace.com/>
- Mississippi Homebuyer Education Center ©  
<http://www.mhbec.com>
- The Mon Valley Initiative  
<http://www.monvalleyinitiative.com/>
- Money Management International, Inc. ©  
<http://www.moneymanagement.org/>
- National Community Reinvestment Coalition ©  
<http://www.ncrc.org>
- National Council of La Raza ©  
<http://www.nclr.org>
- National Federation of Community Development Credit Unions  
<http://www.cdcdcu.coop>
- National Foundation for Credit Counseling ©  
<http://www.nfcc.org/>
- The National Urban League ©  
<http://www.nul.org/>
- NeighborWorks® America  
<http://www.nw.org/>
- Neighborhood Assistance Corporation of America © (NACA)  
<https://www.naca.com>
- Rural Community Assistance Co.  
<http://www.rcac.org/>
- Structured Employment Economic Development Co.  
<http://www.seedco.org/>



## Mortgage Modification Resources

### [www.MakingHomeAffordable.gov](http://www.MakingHomeAffordable.gov)

- Check your eligibility, see frequently asked questions.

### [www.HopeNow.com](http://www.HopeNow.com)

- List of Lenders and services with contact information

### Fannie Mae Contact Information

- 1-800-7FANNIE (8am to 8pm EST)
- [www.fanniemae.com/loanlookup](http://www.fanniemae.com/loanlookup)

### Freddie Mac Contact Information

- 1-800-FREDDIE (8am to 8pm EST)
- [www.freddiemac.com/mymortgage](http://www.freddiemac.com/mymortgage)

## What if I Don't Qualify, Can't Afford My Home and Owe More than It is Worth?

You are not alone and foreclosure is not the only option. If your mortgage lender or servicer will not work with you to reduce your payment you may want to consider a short sale, the Certified Distressed Property Expert (CDPE) that gave you this document has undergone extensive training in how to process and negotiate short sales.

A short sale allows you to sell your home for less than what you owe and avoid foreclosure. Speak to the market expert who provided you with this information to see if you may qualify for a short sale.



## Should you Hire 3<sup>rd</sup> Party for a Mortgage Modification

If you are considering a Mortgage Modification you have probably started to notice companies that advertise they will help you negotiate and lower your payments and possibly your mortgage balance. You should be very cautious when proceeding with any of these organizations.

According to a recent White House Press Release, "One tip-off that an offered service may be a scam is that it asks homeowners to pay upfront fees, officials said at the news conference. They stressed that none of the new programs announced by the Obama administration in recent weeks required any upfront fees."

When engaging with a third party for help with a modification you should:

1. Make certain they are not charging up-front fees.
2. Be very cautious as to the organizations affiliation, many companies include words like 'Federal' or 'Government' in their names but are in no way affiliated with the government.
3. If the organization claims to be affiliate with the government or with the Obama administration ask for their website and check them out.

## The qualifications for a Home Affordable Refinance according to the resources released by the government are:

- You are the owner occupant of a one to four unit home
- The loan on your property is owned or securitized by Fannie Mae or Freddie Mac (see resources on this bulletin)
- At the time you apply, you are current on your mortgage payments (current means that you haven't been more than 30-days late on your mortgage payment in the last 12 months or, if you have had the loan for less than 12 months, you have never missed a payment)
- You believe that the amount you owe on your first mortgage is about the same or slightly less than the current value of your house
- You have income sufficient to support the new mortgage payments, and the refinance improves the long-term affordability or stability of your loan.