

## 10 Step D.I.Y. LOAN MODIFICATION

Own Real Estate Right...  
*Building living legacies*  
[www.OwnRealEstateRight.com](http://www.OwnRealEstateRight.com)  
An O'Donnell Financial Group Affiliate

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## Why are YOU here?

I'm a Homeowner and I want to know more  
I'm a Realtor and I want to know more  
I'm an Advisor and I want to know more  
I think I may need a Loan Modification  
I can't make my payments and want to know if I  
qualify for a Loan Modification

Lot's of different circumstances bring us together  
today. Out of respect for everyone's time...  
Please hold your "SPECIFIC" questions for after the  
presentation. Thank You!

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## The next 45 minutes...

- What is a Loan Modification
  - What does the lender need to know
  - Who Is and Is Not a good candidate
  - 10 Step to a DIY Loan Mod
  - Pro's and Con's and Do's and Don'ts
  - Other Options? Have a Back Up Plan
  - Shorts Sale Listing vs Foreclosure / REO
- \*Always seek legal and tax advice

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## What is a Loan Mod

- A Loan Modification is a temporary or permanent change in one or more of your loan terms; rate, principle balance, payment type and frequency even fees and penalties may modified
- Loan modifications create financial relief for homeowner's who have had, are currently experiencing or are about to experience some type of hardship
- A Loan Modification is a way to renegotiate your current mortgage allowing you to keep your home and mortgage and maintain or repair your credit

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## Key Factors

1. Nature of Hardship
2. Ability to pay
3. Amount Owed
4. Equity in the property
5. Future financial situation
6. What is better for them. To foreclose or pursue a loan workout with you and or modify your loan. Meaning which approach will best benefit the lender in the long run.

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## What is a Hardship

- Increased payments do to rate/pmt change
- Loss of job / Decreased income
- Divorce or Loss of spouse / partner
- Excessive Medical Expenses
- Increased Expenses due to Emergency
- Any other major change in income/expenses

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### Not a Good Candidate

Borrowers who:

- Wait to long to apply
- Have excessive expenses
- With large sums of money
- Who have no change in earned income
- Who have no change in expenses
- Who have no rate changes
- Who cannot prove any real hardship
- Who have rental properties with or without tenants

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### Not all qualify

- Every situation is unique so every Loan Modification will have a unique outcome.
- It's important to know that each bank has their own guidelines and requests are treated differently from bank to bank
- What if I am not a good candidate, should I apply anyway... Again, every situation is unique and there while there is no risk or cost to apply for a DIY Loan Modification be sure it "makes sense"

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### When to apply

- As soon as you know you will have difficulty continuing to make your existing mortgage payments

Contrary to popular belief, waiting until you have already missed payments may make it harder to get a work out agreement with your lender.

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### Step 1: Apply

Step 1: Call your lender to let them know that you are going to apply for a Loan Modification

- Ask for any specific forms (sample "needs List" included), contact person, fax number, phone numbers and mailing address
- Many lenders now have Loan Mod instructions on their website. Familiarize yourself with their website prior to calling.
- Start using your Conversation Log. Enter the Date of the call, to whom you spoke and all of the necessary contact information (phone, fax, email etc)

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### Step 2: Financials

- Step 2: Complete the Financial Statement

Template available

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### Step 3: Documents

Step 3: Gather the required documentation

- Make good clean copies of your documents, all pages (missing pages will delay the process)
- Provided as much supporting documentation as possible to support your hardship
- Place everything in your file

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### Step 4: Hardship

Step 4: Write a hardship letter to support your application (sample included)

- Be honest and to the point
- Don't let anyone else write your hardship letter for you
- Be sure to personally sign it and place it in your file

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### Step 5: Package

Step 5: Preparing the Package per your lenders specific instructions. Lenders receive 1000's of Loan Mod applications every week. Be sure yours is complete and easy to review.

- Be sure you have included *all pages*
- Be sure each document is *legible*
- Use the stacking order and dividers provided

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### Step 6: Copies/Log

Step 6: Make a copy package to keep for your reference and records!

- Copy of the entire package prior to mailing
- Place your copy in your Loan Mod folder for future reference
- Keep your Conversation Log on Top

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### Step 7: Send it!

Step 7: Fax AND Mail the package

- Fax the Loan Mod package to your lender
- Note the date and time faxed on the Conversation Log
- Mail the Loan Mod package to the lender.
- Send via some type of "proof of delivery" like US Express Mail and place the delivery receipt in your file for future reference
- Note the date you mailed the package on the conversation log

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### Step 8: Confirm

Step 8: Call to confirm receipt of your package

- Allow up to 2 weeks for the lender to receive and "log in" your Loan Mod package.
- Until your package has been logged in the lender will not know that they have it
- Be sure to log each follow up call; date, time, to whom you spoke, any notes and their direct call back number (if they have one)

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### Step 9: Follow Up

Step 9: Call Weekly and note each call on your Conversation Log

- Once logged, it may take another 1 – 4 weeks for your package to be assigned to a Loan Mod Counselor
- Feel free to call as often as you like – but calling once a week is enough
- ALWAYS Be Nice! Would you want to help... YOU?

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## Step 10: Decision

### Step 10: The Decision

- Be Prepared – Not everyone is offered a Loan Modification. Currently, less than 35% of Loan Mod requests are approved.
- **If you are offered new loan terms be sure that you get everything in writing** and that you can actually meet them and live with the new terms.
- **!!! Be sure to get, in writing, how the lender will report the modification to the credit bureaus!!!**  
Keep this information in your file and get a copy of your report about 3 months after your loan mod is complete to verify that the mod is reporting as promised.

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## Pro's and Con's:

### Pro's

- No Risk or Expense with a DIY Loan Mod
- You get to be your own Negotiator!
- You know exactly what is going on at all times

### Con's

- You may not get the terms you are hoping for
- The lenders will attempt to get as much money from you as possible during the negotiation process.
- They may tell you that it looks good, they are working on a resolution and then poof – NOD arrives
- You may not get the Loan Mod at all

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## Do's and Don'ts:

### Do's

- Be honest, Positive and Realistic
- Keep excellent Notes and Records
- Save money so that you can get as caught up as possible on your mortgage or other bills
- Enlist the help of your Realtor and Mortgage Advisor

### Don'ts

- Don't give false information
- Don't ignore attempts by your lender to reach you
- Don't waste time... Act Now!

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### Other options?

- Sell your property
  - Consult your Realtor to determine if you have the \*equity for a traditional listing (\*probably not a Loan Mod Candidate)
  - If you don't, discuss listing your property as a Short Sale to avoid Foreclosure
- Refinance your existing loan through traditional methods
  - If you are not delinquent on payments you may qualify for a conventional refinance
  - If not, FHA currently allows 2x30 mortgage late's and up to @ 95% financing

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### Short Sale:

- A Short Sale is when the bank agrees to let you sell your home and accept less than the full amount that is owed on a property.
  - For example: A homeowner has a mortgage for \$400,000 and receives an offer for \$350,000. This mortgage would be "short" \$50,000 plus costs at closing.

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### Short Sale vs. REO:

- A Bank Owned Property has already gone through the foreclosure process and is now "owned" by the bank
- The bank then has to place the listing with a Realtor and try to sell the property for as much as they can to recover money as possible

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### Why a Short Sale:

- If there is no or negative equity in your home, the bank doesn't want it – they are more motivated accept the Short Sale offer
- It costs banks more money to go through the time and expense of a foreclosure, listing and selling the property as a "Bank Owned" property.
- In most cases the bank will end up selling it for less and have to pay sales fees and legal fees along the way
- Banks are not in the business of selling houses

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### When to List:

- List your house before you make the first call to your lender
- Include the listing and Net Proceeds information provided by your Realtor
- The lender will see that you are serious about needing relief, either from the current payment, of from the property all together
- The paperwork needed to apply for a loan Mod and a Short Sale is the same

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### Why Now?

- Listing ahead of time gives YOU options
- Listing ahead of time shifts some of the control and decision making back to You and your team of Advisors!

Your Realtor may need to adjust the listing terms to cover expenses should your result be a Loan Modification rather than a Short Sale

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## Short Sale vs Foreclosure

### Short Sale

Home sells for more \$  
 Stay in home longer  
 No Eviction  
 \*Closed Account on credit  
 Private to Neighbors  
 No deficiency judgment  
 No cost to seller  
 Responsible way to handle debt

VS.

### Foreclosure

Home Sells for less \$  
 You move quicker  
 Evicted from home  
 Shows Foreclosure (10yrs)  
 Public Notices and Signs  
 \*Deficiency judgment  
 Trustee Sale  
 Embarrassing & wrong way

\*Verify Reporting Method with each lender

\*Currently No Judgment on PR

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## Wrap Up:

- Remember: I am not a Loan Mod “specialist” nor am I an Attorney and I recommend that you seek legal and tax advice
- Feel free to stick around and mingle... I have the room until 11am
- Any Questions?

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