advanced real estate concepts LLC

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Loan Modification Questions & Answers

Below are the most frequent questions about loan modifications and their answers. No legal advice is provided. Each case is unique in its way. Please seek professional legal counsel.

Is a Loan Modification For Me?
Usually a loan modification is a good solution for a property owner if the property owner has a steady source of income, can keep paying if the mortgage is reduced and wants to stay at the property.

Do I qualify for a loan modification?
To qualify for loan modification, the property owner must have enough steady income to keep up with the mortgage if the payments are reduced.

Do I necessarily need to be in default to modify my loan?
No. Loan modifications can be negotiated for properties in default and current in payments.

Can a short sale be negotiated at the same time as a loan modification?
Yes. It is a very good idea. That way, if one solution does not work out, most likely the other one will.

What is a Loan Modification?
A loan modification is a re-structuring of a property owner's mortgage payments such that they are more affordable.

What is forbearance?
Forbearance is a voluntary postponement of the foreclosure process by the creditor. Often the creditor refrains from foreclosing in exchange for the homeowner paying part of the arrears in default. The other part of the arrears are "thrown into the back end" of the loan. Typically there is no change in the monthly payment amount. Creditors typically attempt forbearance before accepting a loan modification. Property owners often confuse forbearance as being the same as loan modification.

How are Loan Modifications Negotiated?
In the states of Oregon and Washington, most successful loan modifications are negotiated through attorneys assisted by expert witnesses and facilitators. In this arrangement, an attorney firm represents a property owner to make the case that the loan should be re-structured such that the property owner can keep up with the mortgage payment. The expert witnesses provide the needed evidence. The facilitator assists the property owner in gathering the needed documents.

Can a property owner negotiate his or her own loan modifications?
Yes! Homeowners can definitely negotiate their own loan modification. However, most property owners don't have the expertise, time and instruments to effectively negotiate an advantageous loan modification.

What are the advantages of an attorney-based loan modification?
- Uses the judicial system in your favor
- Takes advantage of consumer protection laws
- Experience
- Efficient
- Faster
- Systematic approach
- Has team in place
- Objective view of the situation
- Creditors respond better when they hear the word "attorney"

What makes a loan modification proposal acceptable to the lenders?
For a loan modification to be acceptable by the creditors, the property owner needs to show two main facts:
- Evident hardship and inability to keep making mortgage payments at the current rate.
- Demonstrated ability to continue paying if mortgage payments are reduced.

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What is better: A refi or a loan modification?

Loan modifications and refinances are entirely different animals. One is not better than the other.

- In a refinance, a new mortgage is created and the existing mortgage is paid off.
- In a loan modification, an existing loan is re-structured such that payments are more affordable.

What is important is to select the right option based on the existing situation. Both refinances and modifications have advantages and disadvantages.

How much does it cost to modify a loan?

In most situations, loan modifications are less costly than current monthly mortgage payments. We offer a loan modification service fee with payment divided into 4 or 5 installments in order to make it more affordable. For pricing information call me, Oscar Morante, at 971-222-3435 or email me at oscar@bestshortsales.com.

What is the loan modification process? How long does it take?