

# Exclusive Report: Top 10 Deadliest Loan Modification Mistakes

Read this report now to avoid making a mistake that can stop your loan modification dead in its tracks.

Too many people throw away their one opportunity for getting a loan modification by not understanding what the bank is looking for when qualifying them for a potential home loan.

## 1. Trying to calculate your income and expenses while on the phone with the bank.

Lenders will start asking you questions about your income and expenses the moment you inquire about a loan modification. They're trying to determine if you will qualify. Unfortunately, too many homeowners don't take time to accurately calculate their income and expense and get denied the opportunity to apply for a modification on the very first phone call.

Instead, ask the bank representative what information they need and ask them to email or fax it to you. Then you can work on your own time to ensure you've calculated everything accurately.

## 2. Including overtime income in monthly income calculations.

Lenders will only accept fixed income in determining your eligibility for a home loan. If you work in a job that pays you overtime you have to make sure to subtract that overtime amount from your monthly earnings before determining your income and expenses.

Often times, borrowers with overtime mistakenly include it in their income and when the bank subtracts it out they suddenly are unable to qualify for the loan modification.

## 3. Being over-optimistic on your new monthly mortgage payment.

This works both ways. You can be too optimistic about how low your monthly payment can be; but you can also be too optimistic about how much you can afford each month in your new payment. You may feel guilty about asking for too much and try to ask for a mortgage payment that isn't as low as it could be.

Worse, if the lender makes adjustments to your

## 6. Not giving your lender adequate time to help.

Lenders are willing to work with you, up to a point. A big mistake that borrowers make is not calling the lender until it is too late. Loan modifications take time. There are lots of parties involved and levels of bureaucracy that your application needs to go through. This all takes time. You should give your lender at least 45 days to complete the application.

If you've received a foreclosure notice you'll want to start working with the lender ASAP. Most lenders will work with you up to 30-days in advance of a trustee sale or auction. Some will even work with you two weeks in advance if you are a good candidate and can move quickly. But once you're inside of 30-days of a sale you're in the danger zone. Don't procrastinate – time is your friend.

## 7. Not keeping accurate records.

Do you remember all the detail and documentation that you needed to get your first home loan done? Well, loan modifications are no different. You're going to need paystubs, bank accounts, credit card and utility statements; student loan and car loan balances and monthly payments and more. You are also going to need to keep track of all the conversations you've had with the bank; who you spoke with, the date, what was promised, what was asked for, etc.

If you're not a detail-oriented person things will fall through the cracks. Your modification will be delayed. A missing piece of documentation can be the difference between qualifying for a loan modification and being denied.

## 8. Not preparing an accurate and effective hardship letter.

Banks don't want to do loan modifications for people who are just irresponsible and don't make their mortgage payment on time. They want to help people who have had a life-changing event that has made a previously good borrower fall behind on their mortgage. If you're constantly late on your mortgage, you're probably not a good candidate for a loan modification.

If, however, you've fallen behind because an adjustable rate

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income or expense calculations you may suddenly be out of range for qualifying. It's better to ask for too much than too little. Let the lender negotiate back, but don't put yourself out of the game with a payment that you can't afford.

#### **4. Admitting to being untruthful on your previous mortgage application.**

Many people used stated income loans to qualify for their home during the boom. You might not have even known that a broker used false income to qualify you for your loan. In any case most lenders are interested in moving forward, not looking back.

If they ask you about your income on your original loan application simply say "I can't speak for the past, but this is what I make right now." That settles that. Lying on a loan application is a crime. Do not implicate yourself. Talk to an attorney if you have further questions about this.

#### **5. Paying too much in good-faith money.**

All lenders are going to want some sort of good faith payment to grant the modification. It proves that you're serious about honoring the modification and that you're making an effort to bring your mortgage current. Many banks will ask for two month's of past payments in good faith.

This can often be negotiated to a single month's payment; in some cases as little as half a past mortgage payment. Negotiate, negotiate.

mortgage went through the roof, or someone was ill or a spouse temporarily lost a job, or some other catastrophic event the bank is willing to listen. You need to effectively communicate that hardship in a letter and state what happened and why; and why you're back on track and a good candidate for a loan modification.

#### **9. Not using private-sale valuations for assets.**

Banks are going to look to make loan modifications for people that can afford the new payment and are likely to repay the loan. They also want to work with people who have assets that can be used to repay the loan in the event that the borrower has to liquidate some assets to keep up with the payments. Many people think of assets solely as the home, stocks, bonds, 401(k)s and other financial instruments. Maybe a car if it's paid off.

What many people don't know is that the personal assets in their homes count towards their personal balance sheet. Jewelry, art, antiques, business equipment, fitness gear, you name it, all have a value to them. Their values vary widely whether you value them at an auction price (what you'd have to pay if you had to get rid of them today) and private sale price; which is the price you could get if you took your time to sell them. Private sale value is usually higher and may make your asset statement more appealing to the lender.

#### **10. Filing for bankruptcy in the middle of a loan modification application.**

Banks want to work with people who can pay their loan. If you file for bankruptcy in the middle of a loan modification the bank will stop automatically working with you. The house will be in the bankruptcy and that is a sign that you no longer have the ability to meet and pay your obligations.

Now, you may need to file bankruptcy to keep a trustee sale from occurring or other event that makes it a necessity. But if you are in the process of doing a loan modification, be sure to tell your attorney and weigh the pros and cons of filing for bankruptcy in the middle of the process.

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