

## Could a Loan Modification Prevent Your Foreclosure?

At least 25,000 homeowners recently got a gift letter from the Federal Regulators--offering them a new, more affordable mortgage payment. Could you be as lucky as these mortgage borrowers from the recently failed IndyMac Bank?

The Federal Deposit Insurance Corporation (FDIC) is offering delinquent IndyMac borrowers significant concessions on their past due mortgages--lowering interest rates to as low as 3%, extending terms to as long as 40 years, waiving traditional loan modification fees, and holding payments under 38% of borrower's gross income.

This leaves a lot of homeowners wondering why only IndyMac borrowers are getting such a good deal. Well as it turns out the FDIC's program is not as unique as it sounds.

In a recent statement by FDIC Chairman Sheila C. Bair she advocates "a systematic and streamlined approach to loan modifications to put borrowers into long-term, sustainable mortgages." The hope, according to FDIC officials is that this program will be come an industry model.

Although certainly not streamlined or mainstream loan modifications are generally available to all borrowers in trouble. A loan modification, also known as a modified refinance, is simply a negotiation between a lender and a borrower that yields a restructuring of loan terms without refinancing. This often means a new payment and rate.

"You can certainly try to do a loan modification on your own and not use a professional service," but Michael Geffre of Entrust a San Diego loan modification company with over 9 years experience, "80% of these attempts fail."

Many borrowers in need of a loan modification are finding it difficult to get started. Calling a lender directly can lead to confusion or loan officers attempting to refinance already troubled mortgages into worse.

Most lenders have not set-up processes to handle a high volume of loan modification request. This can lead to requests being bounced around or even lost until it is too late to avoid foreclosure.

Most experts suggests that if you are having trouble making your mortgage payment or facing a significant interest rate or payment adjustment to search out a loan modification expert as soon as you are served a Notification of Default.

"Although we can help most people right up until 10 days prior to a foreclosure sales," says Geffre, "there is a complex set of procedures, negotiations, and documentation that needs to be completed. In some states this process needs to be performed by an attorney or properly licensed counselor."

There is a lot of pressure for banks to modify loan terms and keep borrowers in their home. Considering the current housing marketing and declining home values, lenders are often finding loan modifications more financially attractive than the expenses of foreclosure.

However, it seems that the key to borrower success is navigating the red tape and unfamiliar internal processes at banks and lenders--lenders that are performing large volumes of loan modifications for the first time.