



NEVADA DEPARTMENT OF
BUSINESS AND INDUSTRY

Navigating the Loan Modification Process

What can the bank do to modify my loan?

A loan modification is simply a change in the terms of your mortgage contract. The bank could cut your interest rate by a few points, which could save you hundreds on your monthly payment. Or, they could extend your term from, for example, 30 to 40 years. Or, they could potentially reduce what you owe in total on your house.

How do I get to the bank people who can actually help me?

Make sure you're talking to the right department: the Loss Mitigation Department. Ask for that department specifically. If you mention that you are behind on your loan when you call, you may be transferred to the Collections Department, and they will not be able to help you.

It can sometimes be difficult for a homeowner/borrower to get to the decision maker in the bank's department. Be polite but persistent and don't allow yourself to be stonewalled at the lower levels.

Keep in mind that the banks have been inundated with requests for loan modifications and other types of refinancing. That means, they've had to "staff up" with employees who may not be well trained. It's yet another reason to be persistent about getting to a decision maker.

Once you get to the decision maker, make sure you're ready: have a detailed budget prepared – particularly your income - and be ready to discuss it thoroughly with the bank.

Why do they keep telling me I have to be in default before they can help?

Many mortgages have been sold to investors, in other words "securitized". Several investors may own a piece of your loan. So, just like you have a contract with your bank, your bank has a contract with these investors. The contracts with the investors may not allow banks to change the terms of your loan until you have actually missed several payments.

Do I have to have a housing counselor help me with the process?

No, you can do it on your own with your bank. However, this is an area where a HUD-approved housing counselor can help significantly. They can help you develop a comprehensive budget, and they can help you get to the right people at your bank. Even better, their services are free to the homeowner/borrower.

Make sure that you deal with a HUD-approved counselor. This gives you a level of comfort that your counselor is knowledgeable and ethical. Find a list on HUD's website or at <http://foreclosurehelp.nv.gov/HousingCounselors.htm>.

Is a loan modification the only way for me to go?

A loan modification may not be the ultimate solution to your mortgage troubles. In fact, according to recent reports, 30% of modifications made last year actually lead to higher payments. And, the re-default rate is actually quite high.

For sure, explore loan modification options, but be prepared to consider other options to save your home like a short sale. Also be prepared that your circumstances may mean you can't save your home. Again, working with a housing counselor is very helpful because they can assist you in transitioning out.