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Modifications Hurting Homeowner Refinancing

As a mortgage professional and self-proclaimed "Refi-Man," I have seen a substantial increase in declined mortgage applications. There are a number of reasons, after all, why homeowners get declined. Seems, strategies that have been supposed to assist householders are literally hurting them!

Mortgage modification programs have been launched in 2007 and exploded in 2008 during the credit crunch. Debtors and Homeowners had been experiencing decreased property values with increased lending restrictions which made it very troublesome to obtain a mortgage loan. Enterprising mortgage firms, especially these with little to no actual mortgage enterprise, started offering mortgage modifications as a method to supplement their misplaced revenue. Now you may need to read the final line again.

Loan modifications weren't marketed to help home-owner, no that wasn't the aim at all. They were pushed by mortgage professionals and ex-mortgage professionals to maintain THEIR paychecks coming in. Whether or not or not the programs really helped the homeowner did not seem to be an issue. Now I'm positive some individuals obtained a modification on their loan. With hundreds of thousands of modification requests submitted to the lenders, some have been bound to get approved. However how many of those came from mortgage modification corporations and what number of got here straight from the homeowner?

Loan modification corporations don't appear to care about the homeowner's credit standing either. Most clients that I run into who've already began their modification course of (which cost them an average of 2 months mortgage cost) are several months behind on their mortgage. And there may be good motive for that.

Mortgage FYI - Lenders rarely maintain your mortgage. Odds are your mortgage was bought to a big group of traders somewhere within the world. The issuing mortgage firm nonetheless accepts your payments each month; this is referred to as servicing the loan. Your mortgage company merely will get paid to gather for their investor. Now the enjoyable part, MOST agreements, between these banks and buyers, embody a stipulation that if the borrower/homeowner ever defaults on their mortgage, the financial institution has to purchase back the mortgage from the investor. Effectively, in case you do not miss a payment, the bank has no incentive to help you. The bank does not want to purchase your mortgage back from the investor, ever!

So again to the topic of this article. Householders who enter into a mortgage modification agreement with a 3rd party firm are inspired to default on their mortgage. Some purchasers have instructed me that their representative told them straight out, "Do not pay your mortgage for two months." In addition they later persuade the homeowners to make use of the cash they saved not paying the mortgage, to pay the loan modification company. At this level now we have missed funds, questionable credit, and nonetheless no modification.

Which is concerning the time they call me. Now I am a licensed mortgage professional with entry to every kind of government sponsored packages to assist householders, however keep in mind, I'm within the danger evaluation business. That signifies that we lend cash to those who seem like a superb or certified risk. A homeowner that misses two or three months of mortgage payments shouldn't be normally thought-about an excellent risk.

FannieMae, FreddieMac, FHA and VA applications have been modified with the intention to enhance assistance for householders who may be underwater or upside down on their mortgage. In some instances, I've been capable of help homeowners get a loan that was 25% greater than the home was worth at a decrease price which saved them cash each single month. These are nice applications that every one certified owners ought to take advantage of. However each one of these applications is geared in the direction of those who have good mortgage payment history.

Hopefully this article has helped you establish a greater path for you and your family. Most homeowners fear about their income or their credit, which is all very important. However I can think of nothing more important for serving to you together with your largest legal responsibility than paying your mortgage on time.

In the event you want mortgage modification help, I suggest you contact your native HUD workplace which gives free counseling. Or should you want, work with your lender directly. The Feds are rising incentives for banks to assist out their borrowers.

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