The Top 5 Loan Modification Mistakes Made by Homeowners

By Brian Wilcher

For many homeowners suffering financial difficulties during the current economic crisis, a loan modification is their only shot at staying out of foreclosure and keeping their home. During this stressful time, completing the process *quickly and accurately* is absolutely essential, since homeowners only have *one shot* at getting it right. Unfortunately, some homeowners make mistakes that either bring the process to a standstill or result in non-approval. The following are the five most common mistakes homeowners make, as well as how they can be avoided.

1. **Refusing to admit that they need help** -- Borrowers who are falling behind on their mortgage payments with nothing in the foreseeable future--such as a new job or increase in salary--that could help them catch up should contact their lender as soon as possible to begin the loan modification process. Getting the help of a reasonably priced assisted loan modification program to help guide them through the process is also essential at this point.

2. **A badly written hardship letter --** The hardship letter is a signed statement detailing exactly what circumstances have made it difficult for you to make your payments, the reasons why you are requesting assistance, and what you are planning to do to resolve your situation. Failing to *clearly* address each of these issues in your letter can cause your modification to be denied before the process truly begins, so make sure that you do so! An assisted loan modification program that provides samples and guidance in writing an effective hardship letter will help tremendously.

3. **Failing to follow directions --** It is *absolutely essential* that you follow the directions for submitting your loan modification package *to the letter*. That means submitting *everything* your lender asks for, making sure each document is properly signed and dated, etc. Failing to follow directions can stall the process or cause your modification to be denied. Again, an assisted loan modification program is essential, as it will guide you through the process, as well as provide tips, reminders and checklists to help you make sure you’ve completed your package thoroughly and accurately.

4. **Being untruthful --** Always start with the truth. There are ways to provide the facts and be truthful without divulging information in a manner that could cause the lender to over scrutinize your case or allow them to think there is no need to offer the lowest payment possible. Never submit false documentation or lie to the lender. This is considered fraud; it is illegal and punishable by law.

5. **Failing to remain diligent throughout the process --** Borrowers need to be persistent and constantly follow up on their file with the lender. Always be polite and courteous, never impatient. The goal is a resolution; it is important to remember that borrowers need help from their lender, not vice-versa.

Again, using an assisted loan modification program will help you avoid these common mistakes, ensure that your loan modification is approved, and help you keep your most important possession--your home.

Summary

For many homeowners suffering financial difficulties during the current economic crisis, a loan modification is their only shot at staying out of foreclosure and keeping their home. Unfortunately, some homeowners make mistakes that either bring the process to a standstill or result in non-approval. Avoiding the five most common mistakes will help ensure a successful loan modification.