G-ville News - 1/30/2010

Want a loan modification?

New procedures designed to get relief to more troubled homeowners faster

By Stephanie Armour
USA Today

Homeowners applying for mortgage modifications will soon have to provide paperwork upfront showing that they qualify.

The new documentation process is aimed at getting homeowners more rapidly into permanent mortgage modifications that make their monthly payments more affordable.

To accept homeowners into the program, many lenders took income information over the phone.

Getting the documentation to get a borrower a permanent mortgage modification then took time, lengthening the process.

Under the change, homeowners will provide the documentation upfront.

The new guidance goes into effect June 1, but servicers are free to adopt it earlier.

Borrowers seeking a modified mortgage will need:

- Two pay stubs.
- An electronic form that allows a servicer to pull up a tax return online.
- A request for modification that includes a hard-

Bring your documents

ship affidavit.

Some servicers, such as GMAC, required upfront documentation all along and had more success turning trial modifications into permanent modifications, Treasury officials said.

"A lot of the problem of converting trial modifications into permanent modifications has been time delays," says Herb Allison, assistant secretary at Treasury. "We think this will have faster (processing). Servicers who have put this in place have had faster conversion rates."

The goal of the $75 billion program is to provide up to 4 million homeowners with more affordable home mortgages through 2012.

More than 90,000 homeowners have been helped with trial modifications so far, and those who partici-

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pate in permanent modifications get a median savings of more than $500 a month.

About 66,000 homeowners have accepted offers to convert from trial modifications into permanent modification programs.

The program applies to borrowers who live in their homes and whose housing debt expenses are more than 31 percent of their income. There's no major change in the type of documentation needed, but the process has been simplified in hopes of making it easier for borrowers.

To reduce payments under modifications, first interest rates are reduced, then terms of the loan are extended; 43 percent of homeowners have gotten term extensions so far.

Typically, homeowners enter trial modifications, and if they make payments on time for three months, they enter into the permanent modification phase.