Mortgage Loan Modifications

What should owners of homes know about dealing with today's economy? The new words of "Short Sale", "short refi", "Loan Mods" and "Loan Mortgage Modification" are new terms that homeowners never thought they would need to hear or understand what they mean in order to possibly save their homes or their credit. No one planned for such a drop in home values and such a rise in costs.

With all the new terms and with all the sever changes in this economy, it is no wonder that homeowners fear doing anything when they are faced with financial hardship. Homeowners need not longer fear these terms and more importantly understand why loan modifications and short sale refinancing may make the difference between a homeowner keeping their home, avoiding bankruptcy and saving their credit.

We all heard about the great "bailout" of 2008 which congress passed that was to help control the foreclosure problem while encouraging new lending of home loans by banks and mortgage providers. We all heard both the pros and the cons with our government bailing out several banks, insurance companies, financial institutions and etc. However, the biggest pro for homeowners will come from this bailout. The pro is that mortgage companies are now starting to stop foreclosure sales, short sales and going back to the owners to modify their loans so to allow them to keep their home irrespective of their failure to pay their mortgage payments. Therefore, debtors will begin to see an order of process for homeowners to fight to keep their homes in these unprecedented times of financial suffering.

A loan modification will be likely the first step for homeowners to consider. A loan modification is simply a homeowner asking the mortgage company to modify the current terms of their mortgage. Homeowners will ask a mortgage company to modify their mortgage because of being late on payments, variable interest rates, too high of monthly mortgage payments and etc. Homeowners can seek this relief on their own directly with the mortgage company. However, the process is very time consuming and often frustrating for a homeowner. It recommended that you hire a law firm to help get you through the process.

If a homeowner cannot pay the loan modification that was negotiated with the mortgage company, a Short Sale may be the next option. A Short Sale is simply the sale of a home for less than the value of the mortgage owed on the property. It is no secret that most home values are much less than homeowners purchased their homes. Short Sales are a good option if the homeowner simply does not want to save their home and needs to get out from underneath the debt of the mortgage. The best part of a Short Sale for the homeowner is that any amount due owing to the mortgage due to the shortness of the sale the homeowner is released from liability coupled with a release of tax liability pursuant to the 2007 mortgage forgiveness relief act.

One very important point is that mortgage companies today are requiring that loan modifications be conducted first and attempted by the homeowner before they will even consider a Short Sale.

What is the gist of the forgoing? If you are struggling with debt; if you are inundated with creditors calling; if your home is in jeopardy of foreclosure, or simply feel overwhelmed by your financial responsibilities, there are a number of potential debt relief solutions at your fingertips.

As always, all situations relative to a strategy for bankruptcy and lien stripping should be discussed in detail with a bankruptcy attorney to understand all your avenues open to you.