

URBAN SOLUTIONS

What is a loan modification?

A loan modification is simply altering the terms of a loan contract by mutual agreement of the borrower and lender. Modifications are usually done to make the payments more affordable to the borrower during hardships.

The terms of the loan contract that are modified most often are the annual interest rate, the term of the loan (payoff period) and, even the principal (loan amount).

What is the federal Home Affordable Modification Program (HAMP)?

HAMP is the federal Act enacted by Congress in 2009 that establishes national guidelines for modifying private residential mortgage contracts. HAMP is an important component of our national economic recovery program. Consumer spending drives our national economy. The immediate HAMP objective is to lower homeowner mortgage payments and, thereby, increase national household disposable income to increase consumer spending.

The Act was also created to offset rampant predatory lending practices that were prevalent during the first decade of the century.

Who qualifies for a HAMP loan modification?

It is estimated that up to 16 million residential loan contracts created during the first decade should be modified under HAMP to meet current FDIC fair lending practice guidelines. Nearly 4 million households currently using these contracts are delinquent on their mortgage payments and face possible foreclosure. Another 12 million HAMP qualified households are in distressed financial situations due to financial hardships.

What constitutes financial hardship?

The most common cause of financial hardship is a reduction in household income. The “obligation to make an excessively high monthly mortgage payment” can also constitute a severe financial hardship. Homeowners that have received, or are in danger of receiving, a formal Notice of Default or Notice of Foreclosure Sale Notice from their lender are most assuredly experiencing a financial hardship. Simply stated, any household “that cannot make financial ends meet” is experiencing a financial hardship.

Do I need a good credit score to be eligible for HAMP?

No. Applying for a HAMP does not require a good credit nor does it affect your credit rating. You already have your mortgage loan. HAMP is simply used to modify the terms of your existing loan contract to make monthly payments more affordable. However, you do have to demonstrate that you have sufficient income to make the reduced HAMP payments.

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How do I apply for a HAMP mortgage payment reduction?

You can apply for a HAMP mortgage payment reduction directly to the lender, through a third party consultant or through any HUD certified nonprofit organization in your community. Third party consultants tend to be expensive (\$3,000 to \$5,000). HUD certified nonprofit organizations will process the application free of charge. However, the nonprofit application program has a dismal success rate and requires exceptional patience on the part of applicants.

Do I qualify for a HAMP mortgage payment reduction?

First, the HAMP loan modification program only applies to private residential loan agreements created prior to 2009 with a current principal balance of less than \$729,725. In addition, the homeowner must be paying more than 31% of gross monthly household income towards the mortgage payment. The mortgage payment includes the monthly principal and interest payment plus the payments for taxes and insurance. You will also qualify if you have an interest only mortgage loan or a negative amortization mortgage loan (now banned in many states).

HAMP Document Processing Program

You can use our online HAMP document processing system to develop your own submission ready request for a HAMP loan modification. Our program allows you to devise your own payment plan in accordance with federal HAMP guidelines; something that you cannot do with HUD certified nonprofit organizations or third party consultants. Our do-it-yourself program will allow you to create and orchestrate the best outcome for your situation with minimum effort and knowledge of banking lingo or the ins and outs of the banking.

What do I do next?

Complete our online forms to electronically produce the submission ready request documents that you will submit to your lender – including the mortgage payment plan that you are legally entitled to under the law. We provide two online utility programs to help you reduce your mortgage payments – the HAMP Mortgage Payment Planner and the HAMP Qualification Calculator.

HAMP Mortgage Payment Planner

First, use our HAMP Mortgage Payment Planner utility to create your new mortgage payment plan. This utility will also display your home purchase cost savings using the HAMP payment plan that you devise. Click this link to develop your HAMP mortgage payment plan.

[HAMP Mortgage Payment Planner](#)

HAMP Qualification Calculator

The second utility program is our HAMP Qualification Calculator. Use this utility program to see if your household qualifies for HAMP by both federal and commercial lender loan modification approval criteria. Click this link to see if your household qualifies for your plan.

[HAMP Qualification Calculator](#)