

Loan Modifications - How Do You Know If You're Getting A Good Deal?

How do you know if you are getting a good deal on your loan modification?

There may not be a clear cut answer, because each individual loan modification is different than the others.

How your loan gets modified depends on many different factors - many of them unique to the individual situation.

You're still wondering how not to get "taken" by your bank and if your deal is good or bad.

Regardless of what stage of the process you are in, you'll want to be sure that what you're getting will actually help you when all is said and done.

So how can you determine this?

There are two primary methods; be aware, however, that because loan modification is a fairly recent development in the financial industry, few standardized comparisons have emerged.

Loan originators are not under any obligation to provide loan modifications at all. In some situations, the fact that you were able to get *any* kind of deal may be good enough.

In other situations, you may be digging yourself into a deeper hole.

The closest thing to a standardized evaluation approach is the "31 percent test," which comes from studies performed by the FDIC, which have shown that a healthy monthly housing payment is one that is less than 31 percent of your total monthly household income.

You really shouldn't be paying more than 31 percent of your money into your home. This is the closest thing to a guideline that exists in this industry.

If your monthly household income is \$4000, you shouldn't be paying more than \$1350 in housing expenses. If after your loan modification your payment is higher, you may have cause to question whether you got a good deal. But this is just a general principle.

There are 3 things that you can do to determine whether or not you are getting a good deal on your loan modification.

1. Ask around and review loan modification forums. See what people are saying and what kinds of terms they are getting on their loan modifications.
2. Begin with the end in mind. If you know what will work for you before you start the loan modification process, you have a much better chance of feeling like you are getting a good deal once you achieve your initial goal.

3. Do your research on loan modifications. Take into consideration the good and the bad. Many people have success with the loan modification process and are sharing their experiences. What worked for them and why?

No matter what you decide, you should always consult with professionals before you sign the final paperwork to get your loan modified - always.