Can A Loan Modification Decrease Your Credit Score?

Many people today are considering if they should apply for the federal sponsored Colorado loan modification program Making Home Affordable. One of the major concerns people have is what effect a mortgage modification will have on their credit score.

Nov. 7, 2009 - ***PRLog*** **--** Many people today are considering if they should apply for the federal sponsored colorado reverse program Making Home Affordable. One of the major concerns people have is what effect a mortgage modification will have on their credit score.

Until now a colorado reverse lender was reported in various ways depending upon the individual mortgage company and their reporting policies. Some lenders would report a loan modification as “paid as agreed”, however, most would report them as “partial payment”, which has a negative impact on a person’s credit report. A “partial payment” report is a major derogatory, in the same category as a foreclosure or short sale according to FICO spokesman Craig Watts. Fair Isaac and Company, is one of the three biggest credit reporting companies in the US.

New reporting plan

Starting November 1, 2009, lenders are encouraged to use a new benign way to report federal-sponsored loan alteration. Under guidelines put out by the CDIA, lenders should report them as a “loan adjustmentunder a federal government plan”. CDIA is the firm which represents credit bureaus. FICO, the main provider of credit scores, will ignore this new notation for the time being. It will neither help nor hurt a home owner’s credit reportscore until FICO decides how to treat it. FICO says new mortgage changes will not hurt scores. “Once there is enough documented performance for people who went through a government sponsored mortgage adjustment, we will be able to assess the accumulated data to determine how predictive it is”, says FICO spokesman Craig Watts. As a rule the analysts prefer having at least a year’s worth of performance data before making any alterations to its credit-scoring formula.

Under the associations guidelines, if a person is current with his mortgage payments before and during a trialloan modification period (typically three months), the lender is supposed to report the mortgage as current.

Starting November 1, 2009, if the loan alteration is approved after the trial period, the lender adds a comment that it was modified under a federal plan instead of the dreaded “partial payment”.

If the note was at least 30 days past due before the trial note adjustment, payments during the trial period will not bring it current. The lender will continue to report the appropriate level of delinquency, but if the note adjustment is approved, it will reported as a note modification under a federal plan.

Caveats

The new designation could blemish a borrower down the road if FICO decides to treat it as a risk factor. Even if it never enters the scoring formula, potential bank (http://www.firstchoicemortgagecollc.com) can see it on an applicant’s credit report and decide for themselves how to treat it. Have in mind that in some cases the lenders will look beyond a credit report and study someone’s full credit history when determining a borrower’s credit worthiness.

# # #

About First Choice Mortgage Company, LLC: First Choice Mortgage Company has built its reputation on providing outstanding service to its clients and the launch of http://www.FirstChoiceMortgageCoLLC.Com is yet another example of the company's dedication to exceeding expectations.

--- End ---

Source	Jay J
City/Town	Centennial
State/Province	Colorado
Zip	80112
Country	United States
Industry	Financial, Real Estate, Loans
Tags	Colorado Mortgage, Colorado Loan Modification, Colorado Credit, Colorado Mortgage Modification
Link	https://prlog.org/10404989