

Loan Modification Checklist

Prepared by The Real Estate Professor

TikTok: @thereprofessor

DRE# 01397646 | NMLS# 1657175

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Overview

A loan modification adjusts your mortgage terms to make payments more affordable. It's designed for borrowers with hardship but stable income.



Checklist

- ☐ Application Form – Servicer's official form
- ☐ Hardship Letter – Explains financial difficulties
- ☐ Pay Stubs – Verifies income
- ☐ Bank Statements – Shows cash flow
- ☐ Tax Returns/W-2s – Long-term proof
- ☐ Expense Worksheet – Budget vs. ability
- ☐ Proof of Other Income – SSI, pension
- ☐ IRS Form 4506-C – Tax transcripts
- ☐ Mortgage Statement – Loan details
- ☐ Insurance Declaration – Coverage proof

Case Study (for FHA Loan Modification Checklist)

Borrower Profile:

- Loan Balance: \$625,000
- Interest Rate: 6.75%
- Original Monthly Payment (PITI): \$4,280
- Occupation: Nurse in Oakland, CA

Hardship:

In 2023, borrower's hours were cut by 25% due to hospital staffing changes. Household income dropped by \$1,500/month, making the mortgage unaffordable. The borrower fell behind by 3 payments and received a **Notice of Default**.

Action:

Borrower submitted a complete loss mitigation package including pay stubs, bank statements, and a hardship letter. The servicer reviewed for an FHA loan modification.

Resolution:

- Loan balance: \$628,000 (after past-due amounts and fees were capitalized)
- New Interest Rate: 4.25% (modified)
- New Term: 30 years
- New Monthly Payment: \$3,350 (a \$930/month reduction)

Outcome:

Borrower was able to reinstate the loan, keep her home, and afford her new payment within her reduced income.



Pro Tips

1. Submit **complete** packages
2. Respond quickly
3. Keep records
4. **Be specific** in hardship letters

Resources

[Mortgage Relief Resources – DFPI](#)

[National Mortgage Settlement Counseling – CALHFA](#)

[HUD Housing Counselors](#)

[CFPB Mortgage Help](#)