

NOT OUT OF THE WOODS, YET: RESET OF LOAN MODS TO KICK IN SOON



Foreclosure activity has dropped to the lowest level since 2006, and predictably, loan modifications are (and have been) on the decline as well. Granted, the decrease in loan mods has been partially due to stricter documentation standards, which have been a downward pressure on the number of modifications being approved for some time. But the continued decrease in foreclosure activity and loan modifications are a promising sign for loan servicers and homeowners alike.

Despite generally improving news in the loan servicing sector, trouble may still lie ahead. As of April 2014, 95% of rate reduction modifications were still facing resets starting in the fall of 2014. The stricter documentation standards mentioned above are expected to reduce re-defaults, but homeowners who received rate reductions prior to that point may still be in danger.

So don't expect to retire your loan servicing software's loan modification functionality just yet!

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