Wells Fargo Loan Modification - Debt Ratio Qualification Information

One of the most important factors in determining borrower qualification for loan modification is debt ratio.

Sept. 17, 2009 - *PRLog* -- Debt ratio is a percentage calculated by dividing monthly debt by gross monthly income. The lender generally requires a 38% maximum debt ratio in order to qualify. For the purposes of debt ratio calculation, gross income is defined as monthly wages plus guaranteed commissions or bonuses, alimony, and other income received such as income on rental properties.

Hector Milla Editor of the "Best Mortgage Loan Modification" website -- http://www.BestMortgageLoanModification.net -- pointed out;

"… Self-employed or commissioned borrowers will usually have to provide proof of claimed income for the past two years. Part-time income may also be considered in the debt ratio calculation if the income has been earned for at least two years and is expected to continue. Once gross monthly income is determined, that amount is multiplied times .38 to get the maximum amount of monthly debt allowed for qualifying…"

Monthly debt includes all payments made for automobile loans or leases, installment loans, alimony, child support, student loans, legal judgments, and the minimum payment required on credit cards. It does not include debt that will be paid off within the next ten months. Monthly debt does not include insurance payments, utility payments, or any other household expense such as gasoline, food, clothing, or other supplies. Once the monthly debt is determined, subtract that total from the amount derived by multiplying gross income by .38. The difference between the two is the maximum amount of monthly mortgage payment for which the borrower is qualified.

Knowing the maximum allowable amount for the mortgage payment can help the borrower determine a modification method that will get the payment lowered to the allowed amount or less.

"… Options for modifications include a reduction in interest rate which sometimes involves converting a variable rate to a fixed rate, an extension of the original mortgage terms up to a maximum of forty years, a deferral of some of the principal balance, and in very rare cases, forgiveness of a portion of the loan amount. A borrower who understands and has calculated his debt ratio will be able to better understand and make recommendations for loan modification…" H. Milla added.

Further information about how to get professional assistance with a mortgage loan modification by visiting; http://www.BestMortgageLoanModification.net

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