Not out of the Woods, Yet: Resets of Loan Mods to Kick in Soon

Foreclosure activity has dropped to the [lowest level since 2006](http://www.reuters.com/article/2014/07/17/us-usa-housing-realestate-idUSKBN0FM09E20140717), and predictably, [loan modifications are (and have been) on the decline](http://nationalmortgageprofessional.com/news50326/Nearly-40%2C000-US-Homeowners-Granted-Permanent-Loan-Mods-May) as well. Granted, the decrease in loan mods has been partially due to [stricter documentation standards](http://www.kolberlegal.com/loan-modifications-beginning-decrease/), 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](http://www.mortgageorb.com/e107_plugins/content/content.php?content.15275) 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.