

SAMPLE HARDSHIP LETTER

RE: Bob and Bonnie Borrower

Property Address

City, State Zip

Account number:

Dear (servicer) representative:

[State what type of work-out plan you are seeking.]

This letter is to support our application for a loan modification plan that will help us to get our mortgage payments back on track with an affordable mortgage. We have lived in our home for over 20 years and we want to work hard and keep it.

[Explain special hardship circumstances. Tell your story briefly but include important points about the hardships you face.]

Our youngest child is learning disabled and attends a special program at school. If we lose the home we will probably have to move out of this school district. (There are few rental properties.) Our doctor has said that moving is likely to disrupt our boy's development.

[Explain what caused you to fall behind.]

We fell behind on our mortgage payments due to loss of income because of a lay-off.

Bob has been employed in the construction business for more than 20 years as a plasterer and mason. He was laid off by his prior employer last September and his unemployment compensation was only 60% of his prior income. Bonnie was able to increase her hours as a sales assistant as of December 1 to make up part of the difference, but we were unable to make full mortgage payments for December through April. Our partial payments were returned by you.

[Explain your plan for getting payments back on track. Convince the lender that you have a plan that will work.]

*note: If you will still have negative cash flow after a reduced mortgage payment, you need to show the lender more changes you make to be able to afford the new payments.

More Tips for Drafting a “Hardship” Letter.

1. Most lenders require you to show an involuntary reduction of income or an unavoidable increase in expenses.

Examples of involuntary reductions of income:

- Lay-off
- Reduction of hours or wages
- Forced to take a lesser paying job after a lay-off
- Death of a borrower/death of a contributing spouse or parent
- Bad self-employment year (despite your best efforts)
- Permanent or short-term disability
- Serious illness of a household member
- Divorce

Examples of unavoidable increase in expenses:

- Uninsured major medical expenses
- Natural disaster
- Unanticipated urgent property repairs
- Increase in property taxes
- Increase in the adjustable interest rate
- unexpected funeral costs for an uninsured or underinsured family member

2. Essential elements of the letter:

- Include identifying information: your name, address, phone, account number
- State the type of work-out plan you are seeking.
- Describe your situation – what caused you to fall behind in your payments. Most lenders will look for some type of hard-luck circumstances that were beyond your control.
- If you are seeking to keep your home, include a detailed budget and your plan for making payments in the future. This must make financial sense to the lender.
- State any money that you may have set aside to pay to the lender as part of a work-out plan.
- Specify how your plan would work – how much you can pay per month starting when.
- Include contact information for yourself and your advocate, if you have one.
- Keep your letter to one page if possible, two pages maximum.
- You need to be detailed, concise and brief in your hardship letter. Write it to put your thoughts on paper, and then rewrite it, eliminating unnecessary information.