



Hardship Letter Guide

"Loan Modifications are designed for the homeowners who can afford their home but just not their loan!"

One of the most important items we will require during the loan modification process is a letter of hardship. Simply put, a letter of hardship is an explanation as to what has transpired which has caused you to fall behind on your mortgage. This letter is significant as it will lay out the foundation for why you are no longer able to meet your financial obligations and it is vital in helping you achieve a loan workout.

Documenting the hardship is very important to the loss mitigator and will be verified during the approval process. It needs to be a legitimate hardship for the lender/servicer to grant the modification, principal reduction or short sale.

We recommend that you keep this letter brief. A simple, to the point, letter of explanation will do.

Below are examples of hardships that lenders take into consideration when analyzing loan modification requests:

- Adjustable Rate Mortgage Reset – Payment Shock
- Loss of Job
- Curtailment of Income or Reduced Income
- Failed Business
- Job Relocation
- Divorce or Marital Separation
- Death of Spouse or Co-Borrower
- Illness of Borrower(s) or Borrower(s) family members
- Property Problem
- Abandonment of Property
- Inability to Sell or Rent Out the Property
- Mortgage Servicing Problems including Escrow Shortage
- Incarceration
- Military Duty
- Medical Bills
- Damage to Property (natural disaster or unnatural)

Notice that "My Realtor lied to me" and "My loan officer/broker lied to me" is not on this list!



We have provided some questions for you to help you get started. **Your letter of hardship should be unique to your particular situation.**

These are some of the questions you need to address:

- 1) What event(s) has caused your financial hardship?

- 2) What was the term of your hardship? (When did it begin? Has it ended?)

- 3) What was the financial impact of your hardship? (Estimated expense of hardship, income lost during hardship, etc.)

- 4) How long have you been with your currently employer? Are there any foreseeable changes in your employment?

- 5) How long have you lived at the property? Why do you want to keep the property?

- 6) What actions have you taken thus far to resolve your financial situation? (E.g. obtained additional employment, reduced optional monthly household expense such as cable & Internet service, etc...)



Sample 1: Letter of Hardship

Name: (You're Name)
Address: (You're Address)
Lender Name: (You're Lender)
Loan#: (Your Loan #)

To Whom It May Concern:

I/We are writing this letter to explain an unfortunate set of circumstances that have caused us to become delinquent on our mortgage. We have done everything in our power to make ends meet but unfortunately we have fallen short and would like you to consider working with us to modify our loan. Our number one goal is to keep our home and we would really appreciate an opportunity to do that.

The main reason that caused us to be late is *(insert reason here, keeping it short and concise)*. Soon after being late and our income not being nearly enough, we had fallen further and further behind. Now, it's to the point where we cannot afford to pay what is owed to *(lender)*. It is our full intention to pay what we owe. But at this time we have exhausted all of our income and resources so we are turning to you for help.

(The approximate date of hardship and we believe that our situation is Temporary or will be Permanent.)

Our situation has got better because *(reason here)* and we feel that a loan modification would benefit us both. We would appreciate if you can work with us to lower our delinquent amount and/or payment so we can keep our home and also afford to make amends with your firm.

We truly hope that you will consider working with us and we are anxious to get this settled so we all can move on.

Respectfully,

(Borrower's Signature) Date
(Co-Borrower's Signature) Date



Sample 2: Letter of Hardship

Name: (You're Name)
Address: (You're Address)
Lender Name: (You're Lender)
Loan#: (Your Loan #)

To Whom It May Concern:

Due to the recent adjustment to the mortgage I currently have with your company, I am finding it very difficult to afford the new payment. I have a 5-year fixed rate, which is now adjustable and is schedule to adjust again in April of 2008.

Considering my current income, there will be no way I can afford the increased payments come February. Hopefully there is way to renegotiate the terms of my current mortgage to avoid default and a forfeiture of my home.

Is it possible to have my current adjustable rate mortgage converted to a fixed rate? If this is not possible can the next rate change is postponed to a future date to allow me to hopefully refinance. Any other solutions you could provide would be greatly appreciated.

I have had no problem making my payments for over three years now and do not want that to change. My mortgage was originally written by another company and bought by Countrywide. The original mortgage terms are terrible but it was the only loan I was qualified for at the time. I was assured that refinancing would be no problem but that turned out not to be true due to the downturn of the housing industry.

The main problem is that my property is now worth about 5-10% less than what I paid for it. I was researching on the internet and came across the Fannie Mae Announcement #06-18 (Oct. 4th 2006) regarding the servicing of Conventional Mortgage Modifications.

I believe this addresses the situation I currently find myself in along with many other homeowners. Attached are recent pay stubs showing my current income?

Respectfully,

(Borrower's Signature) Date
(CO-Borrower's Signature) Date



Sample 3: Letter of Hardship

HARDSHIP LETTER

Date:
Borrower's Name:
Borrower's Address:
Borrower's Phone #:

Our mortgage payments will be increasing soon due to our interest rate adjusting to a much higher rate. We have no equity. Currently, we are paying a total of \$_____. On our mortgage/mortgages. We have had no payment delinquencies. After the rate increase in _____, we are looking to pay an additional \$_____ per month. We are requesting a loan modification preferably a 30 year fixed rate mortgage with a lower payment. Ideally, we would like our mortgage payment to be \$_____.
Per month.

Although my wife and I both receive an income, my husband is the primary provider. However, with the current economy, my husband, who is in the construction industry, has not been receiving any overtime which cut his income in half. My position with the City is also vulnerable at this time, with discussions of impending layoffs and "bumping". We are asking for help now because we are trying to avoid an eventual foreclosure of our home.

We love our home and the city we live in. We would like to keep this house and raise our new born son here while making new memories.

Thank you for your time and consideration regarding this matter.

Kind Regards,

Borrower's Signature, Date
Co-Borrower's Signature, Date