

Sample Hardship Letter
Provided by the National Consumer Law Center

(for illustration only; you must compose your own letter; this is only to show you what one might look like)

Another first step is to send the investor a “hardship” letter. Again, it is best to get the help of a legal advocate first. But you may not have enough time to get that help when you need it. So we have attached a sample hardship letter and some pointers about what information to include in your letter, if you need to write the letter yourself. It is better to try this on your own than to do nothing.

June 1, 2006

Darlene Smith
Loss Mitigation Specialist
ABC Mortgage Co.
1234 River Road
Milwaukee, WI 33333

RE: John and Joan Borrower
217 Lake Street
Otis, ME 12345
Account number: 98374092

Dear Ms. Smith:

[State what type of work-out plan you are seeking; see enclosure “Can I save my home from foreclosure?”]

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 any special hardship circumstances. Tell your story briefly but including 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. We had a very hard time dealing with our debts because we never had financial problems before. There are so many expenses and managing a home and family of 5 is hard.

John 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. Joan was able to increase her hours as a school aid 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.]

We will be able to start making full payments again soon. John got part time work as of April 15, and this job can expand to full time as of July 1. He will be paid less than his prior job, but with Joan's increase in hours our income will be approximately 90% of what it was before the lay-off.

One other good thing is that John's new job is indoor work, which will be steady, and his new employer is a construction company that has been in business for 35 years. Unlike some of John's past jobs, he is not going to be laid off for the winter. John is a good worker and we know he will stick with this job.

[Explain what money you have set aside, if you do.]

We had saved about \$2,700 toward the mortgage as of March 1. This is the money you had returned to us. We had hoped to use this money as part of a plan to get caught up on our payments. However, we discovered last month that our 1196 Nissan Maxima could no longer be fixed. Since John's new job is in Bangor, he needs a car and we have spent about \$2,000 of the money we had saved as a down payment for a used (2000) Ford truck. We still have the other \$700 and we expect to put aside \$800 (the amount of our regular payment) each month starting August 1.

[Attach evidence of your budget (income and expenses) to support your plan. Specify what type of payment schedule you think you can keep.]

Our financial information is enclosed with this letter. If we can have a loan modification that involves payments of no more than \$800 per month, we know we can make it. You will see that we have minimized all our expenses and it is most important to us to keep this home. Please put yourself in our position and try to help. We thank you very much for any effort you can make.

[If you expect to be working with an advocate, include his name and contact information; otherwise, include your contact information.]

Please contact our foreclosure prevention counselor, Jane Dean, at (phone number) to discuss this further.

Sincerely,

John Borrower

Jane Borrower

More tips on 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
- 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
- Unavoidable child care expenses
- Increase in property taxes
- Increase in the adjustable interest rate

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. (see pages 4-7 above)
- Describe your situation – what cause you to fall behind in your payments and any other “hardship” circumstances. 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.