

Hardship Letters – Tips on writing them

Hardship Letter for First Mortgage Holder – This letter should be addressed to your lender. It explains why you are not able to make your mortgage payments. They need to understand your living situation, hardships, divorce, job loss, unexpected medical problems, financial losses, emotional state, in essence – a current moment in your life. We need to get them emotionally involved so this letter must be very detailed. Do not hold back. Mention that you have consulted with an attorney who recommended you file bankruptcy, but that you would prefer to get the situation resolved. If you have tried to sell the house without success, mention this too. This is your chance to plead with your lender. (See attached samples.)

Separate Hardship Letter(s) for Additional Lien Holders – This letter should be very similar to the First Mortgage Hardship Letter. However, in addition to everything in the first letter you will also include that when the property goes to foreclosure auction, their loan will be wiped out.

A qualified Short Sale must be justified with cause. A few examples of justifiable cause are:

- Illness of a borrower or co-borrower that qualified for the loan and because of such illness cannot continue to make payments. This example would, of course need to be accompanied by a doctor's statement of permanent or long term disability.
- Death of a co-borrower who originally qualified for the loan.
- Divorce or legal separation accompanied by legal documentation and attorney's correspondence.
- Involuntary loss of job or a significant modification in pay with documentation from employer and recent and past check stubs as verification.
- Illness of a family member wherein the borrower or co-borrower are the only ones that can provide care, again a doctor's statement would be required.

There are several other situations that would effect proper qualification. The important thing to remember is that they must be *qualified and proven in writing* to the lender or lenders.

Frivolous reasons will not be approved by the bank. For example, if you quit your job or were fired for just cause; refinanced or acquired a loan with an accelerating payment, high interest rate or negative amortization; ran your credit cards up to the max and can't afford all your monthly payments; bought a new car or other large purchase and can't make all your payments; or decided to separate from a spouse or significant other co-mortgagor without a divorce or legal separation; you would probably not qualify for a Short Sale. The lender would likely foreclose, but each case is weighed on its own merit. You may want to contact the lender and explain your unique situation.

SAMPLE HARDSHIP LETTER TO THE FIRST MORTGAGE HOLDER
(The bold typeface below indicated the importance of this phrase. Do not use bold typeface in your actual letter to the bank)

Date

Dear Mrs. Banker:

I am writing this letter to explain what is happening in my life. As you know, my property located at _____, account # _____, is in foreclosure.

I bought my house two years ago from a guy in foreclosure, how ironic. He had four big dogs in the house and they completely trashed the property. My intent was to buy the house, help him out of a bad situation, and then bring the property to market condition and possibly sell it for a profit.

I started projects in every room, but did not get the chance to finish any of them because my wife ran off with her boss and we began a long messy divorce. Forty thousand dollars later in attorney's fees, I am sitting in a house that is a wreck, needs over \$ _____ worth of work, I have no money to make up the back payments, and no potential income at this time to repair the house. **I have been trying to sell the property via ads in the paper. I have shown the property to several folks who ran when they saw all the work needed. I was able to get one offer.**

The offer is less than what I owe, but I am desperate. PLEASE accept this offer from Jay. He is my only hope. **My attorney says I should file bankruptcy, live free for two years, and fight the system.** I don't want a bankruptcy and a foreclosure on my credit. I have had enough of the court system and don't want to get tangled up in a legal battle over this house.

I was lucky enough to get custody of my three kids in the divorce, and we just need to move on and start our lives fresh. My life has been bad enough for the past year. I just need someone to give me a break. PLEASE accept this offer. _____ (agents name) from Veltri & Associates, Realtors will be awaiting your reply.

Sincerely,

Homeowner

SAMPLE HARDSHIP LETTER TO THE FIRST MORTGAGE HOLDER

Date

Dear Mr. Banker:

I have fallen behind in all my bills because I was in an auto accident last year and lost my job. I am now disabled and will not be able to go back to work anytime soon. My wife can't get a second job because I can't take care of the kids in my condition, and my car was repossessed six months ago. We barely make ends meet to put food on the table for our children.

Please work with my buyer who is willing to pay more than anyone else has offered for the property in its current condition. I haven't had the money to keep up my house or pay for the repairs it has needed. We have buckets in each room to catch the water when it rains and my brother-in-law is going to try to put a canvas or tarp over the roof this weekend to help out.

I don't know what else to do and really need your help. My attorney has advised me to file bankruptcy, fight the system, and live free for 18 months, but if you will allow the sale of my property to _____, I won't have to. My life has been so tough I'd appreciate you waiving any deficiency judgment or 1099 filing against me. PLEASE accept this offer. _____ (agents name) from Veltri & Associates, Realtors will be awaiting your reply.

Sincerely,

Homeowner

SAMPLE HARDSHIP LETTER TO THE FIRST MORTGAGE HOLDER

Date

Dear Mr. Banker:

I am writing this letter to share some of the hardships I have endured over the past year. As you know, my property located at _____ is currently facing foreclosure. **I have tried to sell the property for months and have gotten only one serious offer because of the poor condition of the property.** Based on the offer I have, I urge you to please accept the \$_____ being submitted by _____.

Please accept this offer as payment in full. **My attorney has advised me to file bankruptcy, but I prefer to avoid further destruction of my credit.** I just want to move on and start over. I am enclosing my bank statements from the past three months, late notices on my car, and anything else I can find that shows the financial trouble I'm facing. I have also enclosed my last year's tax returns.

I am in the clothing industry and am currently looking for another field in which to work. So far, I haven't had much success.

If there is any other information you need, please feel free to call me. PLEASE accept this offer. _____ (agents name) from Veltri & Associates, Realtors will be awaiting your reply.

Sincerely,

Homeowner

SAMPLE HARDSHIP LETTER TO 2nd & 3rd MORTGAGE HOLDERS

Date

Dear Second:

I am writing this letter to share some of the hardships I have endured over the past year. My property located at _____ is currently facing foreclosure. **In fact, the sale date is set for _____.** I have absolutely no way to pay the back payments owed on the first or the second. **I have had the property listed for months and have gotten only one serious offer because of the condition of the property.**

Based on the offer I have, the buyer can only **pay you \$1,000 as payment in full.** Please accept this as payment in full; otherwise, I have no other choice but to let the property go to the courthouse sale Thursday. **From my understanding, the sale will wipe out your \$_____ second completely,** leaving the first with the property and me with a foreclosure on my credit report. I hope we can somehow avoid this.

I am enclosing my bank statement for _____, late notices on my car, and anything else I can find that will help you to see the financial trouble I am facing. I have also enclosed my tax returns. I am in the used car business and things have been VERY slow over the summer. I am currently looking for another field in which to work. So far, I haven't had much success. I am two months behind on my car, electric, phone, and many, many months behind on the mortgage.

My attorney wants me to **file bankruptcy and said I could live free for 18 months.** I really don't want to do this. I hate to ruin my credit any more than it already is.

Please waive any deficiency judgment or 1099 filing against me. I have enough problems in my life without owing more money down the road to a bank or IRS. If there is any other information you need, please feel free to call me.

Sincerely,

Homeowner