

Writing a Hardship Letter

What it is and some considerations when writing it...

A financial hardship letter is a letter that you should send to your mortgage lender/company explaining why you've been in default, what you have done to correct the default and which workout plan you would like to pursue.

What a hardship letter should include...

Whether it is a foreclosure hardship letter or a short sale hardship letter, it should include the following points:

1. Identifying information including the homeowner's name, address and account number.
2. Mention what hardship you're going through and the reasons for it.
3. You should specify the exact dates of the hardship.
4. Give a brief overview of your income, expenses and mention if you're expecting a change in your income. Also inform the lender about any lump sum amount you have in order to compensate for the default.
5. Give a brief explanation of the workout plan you wish to pursue and state the reasons why you think it may work for you.

In addition to the above points, you should provide attachments related to your income, expenses, financial statements to prove your assets, liabilities, tax returns for the previous years, current pay stubs, etc. If your home has already been listed for sale, then you'll also have to provide a copy of the Realtor agreement, along with the hardship letter, to stop foreclosure.

Types of hardship that the lender may accept...

1. Loss of employment
2. Medical problems which prevent you from maintaining employment
3. Reduction in salary
4. Being a single parent with not much income and no child support
5. You're a victim of a disaster
6. Death of a spouse or co-borrower
7. Marital separation

Types of hardship that the lender may NOT accept...

1. You're a student and cannot pay off the mortgage
2. You're going through a divorce
3. Your spouse has threatened to file bankruptcy

Usually, mortgage lenders won't consider a workout plan such as loan modification, short sale or foreclosure, without a proper explanation of your hardship. When writing the letter, provide a factual explanation of your financial situation. The letter shouldn't criticize the lender or any other party involved in the mortgage transaction. It should simply state why you cannot follow the terms and conditions of the mortgage, along with the request for a workout plan.