



SHORT SALE ADVANTAGE
A MOTHER LODE COMPANY

Hardship Letter Guidelines

Most lenders require the hardship letter pursuant to a short sale. The homeowner should not waste this valuable opportunity to appeal to the lender for approval of a short sale. In the hardship letter, present the facts clearly and honestly. A well-written hardship letter will be able to explain the situation that caused you to fall behind and provide proofs of hardship; this should convince the creditor(s) that the homeowner's situation is genuinely distressing and the lender would be better off accepting the lesser amount in a short sale than to pursue a foreclosure. Situations such as divorce/separation, job loss or reduction of income, adjustment in mortgage payment, prolonged illness, or a death in the family are all acceptable hardships.

Here are some points to help when writing a hardship letter:

- Get personal; you should not feel embarrassed about the situation. This is your opportunity to appeal to your lender and honestly state your case.
- A *handwritten* letter is recommended.
- Include details regarding the hardship. Detail your current and past hardships (for example, job loss, car accident, medical problems either personally or in your immediate family, etc.) and include specifics for each hardship.
- Be sure your letter conveys the following important messages to your lender(s):
 - Why you will not be able to bring your past due amount up-to-date
 - Your income is not enough to make the payments and you have no assets with which to continue paying the mortgage
 - You are leaving the property
- Any signed exemptions of documents should be included. If you do not have current bank statements, pay stubs or tax returns, you will need to explain in greater detail as to why those documents cannot be provided. For example: "I do not have pay stubs because I've been unemployed for 6 months and unable to find work." Also, if you do not have tax returns, the lender will want Extension Filings. If you do not have these to provide, explain why (i.e., "I haven't worked in over 2 years so I haven't filed taxes or extensions.").
- Bankruptcy could be addressed in the letter: "I don't want to have to file for bankruptcy."

Sample Hardship Letter

To Whom it May Concern:

I have been unable to make my payments on my house and am now facing foreclosure. My inability to keep up with the monthly payments is the result of (loss of job, illness, disability of wage earner, etc.).

In spite of my current financial difficulties, I expect that it will only get (better/worse). I am not in a position to continue making my mortgage payments. This was not at all what I intended when I obtained financing for this home, but I have come to the conclusion that this is my only option.

Your help and consideration in this matter are very much appreciated.

(Signature)
(Printed Name)

(Date)



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Sample Hardship Letter #1

August 14, 2008

Dear Lender,

I have fallen behind on my mortgage payments and am in a tough situation. The reasons for my failure to keep current with my mortgage payments are as follows:

First, my husband left me and immediately pulled all financial support. I was able to make payments for a while by working full-time at night and part-time during the day.

I was laid off from my full-time job, which was also the largest part of my income, in November 2007. My mother, who was living with me to look after my 9 year old daughter, has since had to move to Seattle, Washington to care for her 90 year old mother. Now that she has moved, I've been left without childcare.

I currently work part-time, 25 hours per week at \$11 per hour. My take-home pay each month is less than \$1,000. I do receive reduced unemployment benefits at this time, but they will run out in about 3 months. I am currently seeking full-time work but have not had any luck so far.

Additionally, with the divorce came a bankruptcy, leaving me without a car. I cashed out my retirement to buy a 1996 Chevy Cavalier; the car needed repairs and further added to my inability to make my mortgage payments.

I want to apologize for my inability to pay my mortgage. I never anticipated that this would happen; as you can imagine, it's been a devastating year for me with a divorce, bankruptcy, layoff after 8 1/2 years on the job, and now losing my home. Please work with me to do a short sale so that I do not go into foreclosure.

Sincerely,

Jane Smith



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Sample Hardship Letter #2

May 2, 2004

Dear Lender,

It has been requested that I explain why I am in financial peril.

Before the tragedy of 9/11/01, I was working for the painter's union, averaging \$22/hour at different jobs. There was plenty of work and overtime available to me. I bought a house and had good credit. Then everything changed.

A few weeks after the tragedy, work began to dry up and I was laid off. I was able to continue to pay my bills with a combination of efforts: unemployment insurance, selling my possessions and using my credit cards. It seemed like I was unemployed for an unusually long time.

When I did get back to work, the pay scale had dropped down to \$17/hour and it was extremely difficult to find any jobs that were paying overtime. I was behind and it seemed impossible to catch up. I even fell behind in my taxes; there was just no way to pay all of my bills with my income.

Now I've been laid off again, only this time the unemployment check is only \$130 per week. Last year, the unemployment check was \$350 per week. I'm totally out of credit and there is no way to even come close to paying my mortgage and all the other obligations I have. It might come about that I have to file bankruptcy. Even if I go back to work for the union scale of \$17/hour, I would still not even come close to paying all of my obligations. I'm way too far behind and farther behind every day.

Any assistance you can provide would be much appreciated.

Sincerely,

John Smith



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Sample Hardship Letter #3

October 28, 2008

To Whom It May Concern:

We are unable to continue making any payments on the mortgage loans for the property at 1478 Southwest Grand Avenue. Our Realtor has found a buyer for the home and has asked that we explain why we are in such financial peril.

There are many reasons why we cannot continue the payments that are the direct result of the following events: a recent freeze placed on my husband's assets by the California Department of Justice to determine the true ownership of his assets; a lawsuit asking for relief of \$5,000,000 against both of us filed in Los Angeles County in late 2006; another suit filed against my husband and his businesses by the California Attorney General's Office seeking relief of over \$1,000,000 for four plaintiffs; and a pending criminal investigation into my husband's activities by the Los Angeles County Sheriff's Department. My husband is now working at a new business, but it has not turned a profit; even if it did, his portion of the profit would be frozen at present.

Because I was solely dependent on my husband for support and his assets are frozen for an uncertain term, I have started a business. This has yet to turn a profit, so I have now filed for public assistance and been awarded benefits from the State of California. I am also seeking additional employment to help fulfill our financial obligations and support our three children. Other than this new business activity, I have been out of the workforce for 15 years and my earning potential is uncertain. I've been advised to file for bankruptcy but am awaiting resolution of the lawsuits to try to avoid bankruptcy; however, it seems inevitable, especially since there is a possibility of being named in other lawsuits involving my husband.

These lawsuits and my husband's business activities have been devastating for our family and we ask that you assist us in any way you can to help resolve these mortgage debts.

Sincerely,

Carol Smith