

## Sample Hardship Letter

A first step is to send the bank and or loan servicing company a "hardship" letter. While it is best to get the help of a legal advocate first, you may not have enough time. It is better to try this on your own than to do nothing.

Send all letters by certified mail and keep the receipt.

Caution: The letter provided is for illustration only; you must compose your own letter; this is only to show you what one might look like.

---

Notice: Prepared by Legal Aid Society • 416 W. Muhammad Ali Blvd., Suite 300 • Louisville, KY 40202 • (502) 584-1254. March 2007. We provide this information as a public service. It is not legal advice. Sometimes the laws change. We cannot promise that this information is always up-to-date and correct. By providing this information, we are not acting as your lawyer. Always consult a lawyer, if you can, before taking legal action.

**Tips on drafting a "hardship" letter.**  
**(More tips are written into the sample letter itself.)**

1. Show that you have had an involuntary reduction in 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
- 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. Include all the following in your letter:

- Your name, address, phone, account number
- If you have a credit counselor and attorney include contact information for them too.
- Describe what caused you to fall behind in your payments and any other "hardship" circumstances. Lenders want to see that you want to pay them back, but circumstances were beyond your control.
- State the type of work-out plan you are seeking.
- Specify how much you can pay per month and how soon you can start.
- If you have money saved, tell the lender you will pay them some or all of it as part of a work-out plan.
- Include a detailed budget and your plan for making payments in the future. Be realistic.

April 4, 2008

(Insert name)  
Loss Mitigation Specialist  
Giant Mortgage Company  
(address)

RE: George and Wanda Borrower  
(address)

Account number: 123456

Dear :

**[State what type of work-out plan you are seeking]**

We are applying for a loan modification plan. It is our desire to bring our mortgage payments current within the context of an affordable mortgage payment plan. We have lived in our home for over 20 years and believe that with our hard work and your cooperation we can keep it.

**[Explain any special hardship circumstances. Tell your story briefly, but include important points about the hardships you face. ]**

Our youngest daughter is disabled and attends a special school near our home. If we lose the home we will probably have to move out of this school district. Our doctor said that moving is likely to disrupt our daughter's progress and may even jeopardize her health.

**[Explain what caused you to fall behind.]**

We fell behind on our mortgage payments due to loss of income because of a lay-off. George was laid off by his prior employer last September and his unemployment compensation was only 60% of his prior income. Wanda 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. George found part time work on April 1, and this job might become full time in July. He will be paid less than his prior job, but with Wanda's increase in hours our income will be approximately 90% of what it was before the lay-off. One other good thing is that unlike some of his past jobs, he is not going to be laid off for the winter.

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

We have saved the payments you had returned to us totaling \$4,000. We are ready to use this money as part of a plan to get caught up under a modified payment plan.

**[Attach evidence of your budget (income and expenses) to support your plan.**

**Specify what type of payment schedule you think you can keep.]**

Enclosed is a copy of our family budget. If you were to modify the loan so that payments were \$800 or less per month, we know we can make it. Look at the line items on our budget. You see that there are no extras. This will be hard on our kids, but it is very important to keep the house for them to live in near our disabled daughter's school. Thank you for putting yourself in our position and trying to help.

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

We feel like we have made a thoughtful proposal and really want to work with you to pay back the entire loan. We just need a little flexibility on the monthly payment. Please feel free to call our foreclosure prevention counselor, (person A), at (phone number) to discuss this further.

Sincerely,

George and Wanda Borrower