

Section III: HOW DO I WRITE A HARDSHIP LETTER?

What is a hardship letter?

A hardship letter is a summary of what happened that caused the initial default on the mortgage, what steps the borrower has taken to correct the default, and what the homeowner hopes to accomplish with the help of the lender. It should be presented as a *past, present, future* perspective and signed and dated by the homeowner. Every request to a lender or servicer **MUST** be accompanied by a hardship letter.

According to the National Consumer Law Center (2007) there is no “right” way to write a hardship letter. It should avoid disparaging the servicer, the lender, the homeowner’s employer, or any other party involved in the crisis. An effective hardship letter should include:

- Identifying information, including the homeowner’s name, address, and account number.
- The introductory paragraph should state the foreclosure prevention tool (reinstatement, special forbearance, or streamline refinance) the homeowner is seeking. (Not always possible to know upfront. Let the lender know you want to avoid foreclosure!).
- **PAST:** The second paragraph should describe the hardship and the reasons for the hardship in detail. (Make sure to develop timelines that are consistent with missed payments and be realistic; don’t overstate or understate the crisis).
- **PRESENT:** The next paragraph should give a brief overview of the homeowner’s income and expenses and explain any anticipated changes in income (or expenses) and when the changes may occur. It should also state whether the homeowner has a lump sum saved to offset any delinquency.
- **FUTURE:** Then, describe the proposed plan. The description should state when the plan will be effective, list the reasons why the homeowner believes it will work, and include a statement about why the homeowner is committed to seeing the plan through to its conclusion.
- The closing paragraph should state the methods and times to contact the homeowner and counselor.
- Attachments - the attachments that lenders typically require are a detailed home budget including: income and expenses, financial statements listing assets/liabilities, tax returns for prior two years, current pay stubs, and three months of checking/savings statements. If the homeowner has the home on the market, a copy of the realtor listing agreement may be required.

Keeping the letter to one page will ensure the letter will be considered in its entirety (long letters tend to be skimmed!). A housing counselor can help homeowners draft hardship letters, but they should be signed by the homeowners.

REMEMBER TO SIGN AND DATE YOUR HARDSHIP LETTER!