



Foreclosure Survival

Hassle Free
Hardship Letters

Hardship Letters

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Introduction

Imagine yourself five or ten years from now. The nightmare of foreclosure will be behind you. You and your children will have spent the time between now and then in your current home rather than being forced to move somewhere else. As you think back, it's certain you'll remember this time as one of the toughest times in your life. It's also certain you'll see it as one of your proudest moments because you're taking control of the foreclosure process and driving it rather than living in fear and losing your home.

In five or ten years you'll remember today as the day you made the decision and began holding yourself accountable for your future. This manual is designed to empower you. It's been proven to work and has helped thousands of homeowners like you assess their situation, plan an escape route, and create a hassle-free hardship letter.

All the information you need to explain your situation to your lender and tell them your plan is right here. But you have to use it before it will do your family any good. Once you finish reading, don't make the mistake too many people have made. They put this down on their "I'll get to it tomorrow" pile and never get around to using it. Don't do that!

The first step in writing a hardship letter is to figure out your goal for the letter. In the first chapter, you will learn how to figure out if your lender considers your situation a "qualified" hardship or not. You will also find out what to do if your hardship is not resolved. This is one of the toughest positions to be in, but there are definite steps you can take that will put you in.

The second chapter is where the real meat of the manual begins. In it we discuss the purpose of a hardship letter as well as some general tips to keep in mind while writing it. From there, we'll move into how to write a successful hardship letter and the critical mistakes many people make in their letters.

At the end of the manual, you find a sample hardship letter many of our clients have used as a template for their own letters and our comprehensive "Peace of Mind" Hardship Letter Checklist. This checklist will guide you step-by-step through completing your hardship letter and make sure you don't leave any critical elements out.

You should know that there is no such thing as a perfect hardship letter. It doesn't exist. As you'll soon learn, however, there are definite things you want your letter to accomplish. The most important thing to do now, though, is finish reading this manual and then begin writing your letter. Until you do that, your lender's foreclosure avoidance process cannot begin.

What is a Hardship?

Real estate hardships have become familiar to many people in the last couple years. A combination of factors across our economy has collided to make this an especially rough financial time for many families.

For example, the “bubble” in the country’s housing market finally burst and left many homeowners owing more on their home than they can sell it for. Many of these same homeowners took out adjustable rate and/or interest only mortgages that had low payments for the first 3 or 5 years. They were often told they’d be able to refinance into a fixed rate mortgage before their current loan reset and its initial “teaser” rate expired. Unfortunately, this has not been possible for many.



Before you begin writing your letter, you should understand what lenders consider a “qualified” hardship. There are two fundamental reasons lenders consider hardships qualified.

1. A sudden, unavoidable loss of income
2. A sudden, unavoidable increase in expenses

You might be thinking that these are extremely broad categories...and you’d be right. That’s why you need to write a letter and explain your specific situation to them. They have no way to know your story unless you tell them.

As a general rule, a qualified hardship is beyond your immediate control. Common hardship situations include, but are not limited to, the following:

- Loss of job or reduction of income
- Death of the homeowner, spouse or family member
- Illness of homeowner or family member
- Divorce or separation
- Forced job relocation by employer

It’s natural to want to make your situation seem better than it truly is when writing your letter. You don’t want to do this, however. Regardless of how bad you think it looks, be straight-forward and honest with your lender.

They have access to all of your financial records, your credit report, and your property tax records. They deal with people going through tough times all day, every day. They know what to look for and where to look for it and they know when something doesn’t sound right. If you have something that sounds “fishy,” take time to explain it to them and

provide verifiable proof so they don't have to go digging for it. They need to know the unvarnished truth and if you provide it, they'll respect your honesty.

The single biggest success factor

The single biggest factor in whether your lender can help you is usually whether your hardship condition is resolved.

If it isn't, it's unlikely your lender will be able to re-negotiate your loan. The reason is simple...they are legally not allowed to enter a new agreement with you if they know you're unable to meet the conditions of that agreement.

If you're in this situation, you have three choices:

1. Increase your income
2. Reduce your expenses
3. Plan to leave your home



If your hardship is not resolved or is not “qualified,” your lender is not required to negotiate with you or offer you a workout package. But leave this determination up to them. Even if you're sure they will think your hardship is your fault or is unresolved, submit your hardship package and letter anyway. You have nothing to lose and they might choose to help you anyway.

Lenders are under a ton of pressure to help homeowners whenever possible. If you have the ability to pay, they will probably work with you even if you could have avoided the hardship. Don't try to get sympathy for your situation, though. As we'll discuss later, just give them the facts and let them figure out what they mean.

What is a Hardship Letter?

Life is unpredictable. Jobs are not as secure as they once were. Sickness, injury, and medical problems come unexpectedly and seem to last forever.

Whatever the cause, you've stopped paying your mortgage for a while and now you're ready to tackle making it right with your lender.

Many homeowners faced with such decisions don't know where to turn. After all, your only contact with your lender over the past few months has been with their collections department.

These collectors make all kinds of threats to try to get you to pay. When you try to tell them your story, they don't listen and they don't care...they just want to know when you're going to pay what you owe. It's completely understandable if you're scared or intimidated by these folks...that's their job.

Luckily, these are not the same people you'll be dealing with in the loss mitigation department.

The loss mitigation department's job is to try to keep you in your home if at all possible. They exist to assess your situation, evaluate your finances, and then offer you a workout solution that makes sense for you and the bank.

And the best part is...once you start dealing with loss mitigation, the bill collectors will stop calling!

If they don't stop, tell your mitigator they're still calling and your mitigator will get them to stop.

Your Secret Weapon

The attitude you choose to take when dealing with your lender is critical to your success. They will appreciate a can-do, positive attitude more than you can possibly imagine. They typically deal with negative, angry people all day long. Remember that loss mitigators are not mean people trying to steal your home and security from you. They are simply people doing their job. Just being friendly, polite, and considerate will usually get you treated the same way in return.

We've had mitigators bend over backwards to help clients simply because we were friendly to them and actually returned their phone calls and provided the information they needed as quickly as possible. Be as nice as possible to them...it can only help you in the long run.



Before you can get assigned to a loss mitigator, though, you have to have a completely filled out and properly submitted hardship package. An important part of that package is your hardship letter.

In simple terms, a real estate hardship letter is written to explain why you fell behind on your payments and what you plan to do about it. It should be written your own words and be basic and to the point.

A real estate hardship letter is written to explain why you fell behind on your payments and what you plan to do about it.

Explaining why you fell behind should be pretty easy to do. Refer to “Critical Hardship Letter Errors” below and our sample letter for more help.

Explaining what you would like them to do to help you out of your situation can be a little tougher. Your request needs to be realistic. You have to look at your situation from an objective point of view and decide

what is best for you and your family.

For example, it’s perfectly natural and understandable for you to want to stay in your home. Most people will do whatever it takes so they don’t have to move or pull their kids out of school or let their family, friends, and neighbors know they’re having financial difficulties.



However, you should at least consider for a few moments that moving out might be a wiser and less stressful alternative. It can allow you to move on with your life and escape your situation with minimal damage to your sanity and credit score.

Look at your situation from an unemotional perspective if you can. If you’ve got no way to pay your mortgage and it doesn’t look like you will in the foreseeable future, it would probably be wiser to sell your home rather than fighting to keep it.

Once you’ve decided whether to stay or leave, you need to research what workout options you have available to you. For example, is a special forbearance right for your situation? How about a short sale? Will a loan modification get your loan back on track? Do your research and figure out what the best fit for your situation is.

Your hardship letter is your recommendation to the lender on how you’d like to see the problem fixed. They don’t have to take your recommendation, but giving them a workable and realistic plan shows them you’re serious.

How to Write a Successful Hardship Letter

Many of the sample letters we've seen on the internet have it all wrong! Keep these 5 tips in mind and you'll get your lender on your side trying to help you rather than rolling their eyes in frustration.



1) Stop whining and start focusing

Your hardship letter is not the place for you to describe all the bad experiences you've had with your lender's collection agents. It's not the place to describe every little detail of why you lost your job or how bad your boss treated you either.

Your goal is to present yourself as a rational, reliable person that got behind on their mortgage and is now ready to make it right.

Stay focused. Don't try to win sympathy...because you won't. Just tell your story plainly and move on to the rest of the letter.

Did you lose your job? Say that.

Did you go through a divorce? Say that.

Don't try to get fancy.

2) Don't fly off the handle

Pointing fingers, blaming, calling the lender names, etc., isn't going to get you anywhere either. Stay calm and business like.

3) Finish quickly, but don't rush

The hardship letter and hardship package are what start the loss mitigation process for most lenders. You need to get them done as soon as possible, but do not rush through completing them (see "Critical Hardship Letter Errors").

Don't worry...your grammar and writing skills do not need to be flawless to write a successful letter. Your lender cares much more that the letter is honest, sincere, and from you directly than it does if the letter is perfect.

Write the best letter you can and then ask a friend to review it before you send it in. You're only going to get one chance at writing this letter...you don't want it to look like your third grade daughter wrote it for you.

4) Don't ask for the moon.

This isn't the time to threaten, cajole, or make promises you can't keep. And don't expect the mortgage lender to do something like start your payments fresh (although they might in some cases). Instead, present reasonable options that allow you to catch up on your mortgage payments.

Explain how much money you're willing to contribute to the workout plan. If you don't have any, say that and explain why. They expect you to have saved all of the payments you've missed. If you haven't been able to do that, explain why.

5) Don't go it alone

You need an objective eye or two here. When you write your letter, have someone else read it. This person doesn't have to know everything about a hardship letter. You just want them to give you overall feedback and make sure you didn't make any glaring grammatical or factual errors.



Critical Hardship Letter Errors

If you make these critical errors when you write your hardship letter, you'll make your negotiations more difficult than they already are. So make sure **not** to:

1) Treat it as a personal letter

You have to set the right tone throughout your letter. This is a business letter... not a personal one. Regardless of how emotional you are about your situation, you must stay focused. The issue - as the bank sees it - is that you're behind on your payments.



They realize unfortunate situations are often what caused you to fall behind, but they don't need to hear every little detail of that situation.

Business letters are matter of fact rather than emotional. It may help you to write the letter as if you are writing it for a friend. Try pretending you're writing about someone else's situation rather than your own.

2) Ramble on forever

You're very busy every day...we all are.

So is the loss mitigator you're dealing with.

They often work with 100 – 500 homeowners at a time. They have to keep all of those individual cases on track. They get paid to turn non-performing loans into performing ones, so they're motivated to push as many *complete, thorough* hardship packages as they can through the system. When you write a two or three page letter, it takes them a lot of time to review it and pick out the information they need.

3) Leave out critical information

Your lender needs to know several items. Leaving any of them out will slow your hardship package down and wind up frustrating both you and your loss mitigator.

- a. Your account number, current contact information, and the address of the property.
- b. Why you fell behind in your payments.
- c. Your plan to get back on schedule (what type of workout you're seeking).
- d. A brief overview of your income and expenses



(a budget or other financial forms will be part of the hardship package, so you don't want to go into very much detail.)

- e. Any anticipated changes (good or bad) in your income or expenses and when you expect them to happen.
 - f. Why you are committed to making this plan work.
 - g. If you have any money saved to put toward the workout plan.
 - h. If you sent in payments that were returned to you, they will want to know what you've done with those payments.
- 4) Send in your first draft

An effective hardship letter is one that gives the loss mitigator the information they need in the most succinct manner possible. To provide this, you need to:

- a. Know what information needs to be in the letter.
- b. Write your letter (first draft).
- c. Edit it until you've taken out as much of the extra fluff as you can.
- d. Have someone else review it and give you feedback.
- e. Re-write your letter and send it off.

5) Send it to the wrong address

As obvious as it sounds, make sure you send the letter to the correct address. You'll probably need to send it attention to your loss mitigator (or the Loss Mitigation Department) at a specific address. Fax the letter in first and then send it by certified, return receipt requested mail as well.



6) Avoid trickling your information in

Most of the time, your hardship letter is just one part of the entire hardship package. Send the entire package in together rather than sending it in piece by piece.

Again...fax it and then send it by mail certified, return receipt requested.

Don't simply get delivery confirmation! Spend the extra few bucks and get the return receipt...you want to know WHO received the package, not just that it was received.

Your lender sees many hardship letters every day. You want yours to be memorable for the right reasons! Short, simple, and to the point will save them time and frustration and keep your package moving through the system.

Where Your Hardship Letter Fits

Every lender will have its own requirements for what is included in a hardship package, but you should expect to have to submit the following items at a minimum.

- 1) Hardship letter
- 2) Workout proposal if your complete offer is not described thoroughly in your hardship letter
- 3) Financial statement listing all of your income, expenses, assets, and liabilities (many lenders have their own forms for this, which you can often get from their web site)
- 4) Other documents as required (this is a list of items lenders commonly request)
 - a) Tax returns for prior years
 - b) Current pay stubs from all jobs
 - c) A signed listing agreement or purchase and sale agreement if you are proposing a short sale or deed in lieu
 - d) A recent broker's price opinion or appraisal (don't get a new appraisal until they ask, though)
 - e) Documentation specific to your proposal. For example, if you say you have money saved to put toward the offer, they may ask for savings account statements to prove it. If you say you've just gotten a new job, they may want a letter from your new employer including your new salary.



The Final Word

Thank you for reading *Foreclosure Survival: Hassle Free Hardship Letters*. Please use any or all of these ideas to build the perfect hardship letter for your situation. You're the only one that can build that perfect letter and now you have the tools to do exactly that.

Most of the ideas here can be directly applied to your situation and help you save your home. The result? Your family gets to stay in the home you love; your kids get to stay in their school and keep their friends; your friends, neighbors, and relatives don't have to find out you've had some financial problems unless you want them too; and more! All because you've taken action.

The most important ingredient to your success in saving your home is your Action Mindset. If you clearly envision your future, you can overcome all of the bumps in front of you. The toughest times in your life are also the most rewarding ones once you've made it through them. If you have an Action Mindset, you will overcome these difficulties and become a wiser, stronger person.

The information in this manual is designed to make it easier for you to write your hardship letter. Take some time to go back through it and look over the notes you made. And then begin writing. As you look back on your notes, you may find you have unanswered questions. The whole process can seem overwhelming at first, but once you begin assessing your situation and writing your letter, it should work itself out. If you still have questions, please visit us at www.TruthInForeclosure.com. There is a whole community of people waiting to help you.

The sample hardship letter and the checklist we've included in the References section at the back of the manual should give you exactly what you need to keep you on the path toward the perfect hardship letter for your situation. It's simple and straight-forward...please use it. When added to your Action Mindset, you will achieve your dream of keeping your home or minimizing the damage to your credit score.

Contact me at www.TruthInForeclosure.com and tell me about your success. I'd love to hear from you.

Sincerely,

Todd Temaat

Todd Temaat

Notes

Sample Hardship Letter

December 15, 2006

Bob Wilcox
Loss Mitigator
Your Mortgage Company
987 Lake Road
Wilmington, DE 09126

John and Susie Homeowner
1234 Anystreet Ave.
Hometown, MN 12345
Account number: 0098767989065433

Dear Mr. Wilcox:

We are writing today to ask for a forbearance plan with a potential loan modification to help us get our mortgage out of foreclosure. We love our house, our children are involved in church and school activities, and we both work close by, so we want to do whatever we can to keep our home.

John's mother, who had been living with us for the last 5 years and had been paying \$500 each month to help with expenses passed away unexpectedly 6 months ago. John tried to work overtime at his job to compensate, but his company does not have the business to support it. Unfortunately, Susie's position is salaried, so overtime is not an option.

We fell behind on our mortgage payments because of this loss in income. We have tried cutting our expenses every way we know how, but with rising gas and food prices, we've found it extremely difficult to make ends meet. John is looking for a second job, but has not been able to find anything after over two months of searching. Any partial payments we have sent you have been returned.

We have saved \$3,200 as of December 1 and have this money set aside to repay on our mortgage should this plan be approved. Most of this came from the partial payments you returned to us. Our financial information is included with this letter for your review.

We propose a special forbearance agreement where you agree to accept a payment of \$1,291 per month for the next six months. This is \$500 less than our normal payment and the amount we are still short every month since John's mother passed away. Six

months will give us enough time to find another job and/or reduce our expenses more. At the end of six months, if we're successful, we agree to begin paying our normal \$1,791 per month mortgage payment plus an additional payment of \$250 per month so our debt will be repaid within 12 months. If we have been unsuccessful after 4 months, we will put the home on the market so we can try to sell it before the end of the forbearance period. Should it not sell, we will be forced to renegotiate this workout agreement with you or sell.

John and I can be reached at the address above. Our home phone number is: (765) 276-0763. You can also reach Susie on her cell phone at: (765) 128-7265.

Sincerely,

John Homeowner

Susie Homeowner

Certified 'Peace of Mind' Checklist

- Do you have a specific loss mitigator to send your hardship letter to?
 - Do you have their address?
 - Do you have their fax number?
- Is your goal to keep your house, get approval for a short sale, or ask for a deed in lieu of foreclosure?
- What caused your hardship in 50 words or less?
 - Is your hardship resolved?
- What is your plan to cure your default? What type of workout solution are you going to propose?
- Have you described your financial situation (overall income and expenses) in 25 words or less?
- If you have money saved to put toward your workout, have you told the lender so?
- If you have sent in partial payments and they were returned to you, describe what you have done with those payments.
- Have you included information regarding any changes in income or expenses you expect to happen during your proposed workout plan?
- Have you included your current address and phone numbers?
 - If this information has changed, you should contact customer service and update them as well. This is where the lender will send your workout package.
- Have you had someone look over your letter and provide recommendations?
- Have you edited your letter at least one time all the way through?
- Attitude check – is your letter straight-forward, to the point, and unemotional?
- Do you have all of the information required by your lender so you can submit it all at once?

- Did you fax all information to them and then follow up by sending it certified, return receipt requested through the mail? Do this even if they say it's not necessary!
 - Call your loss mitigator right after you fax it to make sure they received it.