

How to write a Hardship Letter

Before a bank will approve a **short sale** or a **loan modification**, the bank will ask to see your hardship letter. What is a hardship letter and how do you write it? Don't panic. If you can write a letter to your mom, you can write a hardship letter.

What Constitutes a Hardship?

Lots of people think a hardship is based solely on financial matters, and that's not necessarily true. Just about anything that makes it difficult for you to continue making a mortgage payment might qualify you for a hardship.

The one thing that a bank does not want to see is a homeowner who wants to **walk away** simply because the home is no longer worth the amount the owner paid for it. While being upside-down is one of the **qualifications for a short sale**, a bank is under no obligation to grant the short sale solely on that basis.

Think back to when you took out the loan and what your life was like then. Has it changed since then? If your situation is unchanged, the bank might say you can afford to stay in your home at your present payment level. If your situation has changed, here are some examples that may qualify for a hardship:

- Unemployment
- Reduced income (furloughs, new job, partner's loss of job, pay cut)
- Illness or medical emergency
- Job transfer (voluntary or involuntary)
- Divorce, separation or marital difficulties
- Exotic mortgage terms (**an adjustable-rate loan**)
- Military service
- Death in the family
- Incarceration
- Increased expenses and excessive debt
- Unexpected repairs or home maintenance

The Basics Behind a Hardship Letter

When I initially interview sellers who want to sell on a short sale in Sacramento, I ask the sellers to describe their hardship. Agents who do a lot of short sales can sometimes become a little insensitive because we are focused on the statistics. For example, when a seller says she is getting divorced, it's possible that my eyes might light up and I'll blurt out, "*That's fabulous.*" But then I realize how that comes across, which is not at all in the way I intended it. It's good to be getting a divorce and trying to do a short sale or loan mod because relationship difficulties generally meet bank guidelines. It's not fabulous that the parties are splitting up.

In your hardship letter, you want to explain 3 things:

- How you got into your present situation
- What you have done to try to get out this situation
- Why this situation is permanent because nothing you can do will change it

Hardship Letter Mistakes

Writing a hardship letter is not a lot of fun. In fact, it can be downright depressing. Many people have no idea how bad their lives have become until they start to write a hardship letter. Sometimes, seeing all those awful things in black and white is startling. Don't be surprised if you cry. But don't take a 90-degree turn and talk about how your life will improve.

Your life won't improve. In fact, it will only get worse. If there is hope on the horizon, if there is a chance for recovery, for you to become whole again, trust me, the bank will not hesitate to grab a knife and plunge it into your heart. If the bank senses vulnerability, responsibility or anything else that shows the bank you might have the financial means at some point in the future to repay part of that debt, the bank will jump on it like hot fudge on a sundae. If the bank sees disposable income, it might ask for a **seller contribution** to grant a short sale or deny your loan modification.

Don't share your hopes and dreams for the future with the bank. It's none of the bank's business. The bank doesn't care about you or protecting your precious credit rating. In fact, if you're on the brink of bankruptcy or headed to **foreclosure**, you've got a story the bank should hear. So, tell it. Be truthful.

What Else Goes Into a Hardship Letter?

You should put everything but the kitchen sink into a hardship letter and then, just for good measure, throw the sink in, too. Use numbers and percentages to explain loss of income or negative cash flow. Instead of saying you're borrowing money to make the mortgage payments, disclose the dollar amount and source of that debt such as *"I've borrowed \$10,000 against my VISA card to make my payments over the past 6 months, and I have tapped my cards to the max."*

If your car needs maintenance or repair, if the cat has cancer and your vet bills are mounting, if your kids are starving to death on peanut butter sandwiches, and your fingernails are worn to the quick scrubbing other people's floors for pennies a day because your mom has moved in with your family and needs round-the-clock medical care, put it into your hardship letter. Paint the worst picture that you honestly can and keep going downhill with it.

Use simple words geared toward the education of a 6th grader. If you don't feel sorry for yourself by the time you have finished, maybe you didn't do the job right.

For a private consultation and answers regarding short sales, notice of default, and foreclosure, **call Tony Suleiman's office Today at 805-879-8078.**

