

## Hardship Letter Guideline

The central document in the Short Sale package submitted to the mortgage lender(s) is the **Hardship Letter**. It provides the homeowner an opportunity to state their case as to why they can no longer afford to make their mortgage payment.

The homeowner should take this valuable opportunity to appeal to the lender(s) that the situation is genuinely distressing and that a short sale is preferable to foreclosure. Present the facts clearly and honestly. Acceptable hardships include: divorce/separation, job loss or income reduction, mortgage payment adjustment, prolonged illness, or a death in the family.

### The Hardship Letter should include these components:

- A brief apology for having to ask the lender to take a loss.
- A description of steps taken (used credit cards, borrowed from family/retirement accounts) to stay current on the mortgage.
- A clear statement that all available options have been exhausted and that a Short Sale is the only remaining option other than foreclosure.
- Be personal — do not feel embarrassed. This is your opportunity to state your case.
- A handwritten letter is recommended.
- Include specific details for each hardship (job loss, accident, medical problems, etc.).
- **Your letter must convey to the lender(s):**
  - Why you will not be able to bring your past-due amount up to date.
  - Your income is not sufficient to make payments and you have no assets to continue paying the mortgage.
  - You are leaving the property.

While it is important to provide a complete picture of hardship, avoid an excessively long letter. A loss mitigator must read and connect with the writer. **Limit the letter to a manageable length.**

If possible, attach any documents, receipts, or notices that support the hardship:

- Any signed exemptions of documents should be included. If you do not have current bank statements, pay stubs, or tax returns, explain in detail why those documents cannot be provided.
- If you do not have tax returns, the lender(s) will want Extension Filings. If unavailable, explain why (e.g., "I have not worked in over 2 years so I have not filed taxes or extensions.").
- Bankruptcy may be addressed in the letter: *"I do not want to have to file for bankruptcy."*

# Mokha Real Estate

SHORT SALE SERVICES

## Sample Seller's Hardship Letter

To Whom it May Concern,

This is a very difficult thing to write. I have always been able to pay my debts in the past and am truly sorry that I cannot do so now.

I lost my job as a manager for a large home improvement company. I have been unemployed for six months and have been receiving unemployment benefits; however, my unemployment check replaces only about one quarter of my previous income. My wife is a stay-at-home mom responsible for our four children. We have both been looking for employment, have exhausted our savings, maxed out our credit cards, and are in the process of filing for divorce.

We can no longer afford to make the \$\_\_\_\_\_ monthly mortgage payment on our home. We are currently five months behind and see no way to make up the \$\_\_\_\_\_ in back payments. Our real estate taxes are also due and we have no way to pay those either.

We have agreed to sell our property for \$\_\_\_\_\_. It has been on the market for over 60 days and this is the only offer we have received. We want to avoid a foreclosure sale that will further damage our credit. We respectfully request that you consider this offer and work with our agent to negotiate a short-sale transaction.

We have exhausted all of our options and the only next step is letting the property go to foreclosure.

Sincerely,

Seller

## Sample Seller's Hardship Letter

Date: \_\_\_\_\_

To Whom it May Concern,

The following is the chain of events that now has us faced with losing our home:

1. Two years ago we had our first baby, and in expecting a normal pregnancy, we anticipated my wife only missing 3 weeks of work. My wife had several complications, the worst being her back, which prohibited her from returning to work for a period of 1 year, for which we did not have the reserves to sustain.
2. Due to the complications stated above, in an effort to try to save our home, we filed for bankruptcy.
3. We currently owe the I.R.S. about \$\_\_\_\_\_ and we do not have the reserves, collateral, or resources to pay our current, past, and present monthly obligations. We have begun the process of looking for housing that will be about half of what our current obligations are.

The agents have worked extremely hard on the sale of this home and are assisting in helping us find a property to lease. I hope the responsible parties can assist in making this situation go smoothly.

Sincerely,

Seller

# Mokha Real Estate

SHORT SALE SERVICES

## Client Information

Date: \_\_\_\_\_

Seller: \_\_\_\_\_ Co-Seller: \_\_\_\_\_

Property Address: \_\_\_\_\_

Assessor's Parcel Number: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

Home Phone: \_\_\_\_\_ Cell Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Preferred Method of Contact:  Email  Cell Phone  Home Phone

Buyer: \_\_\_\_\_ Co-Buyer: \_\_\_\_\_

Mailing Address: \_\_\_\_\_

### Listing Agent

Agent Name: \_\_\_\_\_ Company: \_\_\_\_\_

Office Address: \_\_\_\_\_

Office Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Cell Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Preferred Method of Contact:  Email  Cell Phone  Office Phone

### Buyer's Agent

Agent Name: \_\_\_\_\_ Company: \_\_\_\_\_

Office Address: \_\_\_\_\_

Office Phone: \_\_\_\_\_ Fax: \_\_\_\_\_

Cell Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Preferred Method of Contact:  Email  Cell Phone  Office Phone

# Mokha Real Estate

SHORT SALE SERVICES

Escrow Branch: \_\_\_\_\_

Escrow Officer: \_\_\_\_\_

# Mokha Real Estate

SHORT SALE SERVICES

## Seller's Questionnaire

The seller needs to answer the following:

**Seller Name(s):** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Property Address:** \_\_\_\_\_

**City/Zip:** \_\_\_\_\_ **APN** : \_\_\_\_\_

**Lender(s):**

Lender Name	Loan Number	Phone Number
_____	_____	_____
Lender Name	Loan Number	Phone Number
_____	_____	_____
Lender Name	Loan Number	Phone Number
_____	_____	_____

- Are you current on all mortgage payments?  Yes  No  
a) When was the last payment made?  
b) Are you in arrears?  Yes  No Amount owed: \_\_\_\_\_
- Are you currently paying child support?  Yes  No  
a) When was the last payment made?
- Are your property taxes current?  Yes  No  
a) When was the last installment paid?
- HOA name: \_\_\_\_\_ Phone: \_\_\_\_\_  
a) Do you currently owe dues?  Yes  No
- Do you have liens with family, friends, colleagues, etc.?  Yes  No  
a) How much do you owe in liens?  
b) Are they willing to release their lien?  Yes  No
- Do you currently have any judgments against you for credit cards, medical bills, utilities, etc.?  Yes  No  
a) What is the outstanding balance?  
b) When was the last payment made?
- Are there any other liens or judgments that could affect the sale?  Yes  No

# Mokha Real Estate

SHORT SALE SERVICES

Credit cards

HOA liens

Utility bills (water, sewer, PG&E;)

IRS tax liens

Other lien

Mechanics' liens

Judgments

Medical bills

8. Is there any other liability or issue that may come up in the next few months that Mokha Real Estate should be aware of?
9. Have you spoken with anyone at the lender/lien holder's office?  Yes  No
10. Is there any legal action pending related to this property of which you are aware?  Yes  No
11. What is the reason that caused you to miss or will cause you to miss your payments?
12. Have you received a Notice of Default?  Yes  No Date Received: \_\_\_\_\_
13. Have you received a Notice of Trustee Sale?  Yes  No Date Received: \_\_\_\_\_

## Required Documentation

### Sellers and Sales Agents Need to Provide to Get Us Started

#### Section A — Forms Included Herein

- Seller's **hardship letter**
- Seller's financial information including **complete financial statement** (Freddie Mac Form 1126)
- Signed **authorization to perform** a BPO
- **Assignment and acknowledgement** form
- **Authorization to release** information (one for each lender)
- Estimated cost of **requested repairs** form, if repairs are required
- Completed **seller questionnaire**
- Completed **order form**
- Signed **service agreement**

#### Section B — Additional Items Required

- Most recent 2-year tax returns with copy of W-2's
- Copy of pay stubs and bank statements for past 3 months
- Written proof of the buyer's ability to purchase the property (completed loan application, lender's pre-approval, or bank statement if purchasing with cash)
- Copy of recent mortgage statements for all loans
- Copy of listing agreement including required HAFAs language
- Purchase contract signed by both buyer and seller with buyer's proof of funds and prequalification letter

*Please provide the items in Section B to your Mokha associate as soon as possible.*

# Mokha Real Estate

SHORT SALE SERVICES

## Cost of Requested Repairs

Property Address: \_\_\_\_\_

Square Feet: \_\_\_\_\_

Bedrooms: \_\_\_\_\_

Bathrooms: \_\_\_\_\_

Line Item #	Description	Cost (\$)
101	Demolition	
102	Plumbing	
103	Electrical	
104	Heating, Air Conditioning, Ventilation	
105	Fireplaces (including Flues)	
106	Security Wiring	
107	Roof Covering	
108	Windows	
109	Exterior Doors	
110	Stucco	
111	Garage Doors & Openers	
112	Exterior Painting	
113	Drywall/Plaster	
114	Cabinetry	
115	Finish Materials/Millwork	
116	Interior Doors	
117	Finish Hardware	
118	Countertops	
119	Tubs/Shower Enclosures	
120	Interior Painting/Wall Coverings	
121	Hard Surface Finish Flooring	
122	Carpeting	
123	Built-in Appliances	
124	Bath Accessories	
125	Tub & Shower Doors/Mirrors	
126	Landscaping	
127	Irrigation System	
128	Fencing (including Gates)	
129	Cleaning/Touch-up	

# Mokha Real Estate

SHORT SALE SERVICES

Line Item #	Description	Cost (\$)
	Cost of repairs to bring property to market standard	\$

# Mokha Real Estate

SHORT SALE SERVICES

## Authorization to Perform Interior/Exterior BPO

Date:

---

I/We, \_\_\_\_\_, being the owner(s) of the real property located at:

---

authorize our lender(s):

---

(Name of Mortgage Lender)

(Loan Number)

---

(Name of Mortgage Lender)

(Loan Number)

to perform a complete interior/exterior appraisal of the above property.

Please contact my authorized real estate professional below to schedule an appraisal appointment.

---

Real Estate Contact

Phone

---

Borrower Signature

Borrower Signature

---

Date

Date

# Mokha Real Estate

SHORT SALE SERVICES

## Financial Statement — Form 1126

### Borrower Financial Information

Loan Number: \_\_\_\_\_

BORROWER		CO-BORROWER
BORROWER'S NAME		CO-BORROWER'S NAME
SOCIAL SECURITY NUMBER   DATE OF BIRTH		SOCIAL SECURITY NUMBER   DATE OF BIRTH
HOME PHONE (BEST TIME TO CALL)		HOME PHONE (BEST TIME TO CALL)
WORK PHONE (BEST TIME TO CALL)		WORK PHONE (BEST TIME TO CALL)
CELL PHONE (BEST TIME TO CALL)		CELL PHONE (BEST TIME TO CALL)
MAILING ADDRESS		
PROPERTY ADDRESS (IF SAME AS MAILING, WRITE SAME)		EMAIL ADDRESS
Number of Dependents: _____	Do you occupy the property? <input type="checkbox"/> Yes <input type="checkbox"/> No	Is it rental property? <input type="checkbox"/> Yes <input type="checkbox"/> No Is it leased? <input type="checkbox"/> Yes <input type="checkbox"/> No
Is the property listed for sale? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, provide a copy of the listing agreement.	Have you contacted a credit-counseling agency? <input type="checkbox"/> Yes <input type="checkbox"/> No
Agent's Name:	Agent's Phone: _____	Counselor's Name/Phone:
Do you receive and pay the Real Estate Tax bill, or does your lender pay it? <input type="checkbox"/> I do <input type="checkbox"/> Lender does	Do you pay for a hazard insurance policy? <input type="checkbox"/> Yes <input type="checkbox"/> No Is the policy current? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Are the taxes current? <input type="checkbox"/> Yes <input type="checkbox"/> No If you pay it, provide a copy of your tax statement.	If you pay it, please provide a copy of the policy.	
Have you filed for bankruptcy? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes: <input type="checkbox"/> Chapter 7 <input type="checkbox"/> Chapter 13 Filing Date: _____		
Has your bankruptcy been discharged? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, provide a copy of the discharge order.		

### INVOLUNTARY INABILITY TO PAY

I (We), \_\_\_\_\_, am/are requesting that the Federal Home Loan Mortgage Corporation (Freddie Mac) review my/our financial situation to determine if I/we qualify for a workout option.

I am having difficulty making my monthly payment because of financial difficulties created by (check all that apply):

<input type="checkbox"/> Abandonment of Property	<input type="checkbox"/> Excessive Obligations	<input type="checkbox"/> Military Service	<input type="checkbox"/> Other
<input type="checkbox"/> Business Failure	<input type="checkbox"/> Fraud	<input type="checkbox"/> Payment Adjustment	
<input type="checkbox"/> Casualty Loss	<input type="checkbox"/> Illness in Family	<input type="checkbox"/> Payment Dispute	
<input type="checkbox"/> Curtailment of Income	<input type="checkbox"/> Illness of Mortgagor	<input type="checkbox"/> Property Problems	
<input type="checkbox"/> Death in Family	<input type="checkbox"/> Inability to Rent Property	<input type="checkbox"/> Title Problems	
<input type="checkbox"/> Death of Mortgagor	<input type="checkbox"/> Incarceration	<input type="checkbox"/> Transferring Property	
<input type="checkbox"/> Distant Employment Transfer	<input type="checkbox"/> Marital Difficulties	<input type="checkbox"/> Unemployment	

I believe that my situation is:  Short term (under 6 months)  Long term (over 6 months)  Permanent

I want to:  Keep the Property  Sell the Property

# Mokha Real Estate

## SHORT SALE SERVICES

*Please provide a detailed explanation of the hardship on a separate sheet of paper.*

If there are additional Liens/Mortgages or Judgments on this property, please name the person(s), company or firm and their respective telephone numbers.

\$		
Lien Holder's Name	Balance / Interest Rate	Phone Number (with area code)
\$		
Lien Holder's Name	Balance / Interest Rate	Phone Number (with area code)

*Before submitting, make sure you have signed and dated the form and attached appropriate documentation.*

Volume 2 Single-Family Seller/Service Guide | Page F1126-1 | Bulletin 2007-5 | 12/19/07

# Mokha Real Estate

SHORT SALE SERVICES

## Financial Statement — Form 1126 (continued)

EMPLOYMENT					
BORROWER — Employer's Address & Phone #		How Long?	CO-BORROWER — Employer's Address & Phone #		How Long?
<b>Monthly Income — Borrower</b>			<b>Monthly Income — Co-Borrower</b>		
Gross Wages / Frequency of Pay	\$		Gross Wages / Frequency of Pay	\$	
Unemployment Income	\$		Unemployment Income	\$	
Child Support / Alimony*	\$		Child Support / Alimony*	\$	
Disability Income / SSI	\$		Disability Income / SSI	\$	
Rents Received	\$		Rents Received	\$	
Other	\$		Other	\$	
Less: Federal and State Tax, FICA	\$		Less: Federal and State Tax, FICA	\$	
Less: Other Deductions (401K, etc.)	\$		Less: Other Deductions (401K, etc.)	\$	
Commissions, bonus and self-employed income	\$		Commissions, bonus and self-employed income	\$	
<b>*** ALL INCOME NEEDS TO BE DOCUMENTED — Paystub must be most recent with YTD info ***</b>					
<b>Total (Net income)</b>	<b>\$</b>		<b>Total (Net income)</b>	<b>\$</b>	
<b>Monthly Expenses</b>			<b>Assets</b>		
Other Mortgages / Liens	\$		Checking Account(s)		\$
Auto Loan(s)	\$		Savings / Money Market		\$
Auto Expenses / Insurance	\$		Stocks / Bonds / CDs		\$
Credit Cards / Installment Loans (total min payment/mo)	\$		IRA / Keogh Accounts		\$
Health Insurance (not withheld from pay)	\$		401k / ESPO Accounts		\$
Medical (Co-pays and Rx)	\$		Home		\$
Child Care / Support / Alimony	\$		Other Real Estate #____		\$
Food / Spending Money	\$		Cars #____		\$
Water / Sewer / Utilities / Phone	\$		Life Insurance (Whole Life, not Term)		\$
HOA/Condo Fees/Property Maintenance	\$		Other		\$
Life Insurance Payments (not withheld from pay)	\$				
<b>Total</b>	<b>\$</b>		<b>Total</b>		<b>\$</b>

\* Alimony, child support or separate maintenance income need not be revealed if the Borrower or Co-borrower does not choose to have it considered for repaying this loan.

I agree as follows: My lender may discuss, obtain and share information about my mortgage and personal financial situation with third parties such as purchasers, real estate brokers, insurers, financial institutions, creditors and credit bureaus. Discussions and negotiations of a possible foreclosure alternative will not constitute a waiver of or defense to my lender's right to commence or continue any foreclosure or other collection action, and an alternative to foreclosure will be provided only if an agreement has been approved in writing by my lender. The information herein is an accurate statement of my financial status. I consent to being contacted concerning my Mortgage at any cellular

# Mokha Real Estate

SHORT SALE SERVICES

or mobile telephone number I may have.

Submitted this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_

---

Signature of Borrower

Signature of Co-Borrower

*Before submitting, make sure you have signed and dated the form and attached appropriate documentation.*

Volume 2 Single-Family Seller/Service Guide | Page F1126-2 | Bulletin 2007-5 | 12/19/07

# Mokha Real Estate

SHORT SALE SERVICES

## Financial Statement — Form 1126 (Lender Section)

### FOR LENDER USE ONLY

Provide the appropriate information about the borrower, mortgage and property. If there are junior or superior liens, indicate the total amount owed, the name of the lien holder(s) and the status of the lien (i.e., current, in foreclosure, delinquent and indicate the number of days delinquent). The Debt analysis section is divided into three sections: expenses paid or advanced to retain lien status; total mortgage debt including escrow; and pending expenses coming due.

Freddie Mac Loan Number	Seller/Service Loan Number	DDLPI	Current Interest Rate	Seller/Service Number	
Preparer's Name		Date Prepared	Phone Number	Fax Number	
Seller/Service Name		E-mail Address			
Address		City State			
MI Contact Name		Phone Number			
If Primary MI Coverage: MI Company _____ Certificate # _____ % of Coverage _____		If Pool MI Coverage: MI Company _____ Certificate # _____ % of Coverage _____			
Recommendation: <input type="checkbox"/> Short Payoff <input type="checkbox"/> Deed in Lieu <input type="checkbox"/> Makewhole		<input type="checkbox"/> Scheduled or <input type="checkbox"/> Estimated Foreclosure Sale Date: ___ / ___ / ___			
Bankruptcy History: Chapter _____ Date Filed ___ / ___ / ___ Date Released ___ / ___ / ___					
Monthly Payment: P&I; \$ _____ Hazard Insurance \$ _____ Other Escrowed Amt \$ _____ Taxes \$ _____ MI Premium \$ _____					
If loan is an ARM: Interest Rate _____ Effective Date _____ P&I; _____		If loan is a GPM: Interest Rate _____ Effective Date _____ Interest Rate _____ Effective Date _____			
Property Condition: <input type="checkbox"/> Good <input type="checkbox"/> Fair Property Insurance Claim \$		MI Contribution \$ Borrower Contribution \$			
Junior Lien Amount \$ Lien Holder Status of Lien		Superior Lien Amount \$ Lien Holder Status of Lien			
Expenses		Mortgage Debt		Pending Unpaid Expenses	
Appraisal/BPO	\$	Unpaid Principal Balance	\$	Next RE taxes due ___ / ___	\$
Real Estate Taxes	\$	Accrued Interest	\$		\$
Foreclosure	\$	Positive Escrow Balance	\$		\$
Bankruptcy	\$	Negative Escrow (Net of advances)	\$		\$
Water/Sewer Payments	\$	(B) Total Loan Amount	\$		\$
Other (explain)	\$				
(A) Total Expenses	\$	Total Debt (A + B)	\$	Total	\$

# Mokha Real Estate

SHORT SALE SERVICES

*Before submitting, make sure you have signed and dated the form and attached appropriate documentation.*

Volume 2 Single-Family Seller/Service Guide | Page F1126-3 | Bulletin 2007-5 | 12/19/07

# Mokha Real Estate

SHORT SALE SERVICES

## Authorization to Release Information

Date: \_\_\_\_\_

To: Loss Mitigation Department: \_\_\_\_\_

Attention: \_\_\_\_\_

Fax: \_\_\_\_\_

I/We, \_\_\_\_\_, being the owner(s) of the real property located at:

\_\_\_\_\_ give permission for \_\_\_\_\_ my real estate professional, and any supporting staff to obtain information regarding my/our loan(s). The loan information is as follows:

Borrower Name Social Security Number Date of Birth

Borrower Name Social Security Number Date of Birth

Loan Number: \_\_\_\_\_ Loan Number: \_\_\_\_\_

Authorized Persons: \_\_\_\_\_

Please contact \_\_\_\_\_ if you need any additional information regarding my mortgage(s) or if you have difficulty contacting me. I am making a good faith effort to resolve my delinquent mortgage(s) and will diligently work to reach a settlement.

Sincerely,

\_\_\_\_\_  
Borrower Signature

\_\_\_\_\_  
Borrower Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

# Mokha Real Estate

SHORT SALE SERVICES

## Authorization to Release Information

Date: \_\_\_\_\_

To: Loss Mitigation Department: \_\_\_\_\_

Attention: \_\_\_\_\_

Fax: \_\_\_\_\_

I/We, \_\_\_\_\_, being the owner(s) of the real property located at:

\_\_\_\_\_

give permission for \_\_\_\_\_ my real estate professional, and any supporting staff to obtain information regarding my/our loan(s). The loan information is as follows:

\_\_\_\_\_

Borrower Name	Social Security Number	Date of Birth
---------------	------------------------	---------------

_____	_____	_____
-------	-------	-------

<b>Loan Number:</b> _____	<b>Loan Number:</b> _____
---------------------------	---------------------------

Authorized Persons: \_\_\_\_\_

Please contact \_\_\_\_\_ if you need any additional information regarding my mortgage(s) or if you have difficulty contacting me. I am making a good faith effort to resolve my delinquent mortgage(s) and will diligently work to reach a settlement.

Sincerely,

\_\_\_\_\_

Borrower Signature	Borrower Signature
--------------------	--------------------

Print Name	Print Name
------------	------------