



SHORT SALE

Services

Hardship Letter Guideline

The central document in the Short Sale package that will be submitted to the mortgage lenders that will be taking a loss is the Hardship Letter. The Hardship Letter provides the homeowner with 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 homeowner's situation is genuinely distressing and the lender(s) would be better off accepting the lesser amount in a short sale than to pursue a foreclosure. In the hardship letter, present the facts clearly and honestly. A well-written hardship letter will be able to explain the situation that caused you to fall behind and provide proofs of hardship. Situations such as divorce/separation, job loss or reduction of income, adjustment in mortgage payment, prolonged illness, or a death in the family are all acceptable hardships.

The Hardship Letter should be an honest, heartfelt statement outlining the circumstances that have created the problem. It should include these components:

- A brief apology for having to ask the lender to take a loss
- A description of the steps the homeowner has taken (used credit cards, borrowed from family, borrowed from retirement accounts) to stay current on the mortgage
- A clear statement that the homeowner has extended all available options to stay current on the mortgage and that a Short Sale is the only remaining option, other than foreclosure.
- Get personal; you should not feel embarrassed about the situation. This is your Opportunity to state your case.
- A handwritten letter is recommended.
- Include details regarding the hardship. Detail your current and past hardships (for example, job loss, car accident, medical problems either personally or in your immediate family, etc.) and include specifics for each hardship.
- Be sure your letter conveys the following important messages to your lender(s):
 - Why you will not be able to bring your past due amount up-to-date
 - Your income is not enough to make the payments and you have no assets with which to continue paying the mortgage
 - You are leaving the property

While it is important for the home owner to provide a complete picture of their hardship , it is also important to avoid a letter that is excessively long. In order to the a loss mitigator to understand the hardship, the loss mitigator needs to read the letter and connect with the writer. Limit the letter to a manageable length.

If possible, attach to the Hardship Letter any documents, receipts or notices that support the homeowner's hardship.

- Any signed exemptions of documents should be included. If you do not have current bank statements, pay stubs or tax returns, you will need to explain in greater detail as to why those documents cannot be provided. For example: "I do not have pay stubs because I've been unemployed for 6 months and unable to find work." If you do not have tax returns, the lender(s) will want Extension Filings. If you do not have these to provide, explain why (i.e., "I haven't worked in over 2 years so I haven't filed taxes or extensions.").
- Bankruptcy could be addressed in the letter: "I don't want to have to file for bankruptcy."



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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. I have been receiving unemployment benefits. However, my unemployment check replaces 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. We have exhausted our savings. Our credit cards are maxed out and we 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



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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, a 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



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Client Information

Date: _____

Seller: _____ Co-Seller: _____

Property Address: _____

Assessor's Parcel Number: _____

Mailing Address: _____

Home Phone: _____ Cell Phone: _____

Email: _____

Preferred Method of Contact: Email CellPhone HomePhone

Buyer: _____ Co-Buyer: _____

Mailing Address: _____

Listing Agent Name: _____ Company Name: _____

Office Address: _____

Office Phone: _____ Fax: _____

Cell Phone: _____

Email: _____

Preferred Method of Contact: Email CellPhone OfficePhone

Buyer's Agent Name: _____ Company Name: _____

Office Address: _____

Office Phone: _____ Fax: _____

Cell Phone: _____

Email: _____

Preferred Method of Contact: Email CellPhone OfficePhone

Escrow Branch: _____ Escrow Officer: _____



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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

1. Are you current on all mortgage payments? Yes No

2. Are you currently paying child support? Yes No

If yes: a) When was the last payment made? _____

b) Are you in arrears? Yes No Amount owed: _____

3. Are your property taxes current? Yes No

a) When was the last installment paid? _____

4. HOA name _____ Phone: _____

a) Do you currently owe dues? Yes No

5. Do you have liens with family, friends, colleagues, etc? Yes No

If yes: a) How much do you owe in liens? _____

b) Are they willing to release their lien? Yes No

6. Do you currently have any judgments against you for credit cards, medical bills, utilities, etc.? Yes No

If yes: a) What is the outstanding balance? _____

b) When was the last payment made? _____

7. Are there any other liens or judgements that could affect the sale? Yes No

Credit cards _____

Homeowners' Association (HOA) liens _____

Utility bills, water, sewer, PG&E _____

IRS tax liens _____

Other liens _____

Mechanics' liens _____

Judgements _____

Medical bills _____

8. Is there any other liability or issue that may come up in the next few months that Short Sale Services 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 citation 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 _____



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Required Documentation Sellers And Sales Agent 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 BPO to perform**
- Assignment and acknowledgement**
- Authorization to release** (one release per lender)
- Estimated cost of **requested repairs** if repairs are required
- Completed **seller questionnaire**
- Completed **order form**
- Signed **service agreement**

Section B (Additional things required)

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



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Cost of Requested Repairs

Square Feet: _____

Property Address: _____

Bedrooms: _____

Bathrooms: _____

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



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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

EMPLOYMENT

BORROWER- EMPLOYER'S ADDRESS & PHONE #		HOW LONG?	CO-BORROWER- EMPLOYER'S ADDRESS & PHONE #		HOW LONG?
Monthly Income - Borrower			Monthly Income - Co-Borrower		
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	\$	
* * * * * ALL INCOME NEEDS TO BE DOCUMENTED * * * * *					
Paystub must be most recent date with year to date information.					
Total (Net income)			Total (Net income)		
\$			\$		
Monthly Expenses			Assets		
Other Mortgages / Liens	\$		Type		Estimated Value
Auto Loan(s)	\$		Checking Account(s)		\$
Auto Expenses / Insurance	\$		Saving / Money Market		\$
Credit Cards / Installment Loan(s) (total minimum payment for both per month)	\$		Stocks / Bonds / CDs		\$
Health Insurance (not withheld from pay)	\$		IRA / Keogh Accounts		\$
Medical (Co-pays and Rx)	\$		401k / ESPO Accounts		\$
Child Care / Support / Alimony	\$		Home		\$
Food / Spending Money	\$		Other Real Estate#		\$
Water / Sewer / Utilities / Phone	\$		Cars#		\$
HOA/Condo Fees/Property Maintenance	\$		Life Insurance (Whole Life not Term)		\$
Life Insurance Payments (not withheld from pay)	\$		Other		\$
Total			Total		
\$			\$		

* Alimony, child support or separate maintenance income need not be revealed if the Borrower or Co-borrower does not choose to have it considered in 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 appraisers, 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 any 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 or mobile telephone number I may have. This includes text messages and telephone calls to my cellular or mobile telephone.

Submitted this _____ day of _____, 20_____

By _____ By _____
Signature of Borrower Signature of Co-Borrower

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

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: the amount of expenses which have been paid or advanced to retain the lien status; the total amount of the mortgage debt, including the amount of escrow that remains after any advances have been made; and the pending expenses which you are aware are coming due, such as pending unpaid real estate taxes, and indicate the date that any unpaid expenses are due.

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

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

