

Negotiate Your Mortgage Terms with a Hardship Letter

Troubled homeowners have the tendency to avoid all collection attempts and ignore any default letters sent by their lenders. However, initiating contact with them can allow you to request altering your payment terms to fit within your changing financial situation; most will require a hardship letter to outline your current status and the reason for your default prior to changing your mortgage payments. Following are instructions on how to write this letter, and what information should be included in it:

First, it's always best to preempt any defaulted or late payments. Sit down and take the time to communicate, in writing, with your lender to advise them of your impending hardship. You can easily stop foreclosure proceedings by letting them know of an injury or illness that has kept you from work, a family emergency, or losing your source of income. If your financial strain is a result of something that was not in your power, most lenders will tend to give you a little leeway and will prevent the situation from becoming a nasty legal battle.

Any hardship letter should include your name, address and contact information, to be inserted in a formal letter template commonly found in any computer operating software program. You should also gather the lender's address and name to be recorded as the recipient.

Make sure your letter is short and to the point, but clearly communicates what you want them to do and why. Start by asking them to review your current financial situation and come up with a mutually agreeable payment solution to become current on your mortgage and avoid foreclosure. Clearly state that you want to meet your obligations with them, and outline the reasons you have fallen behind.

Whatever you do, don't blame your lender for your current situation. Simply state that "I recently was laid off from my job, and am living off of unemployment in the interim."

Next, let them know how long you expect your current situation to last, and how you plan on remedying it. An example may be: "I do not expect this circumstance to last more than three or four months, and have been actively pursuing other employment opportunities on a full-time basis."

Finally, include a sentence that says, "To the best of my knowledge, the information included in this letter is true and accurate." End the letter with a handwritten signature and the date. If your spouse or another party is listed on the loan as well, also have them sign and date the letter.

The best and most professional way to present the letter to your lender is to send it via certified mail. Of course, you can always fax it or take it in person if you have established a personal relationship with someone in a local branch.

The key to avoiding a home foreclosure is to instill some confidence in your lender that you fully intend on paying your mortgage, but currently need some type of alteration to make it more

affordable. Sending a hardship letter as soon as possible will better your chances of finding an agreeable solution you can commit to.