



A S S I S T A N C E

Can I Save My Home from Foreclosure?

Find more easy-to-read legal information at www.ptla.org

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What do I need to know first?

Call 1-888-664-2569

Here are four quick Tips:

Educate yourself. Many, many people are in fear of losing their homes. Maine provides some free help resources, but not everyone will be able to get a free lawyer. Here, we want to help you get started by telling you about some options and where you may be able to get further help.

Be persistent. Saving your home can take a long time and be frustrating. But there may be an affordable solution.

Avoid Scams. Many companies are promising to stop foreclosures and get loan modifications for a fee. Many of these companies take money and then disappear. Be careful and don't be scammed!

Get free help now. Contact the Foreclosure Prevention Hotline: **1-888-664-2569** or contact a free certified HUD counselor (see attached list)

I am having a hard time making my mortgage payments. What can I do?

- Contact the servicer** or mortgage holder



right away to see if they can offer any solutions. Your servicer is the company that collects your monthly mortgage payment. You can find their phone number on your mortgage bill. By following the **To Do List** below you will be ready to answer most questions your servicer will ask.

Start a file for records relating to your home. Keep it in a safe place where you will be able to find it easily. **Keep good notes of all the contacts you make, including the dates and what you were told.** Having good records is important.

Pay high priority bills first. See attached suggestions about how to budget when you can't pay all of your bills.

Focus on an affordable outcome. A solution that is not affordable will leave you facing trouble again in the future.

Complete the To Do List below. Your loan servicer will need this information in order to help you.

Know your options. See the options (at page 2-3 below).

To Do List

Collect all the documents and put them in a file where you can find them.

- ✓ Do a **budget**. Use the attached **monthly budget form**. Be complete, honest and realistic.
- ✓ **Decide how much you can afford to pay** for your mortgage, taxes, and homeowner's insurance. Be realistic. A good rule of thumb is to stay under 31% of you total income. (Gross income x .31 = maximum housing costs.)

- ✓ Collect your **proof of income**. This includes your two most recent pay stubs. It includes any award letter from Social Security or the Veterans Administration, or notice of unemployment benefits or public assistance (such as TANF). If you don't have these papers, get copies. Call your employer or the agency that pays your benefits.
- ✓ Get copies of your **bank statements** for the last 2 months.
- ✓ Find copies of last year's **tax returns** and W2 forms.
- ✓ Write down **the reasons** you fell behind or can not afford the mortgage. Be prepared to explain the events that led up to your financial problems. Find a **Sample Hardship Letter** attached. You may want to ask for help to prepare the hardship letter. (See attached list of HUD Certified Housing Counselors.)
- ✓ **Find out how much your house is worth.** You need to know this in order to sort out your options. Call a real estate broker and ask for a market analysis or broker price opinion. Many reputable real estate brokers will do this for free. If you can't get this, you can at least find out the tax value from your most recent tax bill or your town or city office.

What are my options?

There are many ways the bank can help you if you fall behind on your mortgage or are having real difficulty making your mortgage payment. The list below is an overview of the most common options. Which one is right for you, or one that the bank will allow, depends on your individual situation. To be eligible for these options you will need to have income.



Important: If you think that you are a victim of predatory lending, get legal help right away. Contact the Foreclosure Prevention Hotline: 1-888-664-2569.

» **Forbearance:**

The bank agrees that for a limited period of time it will accept a lower monthly payment or no monthly payment. At the end of the forbearance agreement you must bring the account current. **But you might have to make larger payments later on.** Make sure you can afford a forbearance agreement before you agree to it.

» **Temporary Interest Rate Reduction:**

A temporary reduction in the interest rate may be enough to lower your payments for the short term until you are able to recover from your financial trouble. This plan might work if, for example, your company temporarily reduced work hours and there is a plan to increase the hours in the future or if you received a temporary leave from work. A temporary reduction won't work if the long term payment won't be affordable later or if there is no realistic plan to increase your income.

» **Modification:**

A modification is a permanent change in the terms of your loan. Possible changes include reducing the interest rate, extending the term of the mortgage, adding the arrears to the unpaid principal balance of your loan, or even a principal forbearance. A principal forbearance reduces your payment by turning part of the loan into a lump sum you will have to pay at the end of the loan term.

» **Refinance:**

Several programs exist that may allow you to refinance your loan under certain circumstances where you are still current on your mortgage.

Proceed carefully. Beware of large fees and high interest rates. Be very careful if you receive calls from companies other than your servicer or mortgage holder offering to refinance. Read our *Don't Borrow Trouble!* and *Foreclosure Rescue Scams* pamphlets.

Talk to a HUD-Approved Housing Counselor. (See attached list of agencies throughout Maine.) He can help you decide if a refinancing deal may help you, or only put you in a worse financial position.

Depending on who is involved with your loan there may be specific guidelines for the servicer to follow and steps they must take. See "Does it matter who owns my mortgage?" at page 7 below.

If you are able to work out a deal, here are some **additional tips:**

- Get the agreement in writing.
- Make sure you understand the terms of the agreement.
- Notify the "escrow department," to make sure that they know about the agreement.
- **Make sure you can afford the plan. Do not fudge your numbers.** If you negotiate a plan that is not affordable, you might not be eligible for another workout plan later. **If you cannot negotiate an affordable plan, you have other options to consider. We will review those options below.**



I fell behind on my mortgage payments. What can I do?

Even if you are 30 days or more behind on your payments there is still plenty that you can do. **Follow all the steps outlined above.** The same process applies.

- » **Call your servicer** (or mortgage holder)
- » **Start a file**
- » **Pay high priority bills first**
- » **Focus on an affordable outcome**
- » **Complete the To Do List** (page 2 above)
- » **Know your options.**

You may have some additional options to consider

You may have other options that could allow you to get caught up and bring your loan current. **All the options discussed above (page 3) apply**, so consider them, as well. Remember to keep focused on an affordable outcome. Here are a few more options:

» **Reinstatement:**

You give the bank all of the back payments you owe and start making your regular monthly payment.

» **Partial Reinstatement:**

You pay at least one-half of the back payments first and agree to a repayment plan for the rest of what you owe.

» **Repayment Plan:**

You make the regular mortgage payment plus an additional amount toward the back payments for a certain period of time. If the bank sets up a repayment plan for you, make

sure it is affordable. Do not agree to a plan that will not work for you.

» **Temporary indulgence**

You are given a 30-day grace period to repay all past-due payments at once. This could work, for example, when you are expecting a lump sum.

What if I can't seem to negotiate a plan?

Bankruptcy might be an option. If you have not been able to speak with a lawyer or housing counselor about your loan, you may want to consult with a bankruptcy lawyer. Most bankruptcy lawyers will give a free consult. Also, if you have been the victim of illegal predatory lending, the bankruptcy court can consider these issues in determining a fair resolution between you and the lender. Bankruptcy could be a good option, but it is not for everyone. Learn more about bankruptcy from our pamphlet: *Bankruptcy: Is It the Right Choice for Me?*

The sheriff served me court papers for a foreclosure. What do I do?

Even though you have received foreclosure papers, you may still be able to save your home. Here is a short to-do list:

- Read our pamphlet *Home Mortgage Foreclosures in Maine*.** Follow all the instructions in the pamphlet. You must **file an answer** to the foreclosure papers within **20 days**. An answer form and discovery request are attached to that pamphlet. You can fill them out and file them with the Court.



Seek out legal assistance right away.

See page 7 for a list. If you can't find a lawyer right away, then follow the instructions in the pamphlet *Home Mortgage Foreclosures in Maine*.

Continue communicating with your servicer or mortgage holder. Complete the To Do List at page 2. Call your servicer and continue to negotiate. You may still be able to negotiate an agreement, such as a loan modification. You may be able to get the servicer to put the foreclosure on hold while they evaluate you for a loan modification or other loan workout.

Save your mortgage payments. It is very important that you save your mortgage payments, if at all possible, and put your payments in a separate bank account. If you can't save the full amount, then save what you can afford. **But save!** Make sure you do not spend the money, and make the mortgage payment a priority. If you have a regular income and have saved your mortgage payments, you will have a much better chance of saving your home, even when a foreclosure is already happening.

Keep track of court deadlines; if you miss one, you will probably be put on a fast-track to foreclosure.

Bankruptcy

If your goal is to keep your home, a Chapter 13 bankruptcy may be an option. Talk to a bankruptcy lawyer. If you don't know of someone to contact, you can get a referral through the Maine Bar Association:

1-800-860-1460.

Warning: Negotiating with the servicer or mortgage holder does not always postpone a foreclosure. The mortgage holder or servicer may let the foreclosure continue even while you are negotiating. It is critical that you read and follow the steps in our pamphlet *Home Mortgage Foreclosures in Maine* until the court issues a formal stay or a dismissal.

Shouldn't I try to keep my home at all costs?

No. As hard as that might be to hear, keeping your home may not be your best option.

Selling your home may be your best option.

If you are not able to make a realistic workout plan, refinancing with a legitimate company is not possible, and you will not benefit from bankruptcy, the best remaining option is to sell the home at fair market value. Although selling may not feel like a good solution, a sale at or near fair market value can allow you to pay off the mortgage and keep the equity in your home. Depending on how much you have paid in, that equity—the value of the home after you pay off the mortgage—could be in the thousands of dollars.

What if I decide to give up my home?

If you have decided that keeping your home is not realistic or is not the right choice for you, and it is not too late, here are some other possible options:



- **Put your home up for sale**
Selling may be a good choice if you have owned your home long enough to build up some financial equity. Your equity is the value of the house that is over and above what you owe on the house. If you need time to sell, call your servicer or mortgage holder and request time to sell before they file a foreclosure.
- **Do a “short sale” or “pre-foreclosure sale”**
In a short sale the mortgage holder agrees to let you sell the house for less than what is owed as a total settlement. It is critical to get a written agreement that they will cancel your debt and not try to collect any amount left owing after the sale. Also, you may be able to get them to agree to help cover your moving expenses. This may be a more realistic approach if you are “under water,” that is, you owe more on the house than the house is worth.
- **Deed in lieu of foreclosure**
As with a “short sale” your lender is agreeing to take the deed to your home and cancel your debt. Do not ask for a deed-in-lieu if you have equity in the house. The mortgage holder will not accept a deed-in-lieu if there are other liens on the property.
- **Mortgage assumption**
You sell your home to a buyer who assumes your mortgage. The buyer must be able to qualify for the loan, and the home cannot be worth significantly less than the mortgage amount. The servicer may charge a fee.

- **Bankruptcy**
If you decide to give up the house, filing for bankruptcy may be your best option. Often negotiating a “short sale” or “deed in lieu” can be complicated and difficult. Also, you may have other debts and can’t see how you’re going to get out from under them. In this situation bankruptcy may be a reasonable choice - to help you get a fresh start and move on to financial health. You may want to consult a bankruptcy attorney before you make any final decisions.

What are the tax consequences of a workout if the lender gives up part of my debt?

If the mortgage holder “writes off” (gives up) any part of the debt you owe - even if he reduces your interest rate - the IRS may consider it as income to you and charge you taxes on that income. However, a recent federal law gets rid of those taxes in many “write off” situations. Also, if you were insolvent (your debts are more than your assets) at the time the debt was forgiven, you may be exempt from any taxes for the forgiven debt.

Tax rules are complicated. **Consult with a tax professional** who has experience with debt forgiveness. If you have questions, contact our **Low Income Taxpayer Clinic (942-8241)** for more information.

Who can help me?

The sooner you get help with the problem, the better your chances of solving it. Contact one of these help agencies **before** you miss your first payment, or as early as possible:



Maine Bureau of Consumer Credit Protection

1-888-664-2569

Website for Homeowners:

www.credit.maine.gov

Maine Housing Counselor Network

See attached list or go to:

www.ptla.org/PDF/foreclose_counselors.pdf

Call one of these legal agencies if you have already been served with court papers:

Pine Tree Legal Assistance (contact your nearest office in Portland, Lewiston, Augusta, Bangor, Machias or Presque Isle)

Volunteer Lawyer's Project/Maine Attorneys Saving Homes (MASH)

1-800-442-4293

Legal Services for the Elderly

1-800-750-5353

Or contact a lawyer who does **Chapter 13 bankruptcy** work. If you don't know anyone, you can ask for a referral from the Maine Bar Association: **1-800-860-1460**. This could work for you if you expect to have enough regular income to finish buying your home but need to adjust your payment plan. Or, if you are deeply in debt, you may want to file under Chapter 7, even if you have decided to give up your home.

Even if you cannot get immediate help from a lawyer or HUD-approved housing counselor, **you need to take action now!** Follow the steps outlined above. Again, the first thing to do is to contact your lender or loan servicer. Ideally, call them before you miss your first payment, or call as early as

you can. If they ask you to complete a financial packet, follow their instructions carefully. But **before you sign any agreement**, make sure you understand it, and make sure it is affordable. Ask questions and be persistent.

Does it matter who currently owns my mortgage or who the servicer is?

Yes. Most loans are now covered by at least one of several programs that have very specific "workout standards." Whether your loan comes within the scope of any of these programs depends on either who your servicer is, or who owns your loan.

The Making Home Affordable Program

This is the "Obama Plan" that started in early 2009. You are potentially eligible if:

- Your mortgage is held by Fannie Mae or Freddie Mac, or
- Your loan servicer has signed onto the program. (This is voluntary but many of the largest servicers have signed on.)

These servicers must follow the Making Home Affordable Program guidelines. If you qualify for any of the options under the Making Home Affordable Program, then the servicer must work with you. (The servicer should consider all the options listed above (pages 2-4), even if you don't qualify.) The loan servicer and the loan owner **do not have to agree** to any particular "workout" plan. However, they may want to strike a deal that will work well for everyone. And the "Obama Plan" is putting additional pressure on servicers – along with incentives – to come up with reasonable solutions.



Learn more:

Ask for our pamphlet: “Will the Obama Plan Help Me?”

Go to: www.makinghomeaffordable.gov

NOTE: Even if you are not eligible for the Making Home Affordable program, a participating servicer must consider you for any programs they might offer - including a loan modification, a forbearance, or a repayment plan. However, the final agreement is voluntary.



Notice

Prepared by Pine Tree Legal Assistance
Revised August 2010; partially updated December 2012

We are providing this information as a public service. We have tried to make it accurate as of the above date. Sometimes the laws change. We cannot promise that this information is always accurate and up-to-date. If the above date is not this year, call us to see if there is an update.

This information is not legal advice. By sending it to you this, we are not acting as your lawyer. Always consult with a lawyer, if you can, before taking legal action.

Documents Checklist

Make a file folder with all of these documents. If you don't have some of these documents, try to track them down, by contacting the mortgage company, the bank, or whoever would have the originals. Make copies for your advocate, if you can.

- ❑ 1. Fill out the attached budget sheet.
- ❑ 2. Get supporting documents, if you can, such as:
 - ❑ a. Pay stubs
 - ❑ b. Copy of checks
 - ❑ c. Verification of Social Security, TANF, pension or other regular income
 - ❑ e. Child Support income or payments
- ❑ 3. Collect bank statements for last 3 months
- ❑ 4. Find all mortgage-related documents for all of your mortgages:
 - ❑ a. Applications, good faith estimates, TILA disclosure, HUD-1 form
 - ❑ b. Credit checks and appraisals of home value
 - ❑ c. All documents from the closing
 - ❑ d. All letters or statements received from the mortgage company
 - ❑ e. All documents from foreclosure attorneys or others
- ❑ 5. Keep copies of your:
 - ❑ a. Letters to broker, loan servicer and others
 - ❑ b. Credit report
 - ❑ c. "Hardship letter," if you sent one
 - ❑ d. Dated notes of phone conversations with servicer and others
- ❑ 6. Get copy of most recent tax return

Name & date:

Monthly Budget

INCOME

Monthly Pay Before Any Deductions

(Gross)

\$

Total Deductions

(tax and other deductions)

\$

minus (-)

equals (=)

Total Take-Home Pay

(Net)

\$

Housing expenses	Regular Payment
Rent/Mortgage	\$
Tax	\$
Insurance	\$
Electric	\$
Gas/Oil	\$
Water/Sewage	\$
Repairs/Maintenance	\$
Cell phone	\$
Phone	\$
Cable	\$
Internet	\$
Other	\$
Housing Total	\$

Living expenses	Regular Payment
Groceries	\$
Lunches/Meals out	\$
Household supplies	\$
Clothing	\$
Laundry	\$
Haircuts	\$
Medical Bills	\$
Prescriptions	\$
Childcare	\$
School tuition/supplies	\$
Pet supplies	\$
Other	\$
Living Total	\$

Vehicle	Regular Payment
Loan/lease	\$
Loan/lease	\$
Gas	\$
Insurance	\$
Repairs/maintenance	\$
Excise tax	\$
Parking	\$
Other	\$
Other	\$
Other	\$
Vehicle Total	\$

Other Debts	Regular Payment
Student Loans	\$
Credit card	\$
Credit card	\$
Credit card	\$
Medical bill	\$
Medical bill	\$
Rent-to-own	\$
Other	\$
Other	\$
Other	\$
Debts Total	\$

Miscellaneous	Regular Payment
Video Rentals, Movies	\$
Club dues	\$
Newspaper/Magazines	\$
Church Tithes	\$
Charitable contributions	\$
Gifts	\$
Attorney's fees	\$
Insurance (life, etc)	\$
Alcohol/Tobacco	\$
Lottery/Gambling	\$
Other	\$
Misc. Total	\$

RESULTS:

Total **Gross** Income: \$

To get target housing payment, multiply total gross income by 0.31 \$

Total Net Income	\$
Subtract <i>total housing</i> -	\$
Subtract <i>total living</i> -	\$
Subtract <i>total vehicle</i> -	\$
Subtract <i>total debts</i> -	\$
Subtract <i>total misc.</i> -	\$

Equals Total Surplus or Deficit =

To connect to a free help agency near you, call the Foreclosure Prevention Hotline:

1-888-664-2569

Maine HUD-Approved Agencies Providing Free
Foreclosure Prevention Counseling Services

Counseling Agency and Service Area	Contact Person	Phone and Email Address
Aroostook Community Action Program <i>Aroostook County</i>	Jeff Heron	207-768-3023 ext. 657 Jheron@acap-me.org
MaineStream Finance <i>Penobscot, Piscataquis, Knox, and Waldo Counties</i>	Dana Ward Heather Massow	207-973-3555 dward@penquis.org 207-974-2403 hmassow@penquis.org
Kennebec Valley Community Action Program <i>Kennebec and Somerset Counties</i>	Norma Morrрисsey April Gagnon	207-859-1637 normam@kvcap.org 207-859-1568 aprilg@kvcap.org
Community Concepts, Inc. <i>Androscoggin and Oxford Counties</i>	Bitsy Holt Melissa Green	Intake: 207-795-4065 homequest@community-concepts.org
York County Community Action <i>York County</i>	Nicole Boutin Michael Alexandre	Intake: 207-459-2967 or 324-5762 ext 2967 Nicole.boutin@yccac.org michaela@yccac.org
Coastal Enterprises, Inc. <i>Statewide</i>	Diane Sherman Jason Thomas Mechelle Nash Linda Lajoie	207-882-5126 dianes@ceimaine.org 207-882-5151 JThomas@ceimaine.org 207-882-5148 min@ceimaine.org 207-882-5159 llajoie@ceimaine.org
Money Management International <i>Statewide</i>	Justin Dobson	1-888-845-5669 ext.5711 Justin.Dobson@moneymanagement.org
Western Maine Community Action <i>Statewide</i>	Bobbie Jo Mealey Deanna Brown	1-800-645-9636 ext. 5112 bjmealey@wmca.org 1-800-645-9639 ext. 5112 debrown@wmca.org
Legal Resource Organizations		
Pine Tree Legal Assistance Local Offices:	Portland: 774-8211 Lewiston: 784-1558 Augusta: 622-4731	Bangor: 942-8241 Presque Isle: 764-4349 Machias: 255-8656

Setting Priorities for Paying Your Debts When You Can't Pay All Your Bills

Think carefully about what bills to pay with your limited resources. It may be more important to save money this month to pay next month's high priority bills (or to save the court fees for filing for bankruptcy) than to pay all your bills. Here are some tips on which bills to pay first:

HIGH PRIORITIES

- Pay for your family necessities including food and essential medical expenses.
- Pay your mortgage or rent. If you own your home, pay real estate taxes, insurance, condo fees and mobile home lot payments. Failure to pay these bills may lead to a loss of your home.
- Pay the minimum required to keep essential utility service including heat, electricity and water. You may not need to pay the full bill in order to stay connected.
- Pay car loans or leases if you really need your car for work or for medical reasons. Pay insurance on any cars with loans or leases.
- Pay your child support. Child support debts do not go away with bankruptcy and non-payment may result in criminal penalties.
- Pay your income tax debts. Even if you cannot pay your entire debt, you must file your tax returns to avoid further penalties.

MEDIUM PRIORITIES

- Debts on which the creditor obtains a court judgment against you.*
- Student loans – the federal government has collection remedies above and beyond those of private creditors

LOW PRIORITIES

- Loans that are not backed by property such as credit card debts, doctor, hospital and attorney and other professional bills. These debts are difficult for creditors to collect and you do not risk losing any property if you do not pay.
- Loans for household goods (e.g. appliances or furniture) are also less likely to be collected because used goods are not worth the time and expense of collection. However, it is possible you will lose this property if you do not pay on the debt.
- Do not pay on loans for which you have a good legal defense to repayment* (for example, the item you bought was defective or the creditor is asking for more money than the item's price). This does not apply to rent or mortgage payments – if your housing is defective, you should seek other legal help.*

Use these priorities to decide how to budget your money. Don't let debt collection efforts, threats to ruin your credit record, or threats to sue you change your priorities. The consequences of not paying a bill and the likelihood that you will lose property are not changed by a creditor's threats.

* If you have debts that fit these categories, you may need other legal advice. Call the Maine Volunteer Lawyer's Project at 1-800-442-4293 and ask for advice on how to handle these situations.

Sample Hardship Letter
Provided by the National Consumer Law Center

**(for illustration only; you must compose your own letter;
this is only to show you what one might look like)**

Another first step is to send the investor a “hardship” letter. Again, it is best to get the help of a legal advocate first. But you may not have enough time to get that help when you need it. So we have attached a sample hardship letter and some pointers about what information to include in your letter, if you need to write the letter yourself. It is better to try this on your own than to do nothing.

July 15, 2010

Darlene Smith
Loss Mitigation Specialist
ABC Mortgage Co.
1234 River Road
Milwaukee, WI 33333

RE: John and Joan Borrower
217 Lake Street
Otis, ME 12345
Account number: 98374092

Dear Ms. Smith:

[State what type of work-out plan you are seeking; see enclosure “Can I save my home from foreclosure?”]

This letter is to support our application for a loan modification plan that will help us to get our mortgage payments back on track with an affordable mortgage. We have lived in our home for over 20 years and we want to work hard and keep it.

[Explain any special hardship circumstances. Tell your story briefly but including important points about the hardships you face.]

Our youngest child is learning disabled and attends a special program at school. If we lose the home we will probably have to move out of this school district. (There are few rental properties.) Our doctor has said that moving is likely to disrupt our boy’s development.

[Explain what caused you to fall behind.]

We fell behind on our mortgage payments due to loss of income because of a lay-off. We had a very hard time dealing with our debts because we never had financial problems before. There are so many expenses and managing a home and family of 5 is hard.

John has been employed in the construction business for more than 20 years as a plasterer and mason. He was laid off by his prior employer last September and his unemployment compensation was only 60% of his prior income. Joan was able to increase her hours as a school aid as of December 1 to make up part of the difference, but we were unable to make full mortgage payments for December through April. Our partial payments were returned by you.

[Explain your plan for getting payments back on track. Convince the lender that you have a plan that will work.]

We will be able to start making full payments again soon. John got part time work as of April 15, and this job can expand to full time as of July 1. He will be paid less than his prior job, but with Joan's increase in hours our income will be approximately 90% of what it was before the lay-off.

One other good thing is that John's new job is indoor work, which will be steady, and his new employer is a construction company that has been in business for 35 years. Unlike some of John's past jobs, he is not going to be laid off for the winter. John is a good worker and we know he will stick with this job.

[Explain what money you have set aside, if you do.]

We had saved about \$2,700 toward the mortgage as of March 1. This is the money you had returned to us. We had hoped to use this money as part of a plan to get caught up on our payments. However, we discovered last month that our 1196 Nissan Maxima could no longer be fixed. Since John's new job is in Bangor, he needs a car and we have spent about \$2,000 of the money we had saved as a down payment for a used (2000) Ford truck. We still have the other \$700 and we expect to put aside \$800 (the amount of our regular payment) each month starting August 1.

[Attach evidence of your budget (income and expenses) to support your plan. Specify what type of payment schedule you think you can keep.]

Our financial information is enclosed with this letter. If we can have a loan modification that involves payments of no more than \$800 per month, we know we can make it. You will see that we have minimized all our expenses and it is most important to us to keep this home. Please put yourself in our position and try to help. We thank you very much for any effort you can make.

[If you expect to be working with an advocate, include his name and contact information; otherwise, include your contact information.]

Please contact our foreclosure prevention counselor, Jane Dean, at (phone number) to discuss this further.

Sincerely,

John Borrower

Jane Borrower

More tips on drafting a “hardship” letter.

1. Most lenders require you to show an involuntary reduction of income or an unavoidable increase in expenses.

Examples of involuntary reductions of income:

- Lay-off
- Reduction of hours or wages
- Forced to take a lesser paying job after a lay-off
- Death of a borrower
- Bad self-employment year (despite your best efforts)
- Permanent or short-term disability
- Serious illness of a household member
- Divorce

Examples of unavoidable increase in expenses:

- Uninsured major medical expenses
- Natural disaster
- Unanticipated urgent property repairs
- Unavoidable child care expenses
- Increase in property taxes
- Increase in the adjustable interest rate

2. Essential elements of the letter:

- Include identifying information: your name, address, phone, account number
- State the type of work-out plan you are seeking. (see pages 4-7 above)
- Describe your situation – what caused you to fall behind in your payments and any other “hardship” circumstances. Most lenders will look for some type of hard-luck circumstances that were beyond your control.
- If you are seeking to keep your home, include a detailed budget and your plan for making payments in the future. This must make financial sense to the lender.
- State any money that you may have set aside to pay to the lender as part of a work-out plan.
- Specify how your plan would work – how much you can pay per month starting when.
- Include contact information for yourself and your advocate, if you have one.