

Having trouble paying your debts

Sample Letter — Request for hardship variation for a loan regulated by the National Credit Code

[Date]

[Credit provider]

[Credit provider's internal dispute resolution contact person]

(find the details using the "search for members" link at www.afca.org.au)

[Credit provider's address]

Dear [credit provider's internal dispute resolution person]

Request for change on the grounds of hardship

[Your name]

[Type of loan] Account no. [number]

I am the borrower/s for this loan account.

I want to apply for a variation of the above loan contract on the grounds of hardship under s. 72 of the National Credit Code (Schedule 1 of the *National Consumer Credit Protection Act 2009*).

Choose one of the options below if applicable:

If the credit provider is a bank (check if the bank is a subscriber to the Code of Banking Practice at www.bankers.asn.au/Industry-Standards/ABAs-Code-of-Banking-Practice):

I/we also refer to the bank's commitment to:

- Relieving Mortgage Stress – A common approach for assisting borrowers facing financial hardship (media release from the federal Treasurer) (for home loans only)
- s. 28 of the Code of Banking Practice.

If the credit provider is a credit union or building society (check if the credit union or building society is a subscriber to the Customer Owned Banking Code of Practice at www.customerownedbanking.asn.au):

I/we also refer to the credit union/building society's commitment to:

- Relieving Mortgage Stress – A common approach for assisting borrowers facing financial hardship (media release from the federal Treasurer)
- s. 24 of the Customer Owned Banking Code of Practice.

If the non-bank lender is a member of the Mortgage and Finance Association of Australia (check at www.mfaa.com.au):

I/we also refer to your commitments under s. 13 of the Mortgage and Finance Association of Australia Code of Practice.

I assume you will stay all enforcement action while you consider this application. If this is not possible, please let me/us know in writing immediately.

Section 72 of the National Credit Code says a debtor who cannot meet their obligations under a credit contract because of a reasonable cause, but reasonably expects to be able to pay the debt if the contract is changed in the ways described, may apply to the lender for such a change.

Illness, unemployment or other reasonable cause (natural disaster)

I have been in financial hardship because of a recent natural disaster that has affected the town where I live.

As a result of the disaster I have been:

- without power and clean water for the past [number] days
- unable to send my children to school
- unable to get to work
- unable to work as I have been stood down because of the disaster
- unable to drive/catch public transport because my car is not working/roads and bridges are down/transport is not running
- without access to my home because of the damage
- without household furniture, white goods or clothing.

I have also been suffering from illness and/or unemployment, and/or [other reasonable causes, eg family breakdown, decrease in income, children's illnesses, caring responsibilities].

Details of my illness/unemployment and/or other reasonable cause are as follows:

[Give details, eg I was unwell with a heart condition for six months ending in January 2011. A medical certificate is attached.]

Expectation of being able to reasonably pay the loan if the variation is granted

I expect to be able to reasonably pay the loan if the requested variation below is granted. I have been paying loan payments of [\$XX] a fortnight/a month while in hardship.

I expect to be able to return to work in [number of weeks/months] and will then be able to afford to catch up payments and restart the scheduled payments on the loan as I will then be able to afford to meet this expense.

Requested change to the contract

I request the following change/s to my contract: *(only include the changes you need)*

- A reduced payment of [\$xx] a week/fortnight/month. This change is requested for [number] months. The loan term will be extended and any arrears will be added to the loan (capitalised).
- Postponing the payment due on [date] so it is now due on [date].
- Postponing the payments due between [date] and [date] and extending the loan term. In support of my application, I give the following details:
 - Current income: [\$xx] a week/fortnight/month
 - Mortgage: [\$xx] a week/fortnight/month
 - Other loan payments: [\$xx] a week/fortnight/month

Please send me a detailed *Financial statement* of position to complete, if required, to the following address: [address].

I assume you will not continue to charge default fees, default interest or make an adverse listing on my credit report while my hardship request is being considered.

As can be seen from the above information, I will be able to discharge my obligations under the above contract if you agree to the proposed change. I ask that you consider this application urgently.

I look forward to your written reply within 21 days of this letter's date.

Yours sincerely

[Your signature]

[Your name]

Having trouble paying your debts

Sample Letter — Request for hardship variation for a business lease or loan not regulated by the National Credit Code

[Date]

[Credit provider]

[Credit provider's internal dispute resolution contact person]

(find the details using the "search for members" link at www.afca.org.au)

[Credit provider's address]

Dear [credit provider's internal dispute resolution person]

Request for change on the grounds of hardship

[Client name]

[Type of loan] Account no. [number]

I am the borrower for this loan account.

I want to apply to you for a variation of the above loan contract on the grounds of hardship.

Choose one of the options below if applicable:

If the credit provider is a bank (check if the bank is a subscriber to the Code of Banking Practice at www.bankers.asn.au/Industry-Standards/ABAs-Code-of-Banking-Practice):

I/we refer to the bank's commitment to:

- Relieving Mortgage Stress — A common approach for assisting borrowers facing financial hardship (media release from the federal Treasurer) (for home loans only)
- s. 28 of the Code of Banking Practice.

If the credit provider is a credit union or building society (check if the credit union or building society is a subscriber to the Customer Owned Banking Code of Practice at www.customerownedbanking.asn.au):

I/we refer to the credit union/building society's commitment to:

- Relieving Mortgage Stress – A common approach for assisting borrowers facing financial hardship (media release from the federal Treasurer)
- s. 24 of the Customer Owned Banking Code of Practice.

If the non-bank lender is a member of the Mortgage and Finance Association of Australia (check at www.mfaa.com.au):

I/we also refer to your commitments under s. 13 of the Mortgage and Finance Association of Australia Code of Practice.

I assume you will stay all enforcement action while you consider this application. If this is not possible, please let me/us know in writing immediately.

Illness, unemployment or other reasonable cause (natural disaster)

I have been in financial hardship because of a recent natural disaster that has affected the town where I live.

As a result of the disaster I have been:

- without power and clean water for the past [number] days
- unable to send my children to school
- unable to get to work
- unable to work as I have been stood down because of the disaster
- unable to drive/catch public transport because my car is not working/roads and bridges are down/transport is not running
- without access to my home because of the damage
- without household furniture, white goods or clothing.

I have also been suffering from illness and/or unemployment, and/or [other reasonable causes, eg family breakdown, decrease in income, children's illnesses, caring responsibilities].

Details of my illness/unemployment and/or other reasonable cause are as follows:

[Give details, eg I was unwell with a heart condition for six months ending in January 2011. A medical certificate is attached.]

Expectation of being able to reasonably pay the loan if the variation is granted

I expect to be able to reasonably pay the loan if the requested variation below is granted. I have been paying loan payments of [\$xx] a fortnight/month while in hardship.

I expect to be able to return to work in [number of weeks/months] and will then be able to afford to catch up payments and restart the scheduled payments on the loan as I will then be able to afford to meet this expense.

Requested change to the contract

I request the following change to my contract: *(only include the changes you need)*

A reduced payment of [\$XX] a week/fortnight/month. This change is requested for [number of months] months. The loan term will be extended and any arrears will be added to the loan (capitalised).

- Postponing the payment due on [date] so it is now due on [date].
- Postponing the payments due between [date] and [date] and extending the loan term. In support of my application, I give the following details:
- Current income: [\$xx] a week/fortnight/month
- Mortgage: [\$xx] a week/fortnight/month
- Other loan payments: [\$xx] a week/fortnight/month

Please send me a detailed *Financial statement* of position to complete, if required, to the following address: [address].

I assume you will not continue to charge default fees, default interest or make an adverse listing on my credit report while my hardship request is being considered.

As can be seen from the above information, I will be able to discharge my obligations under the above contract if you agree to the proposed change. I ask that you consider this application urgently.

Yours sincerely

[Your signature]

[Your name]