

[Date]

[Borrower Name]
[Borrower Address]
[City, State, Zip Code]

Subject: Notification of Inadequate Collateral - Loan Application #[Loan Number]

Dear [Borrower Name],

Thank you for your recent application for a used auto loan. We have completed the appraisal and valuation process for the following vehicle:

Year: [Year]
Make: [Make]
Model: [Model]
VIN: [Vehicle Identification Number]

After reviewing the vehicle's current market value, we regret to inform you that the collateral provided is inadequate to secure the requested loan amount of \$[Requested Amount]. Our valuation indicates that the vehicle does not meet our required loan-to-value (LTV) ratio.

To move forward with your application, we can offer the following options:

- Increase your down payment by \$[Amount] to reduce the loan balance.
- Provide an alternative vehicle that meets our valuation requirements.
- Adjust the loan terms to a maximum financed amount of \$[Approved Amount].

Please contact our loan department at [Phone Number] or [Email Address] by [Deadline Date] to discuss how you would like to proceed. If we do not hear from you by this date, your application will be withdrawn.

Sincerely,

[Name of Loan Officer]
[Financial Institution Name]