

[Date]

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

**RE: Notice of Refinance Application Denial - Loan Number: [Loan Number]**

Dear [Borrower Name],

Thank you for choosing [Lending Institution Name] for your mortgage refinancing needs. We have carefully reviewed your application for a refinance on the property located at [Property Address].

Regrettably, we are unable to approve your request at this time. Our decision was based on the following reason(s):

**Inadequate Collateral Value (Negative Equity):** Based on a recent appraisal/valuation, the current market value of your property is lower than the outstanding principal balance of your existing mortgage. Because the loan-to-value (LTV) ratio exceeds our maximum requirements, the mortgage is considered "underwater," and we cannot proceed with the requested terms.

Our valuation determined your property's current value to be \$[Appraised Value], while your current payoff balance is approximately \$[Current Balance].

If you believe there are errors in the property data used or if you have information regarding recent comparable sales that were not considered, you may request a formal valuation appeal by contacting [Department Name] at [Phone Number].

We encourage you to explore government-assisted programs or alternative loss mitigation options that may be available for homeowners with negative equity. You may also contact a HUD-approved housing counselor for further guidance.

Thank you for your interest in our services. We appreciate the opportunity to have considered your application.

Sincerely,

[Officer Name/Department]  
[Lending Institution Name]  
[Contact Phone Number]