

**Date:** [Insert Date]

**Borrower Name:** [Insert Borrower Name]

**Address:** [Insert Borrower Address]

**Loan Account Number:** [Insert Loan Number]

**RE: URGENT PRE-DEFAULT WARNING - CRITICAL COLLATERAL DEPRECIATION**

Dear [Insert Borrower Name],

This letter serves as a formal notice regarding the status of the collateral securing your loan referenced above. Based on our recent valuation conducted on [Insert Date], we have identified a significant decline in the market value of the following asset: [Insert Description of Collateral].

Pursuant to the terms of your Loan Agreement, specifically Section [Insert Section Number], you are required to maintain a minimum Collateral-to-Loan Ratio. Due to the recent depreciation, your current ratio has fallen below the required threshold, placing your account at risk of a technical default.

**Current Status:**

- Required Collateral Value: \$[Insert Amount]
- Current Estimated Market Value: \$[Insert Amount]
- Current Deficiency: \$[Insert Amount]

To prevent a formal Notice of Default, you are required to take one of the following corrective actions by [Insert Deadline Date]:

1. **Principal Reduction:** Make a cash payment of \$[Insert Amount] to reduce the outstanding loan balance.
2. **Additional Collateral:** Pledge additional assets acceptable to the Lender to cover the value gap.
3. **Appraisal Challenge:** Provide a certified independent appraisal, at your expense, if you believe the current valuation is inaccurate.

Failure to address this deficiency by the date specified above may result in the acceleration of your loan, the commencement of foreclosure or repossession proceedings, and notification to credit reporting agencies.

Please contact our Asset Management Department immediately at [Insert Phone Number] or [Insert Email Address] to discuss your intended course of action.

Sincerely,

[Insert Name/Signature]  
[Insert Title]  
[Insert Institution Name]