

[Company Name]
[Department Name]
[Company Address]
[City, State, Zip Code]

[Date]

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

RE: Notice of Collateral Rejection - Loan Application #[Application Number]

Dear [Applicant Name],

Thank you for your recent loan application. We have completed the evaluation of the property located at [Property Address], which was offered as collateral for your loan request.

We regret to inform you that we are unable to accept this property as security for the loan at this time. Our decision is based on the current physical condition of the property, which does not meet our minimum collateral standards.

Specifically, the appraisal or inspection report identified the following substandard conditions:

- [Insert specific issue, e.g., Significant structural foundation damage]
- [Insert specific issue, e.g., Extensive roof leaks and water damage]
- [Insert specific issue, e.g., Unsafe electrical or plumbing systems]
- [Insert specific issue, e.g., General lack of maintenance rendering the property unmarketable]

Because the property in its current state does not provide adequate security for the requested loan amount, we cannot proceed with your application under the current terms.

If you are able to perform the necessary repairs to bring the property up to standard, or if you wish to provide an alternative property as collateral, we would be happy to re-evaluate your application. Please note that a new inspection or appraisal may be required at that time.

If you have any questions regarding this decision, please contact your loan officer at [Phone Number] or [Email Address].

Sincerely,

[Name of Representative]
[Title]
[Company Name]