

**Date:** [Insert Date]

**To:** [Lender Name / Mortgage Company]

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

**Property Address:** [Insert Property Address]

**Subject: Letter of Explanation - Reduction in Self-Employment Income**

To Whom It May Concern,

I am writing this letter to provide an explanation regarding the decrease in my self-employment income as reflected in my recent financial documentation for my refinance application.

Since [Year/Month], my business, [Business Name], has experienced a reduction in revenue due to [Reason: e.g., economic downturn, industry-wide shifts, temporary health issue, or loss of a major contract]. This resulted in a lower net income for the [Year] tax year compared to previous years.

I would like to clarify that this drop was a temporary setback. To address this, I have taken the following steps to stabilize and grow the business:

- [Step 1: e.g., Reduced overhead costs]
- [Step 2: e.g., Diversified client base or new marketing strategy]
- [Step 3: e.g., Secured new long-term contracts]

Current year-to-date figures show that my income is now [increasing/stabilizing]. I have attached my most recent Profit and Loss statement and bank statements to demonstrate this recovery. I remain fully committed to my financial obligations and am confident in my ability to manage the new mortgage payments resulting from this refinance.

Thank you for your time and for considering my application.

Sincerely,

[Your Signature]

[Your Printed Name]

[Your Phone Number]

[Your Email Address]