NHAS
National Homelessness Advice Service

New edition
November 2013

Are you worried about your mortgage?

Get advice now

If you are struggling to pay your mortgage, act now to stop your situation becoming worse.

Communities and Local Government

'Working with
Citizens Advice Bureaux | Independent advice agencies | Local housing authorities
to help prevent homelessness through the provision of timely, quality housing advice.'

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Sometimes when your circumstances change, for example you work fewer hours, become sick, separate/divorce, receive a cut in your pay, lose your job or have high bills to pay, life seems impossible. Don't let your money problems get on top of you. Get the advice and help you need to prevent you from losing your home.

Not knowing who to talk to is half of the problem. You will be able to get free confidential and independent advice from the organisations listed at the back of this leaflet. Please remember, it is best to get advice as early as possible. This leaflet provides step-by-step information to help you begin to sort out your money worries and to make other arrangements for paying your mortgage and keeping your home.

1 Don't ignore the problem

When you receive a letter or phone call from your mortgage lender, **never ignore it.** If you don't understand the letter, don't be afraid to ask your lender or speak to a money adviser from one of the independent advice agencies listed at the end.

If you have a fixed-term rate that will be ending soon, you'll get a letter from the lender warning you of when the interest rate and monthly payment will change, and how much your new repayment will be. **Don't ignore the letter.**

Your mortgage is a priority, so make sure you pay this before all other bills. Don't panic and don't take out another loan to help catch up with your mortgage payments. **Get advice instead.**

2 Look at your situation and check what help you can get

Take a good look at what you are spending money on.
Ask yourself the following questions:

- Can I cut back on my spending without having to struggle?

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- Can I get a better deal on my mortgage?
- Am I behind on any other loans secured against my home?
- Can I change the way I am paying my other debts that are not a priority, eg credit card repayments, by talking to the people I owe money to?
- Would an agreed 'payment holiday' or changing to 'interest only' payments help me pay my mortgage?
- Is my home worth more or less than the amount I borrowed to buy it?
- Is my loan regulated by the Consumer Credit Act and can I possibly reduce my mortgage payments or extend the term of the mortgage period in the short term?
- Do I have mortgage payment protection insurance (MPPI) that I can make a claim on?
- Can I get help with paying my mortgage through 'Support for Mortgage Interest'?

Visit or phone a free independent advice agency to make an appointment to see a money adviser. You may see advertisements for independent financial advisers who provide money advice, but these people may charge you for their services, so you must always check first.

When you go to see the adviser, take with you all relevant information on your monthly household income and costs, any benefits you receive and loan payments you are making. The adviser will:

- check that you are getting all the money you and your family should receive
- give you advice on benefits you might be able to get to help with your housing costs
- help you tell the lender about the problems you are having, and what payment options may be appropriate to negotiate with your lender
- help you manage your finances
- and if court action has already started, advise you about the next steps and possibly go to court with you.

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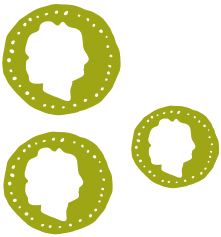
3 Talk to your lender

If there's a problem and you cannot pay your monthly mortgage payments in full, you should tell your lender immediately. They should be sympathetic and can help if you let them know as early as possible that you have money problems. Be honest with them about what is causing the problems. Most lenders are committed to helping homeowners who are struggling to make payments. However, if your lender can't help, you should get independent advice. If the lender doesn't know why you're not paying and doesn't hear from you, they are likely to start legal action to repossess your home. Even if possession action begins, there may still be steps you can take to stop you losing your home. If your lender has started possession proceedings, it is important for you to seek independent advice by contacting one of the agencies listed at the end.



4 Show that you are willing to pay what you can

To keep your home, you must keep payments going. Mortgage payments should be seen as a priority payment. If you are having problems, work out your budget and look at ways of making savings, cutting back, or increasing the amount of money you have coming in so that you can pay the mortgage or secured loan payments. **If your lender knows you are trying your best to pay the loan, they should give you more time to sort out your money problems.**

If you have any mortgage arrears but then after looking at your budget and making changes or making the most of your income you find you are now able to pay, contact the lender and explain that you can now pay the 'normal monthly instalment', and offer a regular monthly amount to pay off any outstanding arrears. It is important that the payment to the arrears is an amount that you can afford to pay regularly. Remember this payment needs to be in addition to your normal monthly mortgage payment. You should always contact your lender to tell them about your

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plan to repay any arrears. If you can't pay now, but will be able to at a later date, let the lender know. If the lender does not immediately agree to your plan, don't panic. Tell them you will be getting help from an independent advice agency and start making the payments you have offered.

Continue to make payments that you know you can afford, and tell your lender why you are only able to afford this much. This shows them that you are willing to make an effort to pay and increases your chances of keeping your home.

If there are ever times when you cannot pay at all, for example if you lose your job or become ill, don't panic – speak to your lender and get advice straightaway.

Never hand back your keys without getting advice on this first or unless the lender has an actual date they are going to evict you (known as a warrant for eviction) as you will still be responsible for paying the loan and insurance until you or the lender sells your home.You will also be liable for any shortfall in the amount you owe after your property is sold.

5 Find out what your options are

Mortgage lenders should only take possession action as a last option. If you took out your mortgage or loan secured on your home after October 2004, there are rules that lenders must follow. The rules explain how lenders are expected to help borrowers who are having money problems. If you are unhappy with how your lender has been dealing with you, including if you think your lender is ignoring these rules, you can complain to the Financial Ombudsman Service (FOS). You can contact the FOS through their website www.financial-ombudsman.org.uk or by phoning 0845 080 1800. An independent advice agency will be able to advise you on how to complain to the Financial Ombudsman Service.

Your lender should think about what they can do to prevent you losing your home. For example, they may:

- agree to change or lengthen the term of your loan
- accept reduced payments from you in the short term, or

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- add your debt to the amount you have borrowed.

A lender can:

- reduce your monthly payments for a certain period or cut what they charge you for being in arrears with your mortgage, and
- extend the time of your loan (this reduces the amount of your monthly payment but you will be making payments over a longer period, and so paying more for your home).

Any changes to your mortgage can lead to penalties or charges, which may cost more to repay in the long term. If you are worried about how your household will be affected by these changes you should get free, independent advice. Whatever you arrange may only be a short-term solution, so as time goes on, your lender will want to keep in regular contact with you and want to know about any changes in your circumstances.

If you have an interest-only mortgage which is approaching the end of its term and you are worried that you will not be able to repay the outstanding capital, you should contact your lender to discuss the situation and also seek independent advice to discuss the options that may be available to you.

6 Make the right decision for you and your family's future

Before you and your lender agree any change to your mortgage, ensure that you have asked them about any future implications that this may have, eg increased payments in the longer term, or additional charges etc. You need to find a solution which your lender agrees to, but which is also sustainable in the light of your circumstances. It may help to talk with family members or friends who have recently dealt with similar changes to their mortgage. You may also be able to speak to other mortgage lenders on the high street to see if there is a better interest rate or mortgage package that could be available to you by 'remortgaging'. **You are more likely to be able to remortgage if you apply before you get into arrears.**

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Contact your lender to find out if they provide any assistance with selling your home, because some lenders provide support through Assisted Voluntary Sales or Voluntary Sales. You may be able to get help with some of the costs of selling your property, or the lender may give you assistance with marketing your home or give you more time to sell it. Some lenders can also help you with finding alternative accommodation. for more information on Assisted Voluntary Sales, view the AVS Good Practice Guide on the NHAS website at www.nhas.org.uk.

There are some companies that offer to help if you are in financial difficulty by buying your home and allowing you to remain living there as a rent-paying tenant for a fixed term. This is commonly known as a **sale-and-rent-back scheme**, or simply **rent-back** or **sell-to-let**.

Only think about sale-and-rent-back schemes as a last resort, making sure you have looked at all the other options first. If you do need to consider this type of scheme, always make sure the company you use is regulated by the Financial Conduct Authority (FCA) before entering into any agreement. An FCA regulated company must meet certain standards. Its advertising must be clear, fair and not misleading, and you must be given a tenancy agreement for at least five years. To find out more about regulated companies, contact the FCA Helpline free on 0800 111 6768. The danger of using a company that is not regulated by the FCA is that you won't have access to complaints and compensation procedures if you have any disagreement or are unhappy with the way the scheme was sold to you. Read the Money Advice Service's free sale-and-rent-back factsheet on their website at www.moneyadviceservice.org.uk. Any company operating the scheme should give you a copy of the factsheet when you approach them. It tells you:

- what to consider when choosing a scheme
- what risks are involved in the scheme
- what you should expect from companies offering these schemes after 30 June 2011.

Make sure you understand what will happen to you by going on this type of scheme. For instance, find out if you can receive any help with your rent payments by visiting the Department

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for Work and Pensions' website and downloading its guide : www.webarchive.nationalarchives.gov.uk Also be wary of companies offering quick house sales which are often referred to as 'flash sales'. This is where the company offers to buy your home quickly, perhaps within a week, although more often it takes about three to four weeks. Sale-and-rent-back schemes are regulated but these quick house sales aren't and they have recently been the subject of an Office of Fair trading investigation which can be found on the Office of Fair Trading website at: www.oft.gov.uk

Avoid signing up to any schemes that appear too good to be true, because they probably are.

Please get advice from an independent agency before you sign up to one of these schemes. If, after taking advice and finding out about all the help that is available, you realise you will not be able to afford to keep your home, you may decide that selling the property on the open market is a better option. This will mean that you need to find alternative accommodation, but will allow you to maximise the amount of equity from the sale (the difference between how much your property is worth and the amount owed to your mortgage lender). There are also things to consider if you are in negative equity (owe more than the house is worth) which will need to be discussed with the lender. You must check for any extra costs with your mortgage deal, and consider whether or not you will get the right price for your home to cover your financial needs (for example, the costs of moving) as well as paying off the mortgage.

Before taking steps to sell, always get advice. This is very important, because if you subsequently approach the council for help with finding alternative accommodation, you may be seen to have made yourself 'intentionally homeless' if you have sold your home when it could have been saved.

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7 Help for homeowners facing repossession

There is some government support to help homeowners facing repossession. Talk to your lender, your local authority housing department or ask at an advice agency to see whether you could get this type of help.

i | Support for Mortgage Interest (SMI) (UK wide)

You will be entitled to Support for Mortgage Interest (SMI) if your income/capital are low enough and you are out of work or in paid work of less than 16 hours a week, or your partner is in paid work of less than 24 hours a week and you have a mortgage or other loans secured on your property. SMI is paid as part of Income Support, income-based Jobseeker's Allowance, income-related Employment and Support Allowance or Pension Credit and so only households in receipt of these benefits will qualify for SMI.

SMI makes a contribution towards the interest on eligible loans. Payments are calculated based on a published set rate which is currently 3.63% but is subject to change.

SMI can be paid on loans of up to £200,000 and would be paid after 13 weeks for most people making a new claim who are of working age. SMI is also paid directly to the lender. If you receive Pension Credit, you do not have to wait before getting help with your mortgage, and SMI can be paid on loans of up to £100,000.

You should visit www.gov.uk, www.jobcentreplus.gov.uk or www.thepensionservice.gov.uk for more information.

ii | Universal Credit claimants

Over time a new benefit called Universal Credit will be rolled out across the country for all new claimants. The number of people this affects is still very small at the moment.

The rest of this section is for people who are going to be in receipt of Universal Credit.

There will be a 'housing costs' element in Universal Credit

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to assist claimants who are paying a mortgage. In general the rules are similar to SMI rules above but with some very important differences. Please note that no help with mortgage interest payments will be given where the claimant/partner is undertaking any paid work – even if that work involves just one hour a week. However, a person in work who is not eligible for any help with housing costs will have more of their earnings disregarded when working out how much Universal Credit is payable.

Housing costs element of Universal Credit can be paid on loans of up to £200,000 and would be paid after a 'qualifying period' of three consecutive assessment periods (about 12–13 weeks), during which the owner occupier has been receiving Universal Credit.

Universal Credit applies to working age claimants only – the government intends to introduce a separate 'housing credit' for Pension Credit age claimants. In the meantime, people at state pension credit age and over will be able to claim help with mortgage interest payments as part of their claim for Pension Credit.

iii | Mortgage Rescue Scheme (England only)

The scheme is aimed at helping you as a last resort, where no other options will help prevent your home from being repossessed.

The following are the basic rules which may help you decide if the scheme would be suitable for you.

- You need to have dependent children, be pregnant or have someone else in your household who is pregnant.
- You are an older person (usually above the age of 60).
- You are disabled or have a long term illness.
- Your total household income should not be more than £60,000.
- There are limits to the value of your home, so if your home is very valuable or you have lot of equity in your home (more than 40% of the amount you owe on your mortgage and other secured loans compared to the value of your home)

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you may not be eligible.

The council will deal with your request to be considered for mortgage rescue and will check that you have had access to money advice to make sure it really is the best solution for you.

To get help under the scheme you will need to do the following:

- Make an appointment with your local authority housing options team to arrange a housing options interview.
- Get a money advice agency to carry out an up-to-date assessment of your finances, which will show whether or not the Mortgage Rescue Scheme is an option for you.
- Know that your lender has considered other options to prevent you from losing your home, for example switching to interest-only payments, capitalising the arrears or lengthening the term of the mortgage (see section 5 above).
- Be sure that you own the property and there are no legal reasons that would prevent you from selling it, such as an ownership dispute.

There are two mortgage rescue options:

- **(A) Equity Loan** – This is when a housing association provides a loan to reduce your monthly mortgage payments. You will pay a low monthly interest-only charge on the equity loan, and the total amount repayable may increase if the value of your home increases. The loan will also be secured against your home. You may be able to repay the loan through lump-sum instalments and you will need to repay the whole of the loan if you sell your property, or when you reach the end of the loan agreement (the maximum term would be 25 years) or when you have come to the end of your first mortgage – whichever happens the soonest.
- **(B) Government mortgage to rent** – This is when a housing association buys your home for 90% of its market value and you then become the housing association's tenant, paying them a rent which is 20% less than the market level for your area.

The government has confirmed that the Mortgage Rescue Scheme is closing to new applicants from 31 March 2014 (unless the case has exceptional circumstances) except in London

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where it has already closed to new applicants. MRS applications referred to housing associations by 31 March 2014 will have the opportunity to complete during 2014/15, except in London, where cases will need to be complete by 31 March 2014 unless there are exceptional circumstances. If you think you meet the criteria for MRS do not delay in making an appointment with your local authority housing team or seek independent advice.

iv | Getting help in court if you are facing repossession (England only)

You can get help if your case goes to court. Most county courts in England have a free court desk adviser who will be able to offer support to anybody attending a possession hearing. **You should always go to a repossession court hearing.** You should not ignore court forms or hearings and, ideally, you should get advice before your hearing or go to court in plenty of time so that you can talk to the court desk adviser. They can't approach you so you should ask the court usher to show you where the court desk adviser is. In many cases they can come into the hearing with you to support you and speak to the judge. We know that many people are often worried about going to court, but just showing up for the hearing can make a real difference to your chances of keeping your home. If exceptional circumstances prevent you from going to the court hearing, you should let the court know and they may agree to adjourn the hearing to a later date.

You can find out whether your county court provides a court desk adviser or seek advice from your local authority housing department, a local Citizens Advice Bureau (CAB) or other independent advice agency.

Other help and support from local authorities – you should always contact your local authority housing department to find out what other help they can provide.

The Pre-Action Protocol (England and Wales only)

The Pre-Action Protocol exists to ensure lenders prove they have considered all other options before trying to repossess a property. Your lender must give you information about how

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much money you owe on your mortgage, the balance you have left and any interest or charges that you have to pay because you owe them money.

Your lender must consider any reasonable request from you to change the date you pay your mortgage or how you pay, and respond quickly to any offer of payment you make. If your home is up for sale and you are doing everything you can to sell it, your lender must consider delaying taking any action and give you time to sell your home.

If you have tried to come to an agreement about changes with your lender and they have refused, they must let you know in writing why they have not agreed any changes with you. Your lender must give you their reasons for not accepting your offer within 10 working days.

If you have made an agreement with your lender and you have not kept to it, your lender must warn you, in writing, that they plan to start court action. They must send you a letter that gives you 15 working days' notice of the action they plan to take.

If you feel that your lender has treated you unfairly when dealing with your mortgage arrears, you may be able to complain to the Financial Ombudsman Service (FOS). You must get advice straightaway on how to make a complaint to them.

The court will want to see that you losing your home is a last resort and that other options were looked into first. Your lender will need to show they have followed the Pre-Action Protocol at any court hearing. If your lender has not followed the Pre-Action Protocol, the court is likely to strike out (cancel) the hearing.

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Useful organisations for information and advice

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Government schemes

For more information about help which may be available to you, you can visit **www.gov.uk**
If you live in Scotland, Northern Ireland or Wales, you should visit **www.scotland.gov.uk**, **www.wales.gov.uk** or **www.nidirect.gov.uk** to help you with your mortgage and debt problems

To help you with your mortgage and debt problems

Citizens Advice

Helps you to deal with any legal, money, welfare benefits issues or other problems. Find your nearest Citizens Advice Bureau at **www.citizensadvice.org.uk** or under 'C' in your local phone book, and use **www.adviceguide.org.uk** for other contacts and information.
For Wales call **08444 77 20 20**
For England call **08444 111 444**

StepChange Advice

Offers you help to deal with several debts.
Phone 0800 138 1111 or visit
www.stepchange.org

Money Advice Service

Money Advice Line on **0300 500 5000** (English) or **0300 500 5555** (Welsh)
www.moneyadviceservice.org.uk

National Debtline

Helps you to deal with debt problems.
Phone **0808 808 4000** or visit
www.nationaldebtline.co.uk

Payplan

Gives you advice on your debts.
Phone **0800 280 2816** or visit
www.payplan.com

Shelter

Offers you help with housing, mortgage debt or problems with welfare benefits. Phone the free housing advice helpline **0808 800 4444**, open 8am–8pm Mon–Fri or 8am–5pm Sat–Sun, (calls are free from UK landlines and main mobile networks). Or, for advice online, you can visit **www.shelter.org.uk/advice**

To check you are getting all the support you are entitled to

Council Tax Support

To see if you're eligible for help with your Council Tax bills, contact your local council.

Income Support, Employment and Support Allowance and Jobseeker's Allowance

For information and advice, or to make a claim for benefit if you are under state pension age, phone Jobcentre Plus on **0800 055 6688** or visit **www.jobcentreplus.gov.uk**

Pension Credit

For information and advice, or to make a claim for Pension Credit if you are over state pension age, phone the Pension Service on **0800 99 1234** or visit
www.thepensionservice.gov.uk

Working Tax Credit and Child Tax Credit

For more information about Tax Credits, phone **0845 300 3900** or visit
www.hmrc.gov.uk/taxcredits

Please note: If you want advice on employment and training opportunities or benefits, contact Jobcentre Plus. Advisers can give you information on the range of organisations that can give you free financial and debt advice.

A Shelter and Citizens Advice service.
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NHAS National Homelessness Advice Service

citizens advice bureau
Registered charity number 279057

Shelter
Registered charity number 263710