NHAS
National Homelessness Advice Service

New edition
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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.

Crystal Mark 17268
Clarity approved by Plain English Campaign

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.'

Sometimes when your circumstances change, for example you work fewer hours, become sick, receive a cut in your pay, lose your job or have high bills to pay, life seems impossible. Don't let your debt 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 debt adviser from one of the independent advice agencies listed at the back of this leaflet.

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 debt is a priority, so make sure you pay this before all other debts. 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?
- 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, 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 take action to reduce payments or extend the term of the mortgage 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 debt adviser, who can provide free advice. 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
- look into any other help you may be able to receive
- help you tell the lender about the problems you are having, and
- help you manage your debt, and may help you legally if court action has started.

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. **It is important to contact your lender.** 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, you may still be given extra time to stop you losing your home (for example, while waiting for help from the Department for Work and Pensions, waiting for a payment from your mortgage payment protection insurance, or while waiting to go back to work).

4 Show that you are willing to pay what you can

To keep your home, you must keep payments going. 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. **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 debts but then, after looking at your budget and making changes or making the most of your income you find you are able to pay from now on, contact the lender and offer to pay any outstanding debts. As well as paying your usual monthly payments, you can make payments towards your debts over a reasonable period. You should always contact your lender to tell them about your plan to repay any debt. If you can't pay now, but will be able to at a later date, let the lender know. If the lender does not agree to your plan, don't panic. Tell them you will be getting help from an independent advice agency.

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 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. You should only hand back your keys if 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.

5 Find out what your options are

Mortgage lenders should only take possession action as a last option. If you took out your mortgage 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 at www.financial-ombudsman.org.uk or by phoning 0845 080 1800.

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
- 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 debt 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.

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

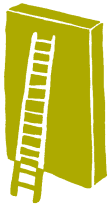
Before you and your lender agree any change to your mortgage repayment, get the lender to tell you about the problems that may arise in the future as a result of the change. You must reach a decision that the lender agrees to and that takes you or your family's circumstances into account. It may help you 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 should avoid companies that buy your home and rent it back to you offering 'sale and rent back' agreements. Although these are legal, they are not currently fully regulated. Selling your house to this type of scheme may pay off your debts, but you will no longer own your home. Your new landlord may increase your rent, making it too expensive, or ask you to leave after six or 12 months. If you sell your home to one of these schemes, you may not be able to claim Housing Benefit if you are on a low income or if you lose your job. If the company that bought your home gets into financial problems and cannot pay the mortgage, you may be evicted. Most of these schemes will offer you less than the actual value of your home.

Avoid signing up to 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 keep your home, you should try to sell your home. Deciding to sell your home yourself is better, because it makes the most of any potential equity (the difference between how much your property is worth and the amount you owe on your mortgage). 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 in some circumstances you may be seen to have made yourself 'intentionally homeless' (for example, if you sell your home when it could have been saved). If this happens, the council may not have a duty to rehouse you. If, after getting advice, you are still not able to save your home then you should check if you are eligible for help under one of the Government's schemes for homeowners facing repossession (See section 7).



7 Help for homeowners facing repossession

Recently, the Government has improved or put in place new schemes to help homeowners facing repossession. You may be able to get help through one of these schemes, and you should talk to your lender or get advice on whether these schemes could help you.

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

This scheme can help if you are 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 which are 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. It is for households that can get or are getting any of these benefits.

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. 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.direct.gov.uk, www.jobcentreplus.gov.uk or www.thepensionservice.gov.uk for more information.

ii | Mortgage Rescue Scheme (England only)

This scheme can help you if you have tried everything but you still can't pay your mortgage and your lender is taking action to repossess your home. You can use this scheme if you have dependent children or anyone in your household is pregnant, elderly, disabled or long-term ill, and if you would otherwise be able to get help as homeless if your home was repossessed. If the people in your household earn more than £60,000 a year, you cannot use this scheme, and there are limits on the value of your property that may stop you applying for this help. You can use this scheme if you are in negative equity of less than 120%. You should contact the housing department of your local council to apply for help from the Mortgage Rescue Scheme. The council will deal with your application and work with your money adviser, local housing association and your lender to provide the best solution to suit you and your family.

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

- Make an appointment with your local authority housing 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).
- 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.
- Be sure that the level of your mortgage and the debts secured on it does not go above the value of your home by more than 20%. This is called 'negative equity'. For example, if your house is worth £100,000 your mortgage and debts secured on it can't be more than £120,000.

There are two mortgage rescue options.

- **Shared equity** – 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 will be able to repay it in instalments and you must pay the full amount if you sell your property, after 25 years or when you reach the end of your first charge mortgage, whichever is soonest.
- **Government mortgage to rent** – This is when a housing association buys your home for 97% 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.

iii | Homeowner Mortgage Support (HMS) (UK wide)

HMS is designed to help households whose income has dropped because of the economic downturn, for example:

- if you have two part-time jobs, and you lose one of them
- if your hours of work have been cut or you can no longer work overtime, or
- if you, or your partner, loses your job and your household now relies on one income.

To qualify for this scheme you must be able to show that your income has dropped and that you can no longer cover your current monthly payments. The scheme will allow your lender to delay some of your monthly interest payments on your mortgage for up to two years. **The money is not 'written off' and you will have to pay it back eventually.**

If your lender is confident that this drop in income is only temporary, you must be willing to agree to pay as much as you can afford and at least 30% of the interest due. Your lender will decide what you can afford to pay.

Your lender will need you to:

- have received money advice from an independent adviser
- not have mortgage and secured loans on your home over a certain amount
- not have savings over a certain amount
- have taken out your mortgage, or remortgaged, before a certain date, and
- have been making regular payments (though not necessarily the full amount due) over the five months before joining the scheme, unless you were on an agreed payment holiday with your lender.

To find out more about the scheme, and for a list of lenders that offer the scheme, go to www.direct.gov.uk/hms

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

You can get help if your case goes to court. Everyone is eligible for support from a free court desk adviser. This service is available to anybody attending a county court possession hearing in England. **You should always go to a repossession court hearing.** You should not ignore court forms or hearings and ideally you should get advice or go to court before your hearing 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 court with you and help you with your case. We know that many people are too worried to go to court, but just showing up for the hearing can make a real difference to your chances of keeping your home.

v | Local Authority Repossession Prevention Fund (England only)

You may be able to get help from this fund if you are facing repossession, and a small interest-free loan would be enough to stop this from happening and allow you to stay in your home. You should speak to your local authority for information about this fund.

There may also be other help available to you. You should ask your lender or local advice agency about any other help available.

The Pre-Action Protocol (England and Wales only)

There is also the new Pre-Action Protocol, which means that lenders must prove they have considered all other options before trying to repossess a property. Your lender should send you a copy of this leaflet or other legal information before taking action to repossess your home. Your lender must give you information about how 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 should 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 should delay taking any action and should 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 should 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 (see section 5) were looked into first. Your lender will need to show they have followed the Pre-Action Protocol at any court hearing.

Useful organisations for information and advice

RH 2773

Government schemes

For more information about help which may be available to you, you can visit **www.direct.gov.uk**
If you live in Scotland, Northern Ireland or Wales, you should visit **www.scotland.gov.uk**, **www.wales.gov.uk** or **www.northernireland.gov.uk**

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.

Community Legal Advice

Provides legal advice in England and Wales. Phone **0845 345 4 345** or visit **www.clsdirect.org.uk**

Consumer Credit Counselling Service

Offers you help to deal with several debts. Phone **0800 138 1111** or visit **www.cccs.co.uk**

Financial Services Authority (FSA)

Phone the helpline on **0845 606 1234**. The FSA produces several guides on how to manage your money and these are available online at **www.moneymadeclear.fsa.gov.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 917 7823** or visit **www.payplan.com**

Shelter

Offers you help with housing, mortgage debt or problems with welfare benefits. Phone the free housing advice helpline on **0808 800 4444** from 8am to 8pm, seven days a week (some mobile phone networks may charge for calls to this number). Or, you can visit **www.shelter.org.uk/adviceonline**
For specific Shelter advice on the Homeowners Mortgage Support scheme, call **0300 33 00 515**.

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

Council Tax Benefit

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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citizens advice bureau

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