Customer question and answers

What is Homeowners Mortgage Support?

Homeowners Mortgage Support (HMS) is the latest Government initiative to help people at risk of repossession. It is for people who've recently experienced a sharp drop in income: perhaps because they have had overtime cut or hours reduced. It is a last resort, after people have explored all other options with their lender.

What does it involve?

Homeowners Mortgage Support enables you to postpone part of your interest payment for up to two years. The money postponed is added on to the remaining balance of your mortgage, to be paid back when your situation improves. All lenders will work with households who are having difficulty paying their mortgage to help them avoid repossession. This is known as 'forbearance'. HMS is a type of 'extended forbearance' which means lenders are offering longer than usual for borrowers having difficulties to get back on their feet.

Is it a payment holiday?

No, because you have to keep paying as much as you can afford each month. Homeowners Mortgage Support would reduce your monthly payment for up to two years. But any money you do not pay now has to be paid off eventually.

Aren't there risks in doing that?

Yes, there are risks as well as benefits. The main risks are that:

- By taking advantage of Homeowners Mortgage Support, you are adding to your debt, because you are not paying all of your monthly payment and interest will be charged on the payment you have postponed. Overall, you will end up paying more than when you took out your mortgage.
- You must be confident that your financial circumstances will improve and that you will be able to manage increased payments in the future
- If you do not keep up with your reduced repayments, then you may still be at risk of repossession
- If you are repossessed in the future, your debt may be larger because you have deferred some of the payments and your home may have declined in value owing to the changing housing market. If your home is then worth less than your mortgage, you may still owe the lender money even after you have been repossessed.

Together with your lender, you need to decide if the potential benefits outweigh these risks. Independent money advice can also help you decide – and some lenders will say that you must get money advice before you can apply.

Will this help me avoid repossession?

HMS may reduce the risk of repossession, because you should find it easier to keep up with your reduced monthly payments and the scheme gives you time to get your finances back on track.

But it can’t eliminate the risk entirely. If your financial situation worsens, or if you are not able to return to increased payments after two years, your home may still be repossessed.

What would my monthly payments be when I am on the scheme?

That depends on your individual circumstances. Your lender will take into account your interest repayments at the moment as well as your new financial circumstances.

As a minimum, you will have to pay back thirty per cent of the interest due each month. But it is in your interest to pay back as much as possible.

How do I pay back the money I’ve postponed?

Individual lenders will decide how this money is to be paid back. Your lender will work with you to agree a reasonable and affordable repayment schedule to pay off your mortgage plus any amount that you have deferred. Some will extend the term of your mortgage. Some will spread out repayments over the existing term.

Is my lender taking part?

The first lenders will be offering Homeowners Mortgage Support or an equivalent from April 21st. Others will soon follow suit. Check www.direct.gov.uk/HMS, or call your lender to find out they are offering HMS or an equivalent.

Can anyone sign up?

No: this is a short-term solution for people for people who have had an ‘income shock’ but who believe they can get their finances back on track reasonably quickly. Lenders may also have other terms and conditions: for example, that your mortgage and any other loans secured against your home must not be more than a certain amount; or your savings must be below a certain level. You will need to check these details with your lender.

Does it matter what my interest rate is?

No, having a high interest rate does not automatically make you ineligible for the scheme. But you must be able to pay at least thirty percent of the interest due. If your lender believes that you are eligible for this support, then they will explain how much you are able to postpone, and how much you would pay back each month.

Do I have to switch to an interest only mortgage?

Yes. If you are not already on an interest only mortgage, then you will need to do so. Homeowners mortgage support only lets you defer your interest payments. Transferring to an interest only mortgage will also help reduce the payments overall.

Over the long term, you will need to make arrangements for paying back the capital too. In most circumstances, that would mean returning to a capital repayment mortgage once you have left the scheme.

Does it always last for two years?

No. Two years is the maximum amount of time you can make the reduced repayments, but if your circumstances change, you will need to look again at whether this is still appropriate. For example, if your financial situation improves, it is in your own interest to pay more back each month, and return to normal payments if possible.

If your circumstances worsen, and you can no longer keep up with these lower repayments, you and your lender will need to revisit whether another option – like mortgage rescue – might be more appropriate.

Why is money advice so important?

Your lender wants to be sure that you have fully understood all the risks as well as the benefits of joining the scheme. Some will require you to have money advice before you can apply.

Independent money advice will help you appreciate all the different implications so that you can make an informed choice. They cannot tell you whether or not you should apply: that is ultimately your decision.

Money advice covers general debt advice, as well as advice about mortgages. So they can also advise you on ways to improve your overall financial situation: for example, by helping you work out a suitable budget or helping you apply for benefits, if appropriate.

Is this my only choice?

No. Homeowners Mortgage Support is just one option for people in particular circumstances. If you are worried about keeping up with your mortgage payments, the first thing to do is talk to your lender, who will help you explore the options. For example, they may be able to offer you a payment holiday or work out an alternative payment plan. There are also other Government schemes available, depending on your circumstances.

I think I'm eligible, but my lender won't let me sign up. What can I do?

Your lender ultimately has discretion over to whether to let you participate. For example, if they don't think your earnings will return to the same level, and that you won't be able to keep up with repayments over the long term, they may not let you cut your repayments. But they must still explore all other alternatives before starting repossessions proceedings.

I've got other loans secured against my house, as well as my mortgage. Can I still apply?

Yes, but only if all the lenders involved agree. You, your independent adviser and your lenders would need to develop a sensible repayment plan so that all lenders are receiving regular payments. How much you must pay to each lender will depend on your individual circumstances. You will need to discuss the details with your money adviser who may be able to help you negotiate with your lenders.

I'm in negative equity – can I still apply?

If you are already in negative equity you are not automatically excluded from applying. However, you, the money adviser and your lender will need to consider carefully whether HMS is right for you. It will increase your debt and may leave you in a worse position than you are in now.

Is there any charge for Homeowners Mortgage Support?

There is no charge to apply. But you may be charged other fees, depending on the terms of your original mortgage contract. For example, if you have gone into unauthorised arrears, a lender may charge you for that.