

Useful contacts

Spelthorne Citizen Advice Bureau:

Staines - 01784 444220 / Sunbury - 01932 765041

The Citizen Advice Bureau help desk at Staines County Court runs on a Thursday morning and is available for clients facing possession claims from housing association tenancies, private tenancies and mortgages.

Runnymede Citizen Advice Bureau:

Addlestone - 01932 842666 / Egham - 01932 827187

Elmbridge Citizen Advice Bureau:

Walton, Weybridge and Hersham - 01932 221 680

www.citizensadvice.org.uk – follow the link to Advice Guide

Other useful numbers:

Consumer Credit Counselling Service - 0800 138 1111

Debt Free Direct - 08000 831 433

Jobcentre Plus - 0800 055 6688

National Debtline - 0808 808 4000

Pension Credit Helpline - 0800 991 234

Spelthorne Council Housing Benefit and Council Tax Helpline - 01784 446 374

Tax Credit Hotline - 0845 300 3900

Surrey Law Centre, Jacobs Yard, Woodlands Road, Slyfield Green, Guildford, GU1 1RL. Phone no - 01483 215000

Housing Options, Spelthorne Borough Council, Knowle Green, Staines, TW18 1XB. Phone no - 01784 446 380 / Fax no - 01784 446 387

Can't afford to pay your mortgage?



Advice for home owners

If you or someone you know would like any information available from the Housing Options Department in Braille, larger print, by tape, or any other language, please contact us direct.

Disclaimer

This leaflet is not a statement of the law. Nor does it cover every situation. If you are in doubt about your legal rights or obligations, you should seek further advice from the Citizen Advice Bureau or an independent legal advisor. The information in this leaflet may become out of date. We have made every effort to ensure it is correct at the time of publication, but the Council cannot accept any responsibility for any loss you suffer because you acted or decide not to take action as a result of any statement in this leaflet.

www.spelthorne.gov.uk/housing



It is important to act now; by seeking advice at an early stage you may be able to keep your home.

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If you can't afford to pay your current mortgage, you won't be alone. In today's economic climate there are lots of people struggling to pay their bills, debts and handle their finances in the best way possible.

Don't bury your head in the sand. It is important to act now; by seeking advice at an early stage you may be able to keep your home. The government has made changes to legislation and introduced new schemes so that everyone helps to ensure that repossession is not the only option left for both the 'borrowers' and the 'lenders'.

But you must act now!

If your property is repossessed:

- The lender is likely to sell your home and although it has a legal obligation to achieve the best possible price 'within reason', it is likely to be **less** than the market value, and most probably for less than you owed on your mortgage.
- The lender can then 'Chase' you for the money that you owe.
- According to the law in England, Wales and Northern Ireland, lenders have **up to 12 years** to start chasing you for the outstanding amount. But no matter where you live in the UK, if it's thought **fraud** was involved, there's **no time limit** for beginning recovery action.
- The lender can take a County Court action against you to claim back the money.
- The court may issue an order saying you must repay the debt. This order is called a CCJ and will either be for the amount agreed between you and your creditor or, if you can't agree, a payment set by the court.
- Unless you pay the full amount of the judgment within one month, your CCJ will be recorded on the Register of County Court Judgments for six years.
- Organisations such as banks, building societies and loan companies use the registered information to help decide whether to give you credit or loans, like a mortgage.
- Once you get back on your feet, it may be several years before you can persuade a mainstream mortgage lender to give you another loan.

In the meantime, you may be able to borrow from another lender that specialises in bad credit mortgages, but this will cost you considerably more.

It may be possible to stop the sale if you can raise the money to pay off your debts soon after the eviction order.

If you want to do this, you need to act quickly; and apply for an injunction to stop the sale of your home while the arrangements are being made. If contracts are exchanged with a buyer before you can do this, you can stop the sale from going ahead.

Who Can Help You

What your mortgage lender can do?

You should contact your mortgage lender to ensure that they have considered all of their 'hardship' options available for reducing your mortgage repayments, which could include;

- Agree to change or lengthen the term of your loan
- Accept reduced payments from you for a short term
- Add any arrears to the amount borrowed
- Reduce your monthly mortgage repayments for a certain period (6 – 12 months)
- Cut the charge it makes to you for being in debt with the mortgage
- Spread the repayment of the total amount owed
- Offer a better loan rate
- Allow you time to sell your home if this is considered to be the best option

The Government has issued guidelines to ensure that 'Lenders' act reasonably during this recession. The 'Civil Justice Pre Action Protocol' sets out the negotiations expected between the 'Lender' (Building Society, Bank etc) and the 'Borrower' (person responsible for paying the mortgage/loan) before a case comes to Court. The protocol does not alter the parties' rights or obligations.

It is in the interest of both parties that mortgage payments are made promptly and that difficulties are resolved wherever possible without court proceedings. It ensures that the 'Lender' and the 'Borrower' act fairly and reasonably to each other. It suggests that;

- The 'Lender' should consider a reasonable request from the 'Borrower' to change the date of regular payment
- The 'Lender' should respond promptly to any proposal for payment made by the 'Borrower'. If the 'Lender' does not agree to such a proposal it should give reasons in writing to the 'Borrower' within 10 business working days.
- If the 'Borrower' fails to comply with an agreement the 'Lender' needs to warn the 'Borrower' of their intent to apply for possession and give 15 business working days notice of their intent.
- If the 'Borrower' can demonstrate reasonable steps have been or will be taken to market the property at an appropriate price in accordance with reasonable professional advice, then the 'Lender' should consider postponing starting a possession claim

These recommendations are included but not exclusive in the protocol, and are provided in part for information only. It would be beneficial to obtain a copy of the protocol either from the internet, via the Citizen Advice Bureau or a Financial Adviser to ensure that you are aware of your own responsibilities and that of the 'Lender'. A copy of the protocol can be found on www.civiljusticecouncil.gov.uk/files/Mortgage_Pre-Action_protocol_21_Oct

The Royal Bank of Scotland (RBS) which owns NatWest and Northern Rock have also announced that they 'guarantee' not to repossess the properties of customers who fall behind on payments during the first six month period.

What the Government has done

The Government has also announced changes to ISMI (Income Support for Mortgage Interest), which has been effective from January 2009.

Currently you can claim ISMI if you claim Income Support, Pension Credit or income-based Jobseeker's Allowance if you are facing problems paying the interest payments on your mortgage. Initially ISMI was only paid after 39 weeks of unemployment and only on mortgages up to the value of £100,000. The changes to ISMI are good news as the waiting time has been reduced to 13 weeks and the value of the mortgage has been extended to £175,000.

Although ISMI only helps with the interest, it will provide a respite to those that are really struggling in this difficult financial time.

For information on how to claim ISMI contact your local Job Centre Plus.

The Government has also announced a **mortgage rescue scheme** to help vulnerable homeowners to stay in their home. The scheme will **not** be able to help if:

Who is eligible for the Scheme:

- A person who has dependant children living with them or who is reasonably expected to live with them.
- A pregnant women or person whom she might reasonably be expected to live with
- A person who is vulnerable due to old age, disability, mental illness or other special reason



Before the Council can refer a person for the scheme that Council must be satisfied that:

- The applicant has explored all alternative options other than repossession, including the Lenders hardship options, and that the Lender is prepared in principle to support an application for the scheme.
- The applicant has or will provide and up-to-date financial statement obtained from a professional money advice agency which demonstrates that the Mortgage Rescue Scheme is a viable option
- The applicant is the homeowner, and that they want to stay in their home, it must be their only home, and it must not be in disrepair.
- There are no outstanding charges other than those proposed to be cleared by the mortgage Rescue Scheme or owner disputes.
- If the applicant is in negative equity the loan value must not be greater than 120% of the loan.
- The applicant's households gross income is less than £60,000 per annum
- The property should not be worth more than £235,000

Other eligibility conditions may also apply.

You can get more information from the Department for Communities and Local Government website www.communities.gov.uk

The scheme is being worked on with Councils, Lenders, The National Housing Federation, The Housing Corporation, Registered Social Landlords, and with input from the Chartered Institute of Housing, Local Authority associations and money advice agencies.

Depending on specific circumstances eligible homeowners will be offered one of two products, following an assessment of their case by the Local Authority:

- Shared equity option – Registered Social Landlord's provide an equity loan enabling the householders' mortgage repayments to be reduced
- Government mortgage to rent which enables the homeowner to remain in the property as a registered social landlord tenant on an assured shorthold tenancy, paying a sub-market rent.

Another initiative by the government is the The Homeowner Mortgage Support Scheme. The HMSS allows you to switch to an interest only mortgage, and defer repayment of the majority of this interest for up to two years. It will start in April 2009 and sees the government working with 11 major lenders, with plans to add more lenders in future.

The scheme is currently supported by Nationwide, RBS, HSBC, Lloyds TSB, HBOS, Abbey, Northern Rock, Barclays, Bradford & Bingley, Clydesdale and GE Money.

If you've a mortgage with any of those 11 banks, provided you're not eligible for the Support for Mortgage Interest benefit, you can apply to defer UP TO 70% of your monthly interest payments. Yet it's crucial to understand exactly what this scheme will do...

It's about deferral; none of the mortgage will be paid. You'll need to pay it at a later date.

The interest payments you don't cover are added up and tacked onto the outstanding mortgage, for you to pay back when you can afford it, meaning there will be **more** to pay later. It's also possible the mortgage term will be extended to help, so the total amount of interest repaid over the mortgage life will increase.

The aim of this scheme is to prevent repossession and put you in a 'holding pattern' until you're back in work or your income's increased, so you're able to start repaying yourself.

The government has set a maximum interest rate it will cover of eight percent; if yours is higher, only interest up to that level will be deferred (though this is linked to base rate changes). However, lenders are also obliged to not hike your rate for the duration of the scheme (except in line with base rates too).

Who's eligible?

The **Homeowner Mortgage Support Scheme** is aimed at those with mortgages of under £400,000, who've experienced either a drop in income or a hike in mortgage costs. You must have switched to an interest only mortgage with your lender, and be able to pay at least 30% of the monthly interest repayments.

To be eligible, the property must have been purchased and mortgaged before 1 Dec 2008 (though its not a problem if you remortgaged to a new deal), and you have to have received advice from an accredited debt help advisor.

It has been suggested that the scheme will come into play after five months of inability to repay the full mortgage (though you must be repaying at least 30% of your current repayment plan).

Do explore all other avenues of making your normal monthly payments prior to taking up this support. If you have a £100,000 mortgage at 6% interest, deferring 2 years worth of interest and paying it off over 20 years will cost around £9,000 over the life of the loan.

It's also worth noting as this is a scheme run through the banks, it's likely the deferral of interest will be recorded on your credit files and could have a substantial hit on your credit rating.

What the Housing Options Team can do

- help you to liaise with your mortgage lender
- refer you to the Citizen Advice Bureau who will help you to complete a financial statement
- advise you on your housing options
- refer you to other voluntary agencies for free advice
- provide you with benefit advice to maximize your income
- **work with you to save your home**

