

Are you worried about your mortgage? Get advice now

If you are struggling to pay your mortgage, or you think it will be difficult to pay more when your fixed-rate deal ends, act now to stop your situation becoming worse.



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 that we have listed at the back of our 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 at your local Shelter advice service or Citizens Advice Bureau.

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?



Visit or phone your local advice agency (for example, a Shelter advice service or a Citizens Advice Bureau) to make an appointment to see a debt 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, including your entitlement to help under the Support for Mortgage Interest scheme, which can now provide help within 13 weeks

- look into any other help you may be able to receive
- help you tell the lender about the problems you are having
- come up with ways to 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 the 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. Your lender will have experience of working with borrowers to help solve problems like this, and it may be possible to reduce your monthly payments for a time.

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. And, 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 (arrears) 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.

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 speak with your local advice agency and contact a Shelter advice service or a Citizens Advice Bureau immediately.

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. Don't avoid speaking to your lender and don't simply hand them the keys to your home – get advice straightaway. Only hand back your keys if you have sold the property or there is a court order to evict you, because you still have to pay the loan and insurances 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.

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**
- **cut the charges they make to you for being in debt with your mortgage**
- **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)
- **spread repayment of the total amount you owe** (including debts over the remaining period of your mortgage)
- **put off part of your repayment, allowing you to make 'interest only' payments for a short period** (only if you have a repayment mortgage)
- **offer you a better loan rate**, and
- **allow you time to sell your home, if that's what you want.** (Think very carefully about this because you need somewhere to live, and you may not get help from your local council if they consider that you've made yourself 'intentionally homeless'.)

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, ask a Shelter adviser or your local Citizens Advice Bureau. 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. When you are trying to negotiate with your lender, there are certain procedures they must follow, called a 'Pre-Action Protocol' (please see section 7).



6 Make the right decision for you 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 your or your family's circumstances into account.

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'.**

Companies that buy your home and rent it back to you are offering 'sale and rent back' agreements. Although these are legal, they are not currently regulated effectively. 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 your local Shelter advice service or Citizens Advice Bureau 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 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, you should check whether or not you are eligible for help from the Government's Mortgage Rescue Scheme (see section 8).



7 Pre-Action Protocol approved by the courts

Since 19 November 2008, this protocol applies to most residential mortgages. It outlines what you and your lender should do before your lender takes action to take possession of your home.

Your lender should send you a copy of this leaflet or other legal information if you miss any payments. Your lender should tell you:

- how much money you owe them
- how much of your mortgage you still have to pay, and
- what interest or charges you will 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 promptly to any offer of payment you make. If you do not keep to any agreement you have made with your lender, they 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 the lender does not accept your offer, they must give you their reasons within 10 working days.

Your lender may postpone any possession action if:



- you make a claim under a mortgage payment protection policy and you can show you can reasonably expect the claim to be approved and that you can make up any part of the monthly payment that is not met by the policy, or
- you can show you are taking, or will be taking, reasonable steps to sell your home, in line with professional advice you are given. If the lender agrees to delay taking action, you must continue to sell your home and keep them up to date on the progress of the sale.

If the lender does not agree to delay taking action to take possession of your home, they should give you their reasons at least five working days before starting any action.

If you feel your lender has treated you unfairly when dealing with your mortgage arrears, you may be able to make a complaint to the Financial Ombudsman Service (FOS). You will need advice on how to make a complaint to them, so get advice straightaway. The Pre-Action Protocol allows the lender to postpone their possession action when FOS is dealing with a complaint. But if your lender decides to continue with possession action while your complaint is being dealt with, they must give you five working days' notice of their plans. FOS can usually only look into complaints about how the lender dealt with your case, so you will still need to get advice about the actual action your lender may take.

The court will want to see that you losing your home is a last resort and that other options (see section 5) were discussed first. You and your lender will need to show you have followed the protocol at any court hearing.



8 The Government's Mortgage Rescue Scheme

This scheme can help you if you have missed payments on your mortgage.

You may qualify for the scheme if you have dependent children or anyone in your household is pregnant, elderly or disabled.

If your household earns 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 should contact the housing department of your local council to apply for help from the Government's Mortgage Rescue Scheme. The council will take care of your application and work with money-advice agencies, local housing associations and your lender to provide the best solution to suit you and your family.

To get help under the scheme you will need to:



- 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 and will support your application
- be sure that there are currently no orders or charges on your property that would stop it being sold and provide an up-to-date valuation of your property to show its possible selling price, and
- show there is enough equity in your home. (Equity is the difference between how much your property is worth and the amount you owe on your mortgage.)

There are two possible solutions that the scheme can provide.

- **Shared equity** – This is when a housing association provides an equity loan to reduce your monthly mortgage payments. You will still own the property. You will repay the loan at a low interest rate and the loan will be secured on your home.
- **Mortgage to rent** – This is when a housing association buys your property at the market value and you then become the housing association's tenant, and pay them rent.

To find out more about this scheme, please contact the housing department of your local council.

There are other types of help that you can get if you owe money on your mortgage. If you lose your job or suffer a drop in your wages, you may be able to get help from the Homeowner Mortgage Support Scheme, to help you repay your mortgage at a reduced amount for a fixed time while you get back on your feet. This scheme is currently being developed and will be available soon. Please visit www.communities.gov.uk/housing/buyingselling/mortgagesupportscheme for more information.

There may also be other schemes that can help you. **It is always worth asking your lender or a local advice agency about any other help that is available.**



Useful organisations for information and advice

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To help you with your mortgage and debt problems

Citizens Advice Bureaux

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.co.uk for further 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

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, phone Jobcentre Plus on **0800 055 6688**, visit www.jobcentreplus.gov.uk or contact your local council.

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

For information and advice, or to make a claim, phone Jobcentre Plus on **0800 055 6688** or visit www.jobcentreplus.gov.uk

Pension Credit

For information and advice, or to make a claim, visit your local Pension Centre or phone The Pension Service on **0800 99 1234**, or visit www.thepensionservice.gov.uk

Working Tax Credit and Child Tax Credit

For more information, 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.

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Shelter

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