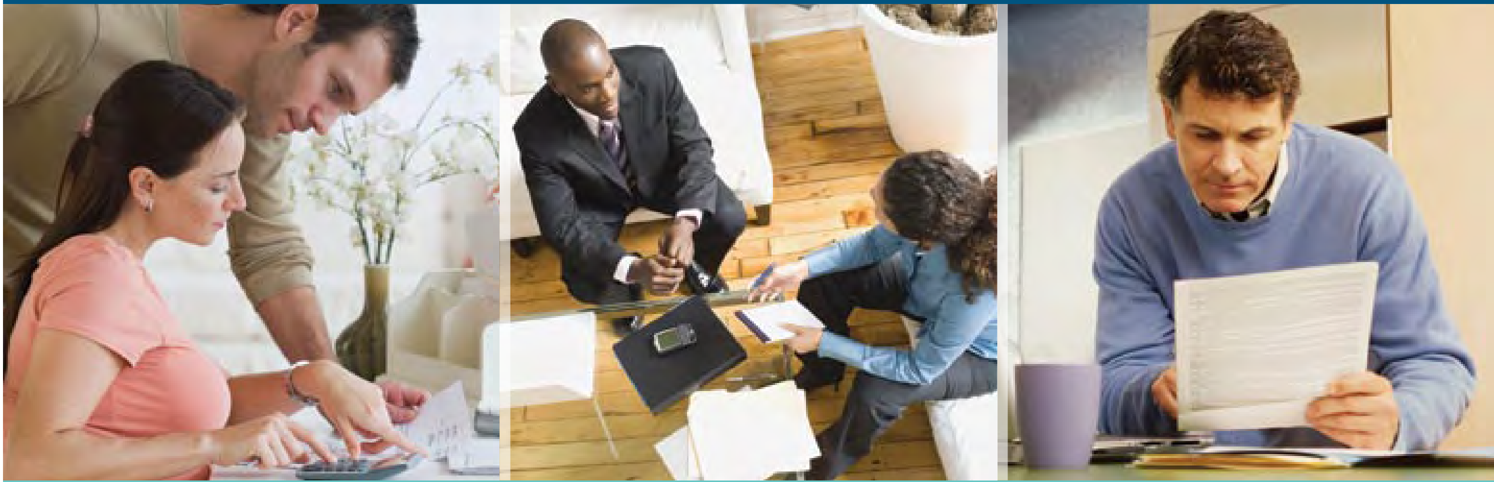


Guide to Homeowners Mortgage Support

Crystal Mark 18128
Clarity approved by Plain English Campaign

HM Government

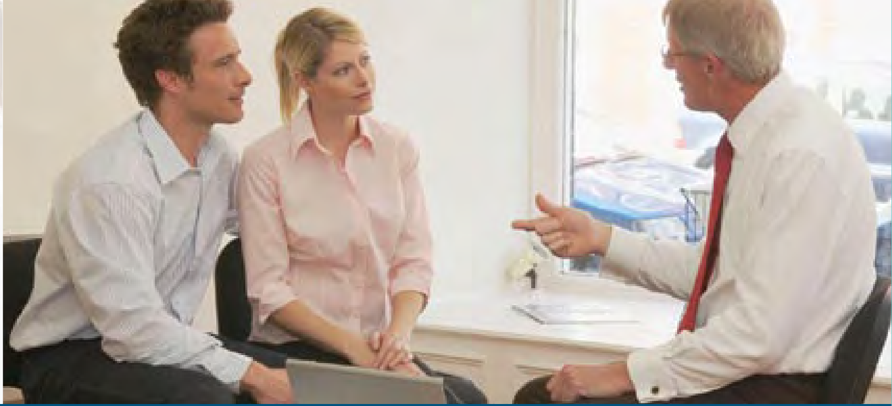
Real help now

This leaflet tells you about Homeowners Mortgage Support (HMS) and explains where to get more information.

This leaflet explains:

- what Homeowners Mortgage Support is
- who might be eligible
- how it will work
- the benefits and risks of taking part

If you are interested in getting help through Homeowners Mortgage Support, you will need to discuss this with your lender and then get independent money advice from an HMS money adviser.



If you're worried about falling behind with your payments, get help. Talk to your lender and get free, confidential money advice. (See 'More information' at the end of this leaflet.)

You can also contact the Financial Services Authority (FSA) or the National Housing Advice Service for details on:

- the practical steps you can take to improve your situation
- other Government support
- what to do if your lender starts legal proceedings to repossess your home

You can find more information at http://www.direct.gov.uk/mortgagehelp

What is Homeowners Mortgage Support?

HMS is designed to help households whose incomes have dropped as a result of the economic downturn, for example:

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

This means your lender would delay some of the monthly interest payments on your mortgage for up to two years, although the exact length of time you spend on the scheme will depend upon your circumstances.

This money is not written off and you will have to pay it back eventually. But, this gives you breathing space to get your finances back on track.

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.

This leaflet explains the risks as well as the benefits of HMS. For example, your debt will be increasing and your home may go down in value while you are making lower monthly payments. This may result in negative equity, where your mortgage is more than the value of your home.

Ian and Fiona

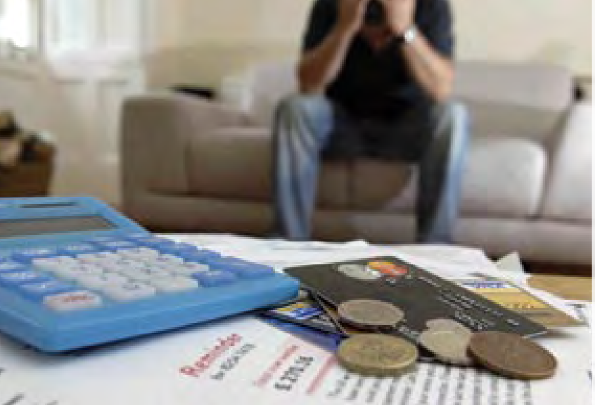
Ian and Fiona own a house in Dorset and have £127,000 left to pay on their mortgage. Fiona is a teacher, but Ian has lost his job as a journalist on the local paper and has taken on temporary freelance work.

Their interest rate is 4% and their payments are currently £770. After switching to an interest-only mortgage, their payments are £423. They can afford to pay 75% of the interest due, which is £318 a month.

Ian is able to find more secure work, so they only need to make smaller payments for six months. £642 is added to their mortgage. They have 19 years and six months left on their mortgage, and are going to spread their postponed payment out over this period. They return to a capital repayment mortgage and pay £786 a month.

How does it work?

- if you're struggling to keep up with your mortgage payments, you must talk to your lender as soon as possible and pay as much as you can afford each month
- your lender will help you to look into all the options. For example, you might think about switching to an interest-only mortgage, or they may be able to give you a break from making payments (a payment holiday). If there's no other suitable option, you may want to think about HMS
- your lender will usually refer you to an HMS money adviser at this point. If not, it would still be a good idea to get independent advice, to make sure that you fully understand what is involved. Check www.direct.gov.uk to see where you can get money advice from
- you can then apply for HMS through your lender, who will decide if this is in your best interests. If your application is successful, you and your lender will agree new monthly payments
- you must commit to paying as much as you can afford, which cannot be less than 30% of the interest due each month
- this is not a payment holiday and you must keep up with the agreed payments each month to avoid having your home repossessed
- the amount that you are no longer paying back each month is added onto your mortgage you have left to pay, for a maximum of two years



- you'll need to tell your lender if your financial situation changes. If you start to earn more, you must pay more back. If your situation has got worse, you may not be able to stay on HMS
- within a year of joining the scheme, you will have a formal review with your lender and independent money adviser to decide whether you are still eligible for HMS and whether continuing to make reduced payments is in your best interests
- you can start making normal payments again at any time, but you can only take advantage of the reduced repayments for the period agreed with your lender, which can be a maximum of two years
- when you start making normal payments again, you and your lender will agree a reasonable and affordable way for you to repay the money you have delayed, plus what is left of your mortgage
- this may mean increasing your monthly payments, or extending the life of your mortgage (paying it back over a longer period)

Can I take advantage of HMS?

To be eligible for HMS, you will need to do the following.

- you must show that your income has dropped by a substantial amount and that you can no longer meet your current monthly payments. Your lender will want to be confident that this loss of income is only temporary
- you must agree to pay as much as you can afford and at least 30% of the interest due. You and your lender will decide together how much you can afford, with help from your money adviser. It is in your interests to pay back as much as possible each month
- you must switch to interest-only terms, if you have not done so already. You will not be reducing the balance of your mortgage while you are taking advantage of Homeowners Mortgage Support

Lenders will also usually say that:

- your mortgage and any other loans secured against your home must not be more than a certain amount
- your savings must be below a certain level
- you must have taken out a mortgage or remortgaged before a certain date and
- you must have been making regular payments (though not necessarily of the full amount due) over the five months before joining the scheme, unless you had agreed a payment holiday with your lender

You will need to check these terms and conditions with your lender.

- you own more than one property, for example you will not be able to use HMS to keep up payments on a buy-to-let investment or
- your lender thinks you are not likely to be able to keep up with even the lower payments

If you are in negative equity (you owe more money to your mortgage lender than your property is actually worth), you may still be able to take advantage of HMS. But you and your lender – with help from your money adviser – will need to carefully consider whether HMS is right for you. It will increase your debt and may leave you in a worse position than you are in now if your home is repossessed in the future.

Discussing your situation with your lender and independent money advisers will help you decide if this is the right option for you.

You may have other loans which you have secured against your home as well as your mortgage. If this is the case, you may still be eligible for HMS, if all the lenders involved agree.

If you are not eligible for HMS, you should talk to your lender about the other options you may have.

You need to remember the following:

- **HMS is not a 'payment holiday' – you will need to continue to make monthly mortgage payments**
  - your monthly payments will be cut for up to two years, but your overall mortgage will not be reduced. You are simply putting off part of the payment
  - your debt will be increasing and interest will be charged on the payment you have put off
  - it is in your best interests to pay off as much as you can afford each month
  - you will need to extend your mortgage term or make higher repayments than you currently pay, to pay off the debt you have put off
- **if your circumstances change, HMS may no longer be the best option for you**
  - for example, if you lose your job and can no longer keep up with the smaller payments, another Government scheme may be more suitable
  - it is vital that you keep your money adviser and lender up to date with your situation
  - if your income increases, it is in your best interest to increase your payments as soon as possible, to keep the amount you are putting off to a minimum.

Matt and Michelle

Matt and Michelle own an apartment in Hartlepool. Matt works in construction and Michelle has a job in a local call centre. They were relying on Matt's overtime to help them make their monthly payments, but that has recently dried up and now they are both working part-time.

Matt and Michelle have £80,000 on an interest-only mortgage, which has an interest rate of 6%. They also have another loan of £20,000 secured against their home, which has an interest rate of 10%.

In total, they are repaying £593 a month over 20 years. £400 is interest on their mortgage and £193 is both interest and capital repayment on their loan.

After discussing their situation with both lenders, they agree to repay half of the interest due each month on each loan. This means they are paying £200 on their mortgage and £83 on their secured loan.

After a year, Michelle is promoted and takes on a new full-time role at work. £2477 is added to their mortgage and £1053 is added to their loan.

Their total payments will now be £619 each month. They are still on an interest-only mortgage and so must ensure they have a way of paying off the original amount they borrowed, plus the £2477 which has been added to the balance.

Summary

Homeowners Mortgage Support will cut your monthly repayments for up to two years, giving you time to get your finances back on track.

But:

- your debt will increase and you will end up paying more than you planned for
- afterwards, your monthly interest payments will be higher, or you will need to extend the term or your mortgage, to repay the amount you have put off
- your home may go down in value
- if you stop making payments, your home could still be repossessed

What should I do next?

- keep making regular payments each month and make sure you tell your lender if you cannot pay the full amount
- talk to your lender and get free independent money advice to discuss the options available to you

John and Elizabeth

John and Elizabeth own a flat in London and have £285,000 left to pay on their mortgage. John is a consultant and Elizabeth looks after their young child. John is working on a long-term project but his hours have been cut back substantially.

They have an interest-only mortgage and are repaying £1188 a month at an interest rate of 5%. With their money adviser, they work out a budget and think they can pay about half of the interest due, which is £594.

Two years later, John has found full-time work again and Elizabeth has also gone back to work part-time. £14,999 is added to their mortgage. They have 18 years left on their mortgage, but have decided to extend it by two years. They switch to a capital repayment mortgage and are now paying £1980 a month.

9 781409 811121