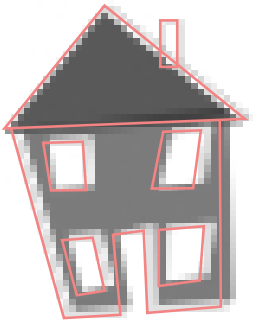

Mortgage problems

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Clarity approved by Plain English Campaign

HARINGEY COUNCIL

www.haringey.gov.uk

Mortgage problems

Many people have difficulty paying their mortgage, especially if they become unemployed or separated from a partner. If you are behind (in arrears) with your mortgage payments, get advice as soon as possible.

Could I lose my home?

Yes, if you do not pay the mortgage, your lender (for example, your building society or bank) will eventually apply to the court to repossess your home.

Other loans for repairs, improvements or other major purchases may also be linked to your home. If you do not keep up payments on these loans, your lender may be able to repossess your home and have you evicted.This applies even if you are not in arrears with the main mortgage.

There are a number of things you can do to prevent this, but you must act straight away.

What should I do?

Get advice

You must get advice as soon as you can but, even if a court order has been issued and the bailiffs are about to evict you, it may not be too late. You can get free advice from our Housing Advice Team.

The phone number is at the end of this leaflet. We can talk to your lender for you, suggest how much you could pay off the arrears and help you with the court papers. We can also help with benefit claims such as Income Support.

Work out a plan

We can help you work out what you can afford to pay and what you want your lender to agree to. It is important to be realistic about how much you can afford to pay.

Talk to your lender

You should talk over your plan with your lender. The fact that you have contacted them shows you are trying to do something and they are likely to be more sympathetic. It is helpful to make regular payments even if this is less than they are demanding. It is better to suggest a realistic amount that you might be able to increase in the future rather than offer higher payments which you fail to keep up.

If your lender does not agree to your plan, do not give up. Quite often, the court will agree to a payment which is much less than the lender is demanding. The court can stop an eviction if you come to an agreement to pay off the arrears and keep to it.

Possible solutions

Prioritise your debts

If you do not pay your mortgage, you can lose your home, but other debts may be less important. For example, credit card bills and some other loans can appear urgent. However if you let them know you cannot pay, they will wait if they have to, or accept much smaller repayments.

Increasing your income

Make sure you claim all the benefits you are entitled to. Income Support or income based Jobseeker's Allowance can help pay the interest on your mortgage. Other welfare benefits you may be entitled to include Working Families' Tax Credit, Child Benefit, Council Tax Benefit, Statutory Sick Pay, Incapacity Benefit, Attendance Allowance, Disability Living Allowance, Disabled Person's Tax Credit and Invalid Care Allowance. Claim any tax rebates you are owed, especially if you have recently become unemployed. You might be able to apply to the DSS for a grant or loan. Charities might be able to help but applying to them can take time. For more information, contact your nearest Citizens' Advice Bureau.

If you are staying at home to look after your own children, childminding can be a useful way to earn some extra money. You will need to register with our Social Services department.

If you have a spare room, consider taking in a lodger. This may affect any benefits you are receiving, so get advice before letting the room. You may also need permission to let from your lender even if you are providing board. Or, you could let out your whole home and live elsewhere for a while. This option is only realistic if you have access to cheap or free accommodation. You will have to pay income tax on the rent you get and your lender could charge a higher rate of interest on the mortgage or make you take out extra insurance, so always check with them first.

Claiming on insurance policies

Some lenders make their borrowers take out an insurance policy covering sickness and redundancy when they get the loan. If this is the case, make sure you claim on it if you can.

Reducing the mortgage repayments

If the interest on your mortgage is paid by Income Support or Jobseeker's Allowance, your lender may accept lower regular payments for a certain period of time, and the court may agree to that too. Other options include extending the repayment term or changing to interest only. A lender is likely to agree to reducing or stopping the interest payments if you are trying to sell the property, are having temporary difficulties or if you have a serious illness.

You may be able to change to a cheaper mortgage protection insurance policy, buildings insurance policy or contents insurance policy.

Arranging to pay off the arrears

Your lender may accept that you pay the arrears off over a period of time and the court may agree to that. Or, you can ask for the arrears to be 'capitalised' by adding them to the rest of the mortgage you still owe.

If you have an endowment mortgage and cannot afford the premiums, do not cash in the plan unless you get advice first. You could sell a long-running endowment with a good insurance company for more than the cash-in value, and you could then use the proceeds to pay off part or all of the arrears. If you cash the policy in or sell it, you will need to switch to a repayment mortgage or find another way to repay the amount you have borrowed at the end of the term.

The Consumers' Association estimates that over 5 million homeowners could be entitled to compensation after being mis-sold endowment mortgages. For more information, contact the Consumers' Association or make a complaint to the company which employed the person who sold you the policy. Then contact the Financial Ombudsman Service.You can get more information on-line at www.endowmentaction.co.uk

Remortgaging (getting a new mortgage that will pay off your first mortgage,

together with any arrears, and other secured loans) can save you money if you change from a lender with a relatively high interest rate to one with a lower one.

Selling your home

Selling the property might be an option if you can buy a smaller home or a cheaper one in another area. However, if you will need to apply for Council housing, you should get advice before you sell. There is a risk that a council could find you to be 'intentionally homeless' and not rehouse you. You should also check that your lender will allow you to sell.

Handing in the keys

This can seem like a solution to the problem, but it is not a good idea. You will still own the property and you will still be legally responsible for the debt which is likely to increase until the property is sold by the lender.

Going to court

If you do not reach an agreement with your lender or you cannot keep to the agreement made, your lender may apply to the court to repossess your property and evict you. Even at this stage it is not too late to get advice. Many London county courts run Duty Advice Schemes offering free advice and help at the court hearing.

Go to the hearing

It is important that you go to the hearing as the court can give your lender an order to repossess your home even if you are not there. If you reached an agreement with the lender some time before the hearing, you should get them to confirm this in writing and take a copy of the letter with you.

Take with you proof of any other relevant matters, such as offers of employment, details of any lump-sum payments you are due to receive such as tax rebates, and any plan to pay the arrears. You should also take copies of all the court papers as they contain details of the amount you owe, and the monthly payments due.

If you really cannot go, you should write to the court with your plan for repayment at least a week before the hearing, but it is much better to be there. Make sure you put the court reference number on the letter including the date and time of the hearing.

Talk to the lender's representative

You may talk to the lender's representative before the hearing to see if you can agree a plan to repay your arrears. It may be possible to repay the arrears over the remaining years of your mortgage. So, you could repay £5,000 of arrears at £21 a month, although it is better to repay the arrears more quickly, if you can afford to. Do not feel that you have to agree to a repayment plan that you cannot keep to. If

the lender's representative does not agree to your plan, explain it to the judge at the hearing.

The hearing

The hearing is fairly informal. It is held in private with the judge, the representative of the lender, and you sitting around a table. You do not have to give evidence 'under oath'. You can take someone to represent you.

The judge will try to find out whether you are likely to be able to pay the mortgage (possibly with help from Income Support or Jobseeker's Allowance) and whether you can repay the arrears over a number of years. The court may want to know why the arrears developed in the first place, so make sure you can explain this to the judge if they ask.

Agree to a payment plan

If you are on Income Support or Jobseeker's Allowance, the court may agree to a period when you do not repay any of the arrears, as long as you still pay the interest on the mortgage. Income Support or Jobseeker's Allowance may cover all the interest on the loan, but not the interest on the arrears, which you may have to pay.

When making a plan, you should work out how much you can afford to pay each month – even if you are paid weekly. This is because the mortgage is paid monthly. You should be very clear about the date, each month, when a payment is due.

You can pay earlier if you want to. But you mustn't pay late or you will be in arrears again.

Ask for time to sell

If you cannot find a way to pay the arrears, you can ask for time to find somewhere else to live or some time to sell the property. You will almost certainly get a better price for your property if you sell it yourself rather than having the lender sell it after repossession.

You should contact the Housing Advice Team for help in plenty of time before the hearing so you can work out the plan to put to the court. Sometimes it is possible to persuade the lender to cancel the court hearing.

After the court hearing

If you are still having problems at this stage, get advice as soon as possible.

Paying off the arrears

If the court agreed to your repayment plan, you must keep to it with regular monthly payments. You must pay on time and in full. If your circumstances change, you may apply to the court to see if you can have your agreement changed.

Once you have paid off all the arrears, the court order or possession order is automatically cancelled. If you get into arrears again, the lender has to restart the whole process, and must apply to the court for a new hearing.

Eviction

If you miss a payment, pay too little, or are late in making a payment, the lender can have you evicted without another court hearing. If you are about to be evicted, you still may be able to get your agreement changed.

More information

For more information and confidential housing advice contact Haringey Council's Housing Advice Team.

Housing Advice Team

Apex House
820 Seven Sisters Road
London N15 5PQ

Phone: 020 8489 4309

Opening hours:
Monday to Friday
9am to 5pm

Website: www.haringey.gov.uk
Email: HousingAdvice@haringey.gov.uk

For information on other Council services contact:

- **Haringey Connects**
  South Tottenham Customer Services Centre
  Apex House
  820 Seven Sisters Road
  London N15 5PQ

  Phone: 020 8489 0000

  Minicom: 020 8489 4306

  Opening hours:
  Monday to Friday
  8.45am to 5pm

- **Hornsey Customer Services Centre**

  Hornsey Town Hall Annexe
  The Broadway
  Crouch End
  London N8 9JJ

  Phone: 020 8489 0000

  Opening hours:
  Monday to Friday
  8.45am to 5pm

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