

Can't Pay Your Mortgage?



Helpful advice from the BSA
and the Money Advice Trust

Money
Advice
Trust

 **Building Societies**
Association

Having problems paying your mortgage can be one of the most stressful and traumatic problems that anyone has to deal with. However, contrary to what some people believe, lenders are not seeking to repossess your home as soon as you have problems.

In fact, if you do have problems they are keen to work with you to help you to remain in your home – repossession really is the last resort.

There is free independent help and advice available from the organisations listed at the end of this booklet.



What to do if you are worried about paying your mortgage

There are six steps that you must take to make sure that you don't lose your home:

1. DON'T IGNORE THE PROBLEM

If you receive a letter or telephone call from your lender, **DO NOT** ignore it. Your mortgage has to remain your number one priority, and you need to pay this before any other debts that you may have.

2. LOOK AT YOUR SITUATION

Are you getting all the help available to you? Sit down and draw up a personal budget to work out what you have coming in and what you are spending your money on. You need to make sure you are paying your essential household bills like your mortgage, other loans, council tax, fuel bills etc. Then look at what other debts you have. You may be able to reschedule payments or make reduced offers of payment.

Are you claiming all of the benefits that you are entitled to? There may be additional benefits that you may be entitled to but not currently claiming.

Your lender will be happy to help you do this or alternatively they will be willing to work with other money advisers (such as the Citizens Advice Bureau) who may be able to help you.

3. KEEP IN TOUCH WITH YOUR LENDER

No matter what action you are taking, keep your lender aware of your financial situation. Be honest about it, keep them aware of what you are doing and any further changes to your circumstances.

4. SHOW THAT YOU ARE WILLING TO PAY WHAT YOU CAN

Your lender may allow you to reduce your monthly repayments. However, you should make sure that you keep repaying this reduced amount and if anything happens which means you can't, you must tell your lender immediately.

5. FIND OUT WHAT YOUR OPTIONS ARE

Lenders take possession action only as a last resort, and there are a range of measures that they can use to help you remain in your home. They will discuss these with you – make sure that you take full advantage of these discussions with your lender to ensure that you have the greatest chance of keeping your home.

Many people fall behind with payments through no fault of their own and lenders want to support you through this difficult time.

6. MAKE THE RIGHT DECISION

Make sure you take advice only from people that you trust. Your lender will be able to help, and you can also get free independent advice from organisations such as Shelter, Citizens Advice Bureau, National Debtline and free independent money advisers.

Be very wary of organisations offering solutions that appear to be too good to be true – they probably are. Be especially wary of "sale and rent back" companies that offer to buy your home and let you continue living there – you may only get a guarantee that you could live there for six months, and you may lose housing and other benefits.

So calling your lender isn't going to trigger the immediate repossession of your home. In fact, the opposite will happen - your lender will work with you to do whatever it takes to try to keep you in your home. However, it is important that you call them as soon as possible to start discussions about what you are going to do.

What happens when you contact your lender?

Contact your lender and you should find that you get a sympathetic response from staff in special departments that they have to help people with repayment difficulties.

THEY WILL NOT START TO REPOSSESS YOUR HOME.

Arrears departments in lenders typically work longer hours than other staff who help customers, including at evenings and weekends. This ensures that customers can obtain advice at times suitable to themselves – no one wants to call their lender to talk about arrears from work when they could have that conversation at home in the evening or over the weekend.

Lenders also ensure that staff handling arrears cases are experienced. Many of the staff handling arrears cases have over ten years experience, and some have direct experience of handling arrears cases during the recession of the early 1990s.

When you contact your lender, they will look at your finances with you (and any other adviser that you wish to involve) and agree, in conjunction with you, a plan for managing your mortgage arrears.

Lenders have a wide range of options for this, including:

- Creating new payment plans
- Amending payment terms – this may mean, for example, lengthening the mortgage period, moving to an interest only product or adding the arrears charges to the mortgage amount while regular repayments are being made as agreed with you
- Providing you with help finding employment
- Referring you to Government schemes that can help
- Helping you to get all of the benefits and tax credits you are entitled to
- Working with others such as debt advisers, charities or professional financial advisers.

Lenders genuinely want to keep their customers in their homes, and will work to identify ways to achieve this. A successful outcome can happen only if you contact your lender as soon as possible.

FACTS & FIGURES

Research conducted for the BSA in June 2009 shows:

- 97% of borrowers that went into arrears during the last two years did not face repossession and remain in their homes.
- Borrowers that spoke to their lender promptly were more likely to repay their arrears than those who waited a few weeks or more to make contact.
- Most borrowers believe they were treated fairly by their lender, and thought that their lender was helpful through the arrears process.

Understanding Mortgage Arrears BSA 2009



The help we have received from Bath Building Society has been very much appreciated. With the arrears fully repaid, thanks to the plan put in place by the Society, we can now look forward to a brighter future



Customer Feedback, Bath Building Society 2011

The role of money advisers

WHO ARE THE MONEY ADVISERS?

Money advice is given free of charge by Citizens Advice Bureau, local authority offices, independent advice centres, and independent telephone helplines such as National Debtline. Some are generalist agencies offering money advice alongside a range of other support. Other agencies offer money advice exclusively. Some money advisers are paid employees, others are volunteers. Advice can be given face to face or by telephone – whichever way you prefer.



(National debtline was) Extremely understanding, non-judgmental and helpful with a very professional touch



Client evaluation, National Debtline 2010, Money Advice Trust

A MONEY ADVISER CAN:

- Help you work out your income and expenditure and complete a personal budget
To overcome any repayment difficulties, it is important that you get a good understanding of what your actual financial situation is. This allows you to draw up a budget to ensure that your finances don't get any worse while you sort your problems out
- Look at options on how to deal with your debts and work out how much money is left over to pay your debts
Once the adviser has worked out what your financial situation is, they can work out how much you can afford to pay off your debts each month
- Find out whether you are entitled to extra income such as benefits, tax credits or tax allowances
The adviser will be able to investigate if you are entitled to any extra income that can help to repay your debts
- Check whether you are responsible for the debts you are being asked to pay
Other people may be responsible for the debts that you are repaying
- Make sure that the most important debts are paid first
Some debts incur greater interest charges than others, while the consequences of not paying debts secured against your home are greater than not repaying other loans
- Help you to negotiate repayment plans with the people you owe money to
Getting help from a money adviser tells the people that you owe money to that you are serious about overcoming the problem and repaying what you owe. They may be willing to renegotiate your repayment arrangements to reduce the monthly payment
- Offer advice on where to get help with other problems such as redundancy or divorce
Few people are in financial trouble because they want to be – it is almost always the consequence of something else that is happening to them. A money adviser will be able to help you

Mortgage Difficulties Urban Myths

Although friends and family can be an excellent source of help and support, a number of inaccurate “urban myths” have developed about what to do if you can’t pay your mortgage. Some of the most common are:

MYTH: The only way I can pay off my arrears is to pay off the whole amount I owe

FACT: Your lender will offer you a range of options to repay your arrears, and you won’t be expected to do it in one go

MYTH: I could take a loan out to pay off my arrears

FACT: Many companies claim to be able to consolidate debts or to offer low payment loans to overcome arrears problems. However, the interest charged on such arrangements can often be high, and you should always take independent advice before thinking about taking out a new loan.

MYTH: I could send my keys to the lender and walk away

FACT: Doing this does not end the mortgage. In such a situation you would remain liable for any money that you owed your lender that it was unable to make from the sale of the property. Remember that you will need somewhere to live and your local authority may view you as having made yourself voluntarily homeless and so decide you are ineligible for help

Further help and advice

can be obtained from:

Advice UK 020 7469 5700, visit www.adviceuk.org.uk or look in the Yellow Pages under 'Counselling and advice'

Advice NI 028 9064 5919 or visit www.adviceni.net (only in Northern Ireland)

Business Debtline 0800 197 6026 or visit www.bdl.org.uk

Citizens Advice Bureau details of individual CABs are available at www.citizensadvice.org.uk for England and Wales, www.cas.org.uk for Scotland, and www.citizensadvice.co.uk for Northern Ireland

Community Legal Advice

0845 345 4 345 or visit www.communitylegaladvice.org.uk

Consumer Credit Counselling Service 0800 138 1111 or visit www.cccs.co.uk

Local Authorities – some offer in-house money advice service.

Money Advice Scotland www.moneyadvicescotland.org.uk

Money Advice Service 0300 500 5000
www.moneyadviceservice.org.uk

National Debtline 0808 808 4000
or visit www.nationaldebtline.co.uk

Payplan 0800 085 4298 or visit www.payplan.com

Shelter 0808 800 4444 or www.shelter.org.uk/adviceonline



The Building Societies Association represents mutual lenders and deposit takers across the UK.

6th Floor, York House
23 Kingsway
London WC2B 6UJ

www.bsa.org.uk

ISBN 978-1-869839-62-8



The Money Advice Trust (MAT) is a charity formed in 1991 to increase the quality and availability of free, independent money advice in the UK. MAT also runs National Debtline and Business Debtline.

www.moneyadvicetrust.org