



London Borough
of Hounslow

HAVING PROBLEMS PAYING YOUR MORTGAGE ?

A guide to what you should do



What is a mortgage ?

A mortgage or a secured loan is a loan you take out using your home as security. This means that if you do not make the payments your home can be repossessed or taken back by the mortgage company.

Mortgage companies will not just take your home. They will apply to court for a hearing to decide if you have to leave. The court does not always let the mortgage company take back the home and may be able to help you depending upon your situation.

Finding the payments hard to pay - What should you do ?

If you are having problems paying the mortgage you need to see if you can afford to pay it. To do this you need to work out your budget. Make a list of all the money you have coming in and the money you need to live on including all your essential bills like food, travel, gas, electricity, your mortgage and your council tax. At this stage you should not include payments that you are making on credit debts or loans that are not secured against your home. These payments can be re-arranged and are not as important as your mortgage. By doing a budget you will be able to see whether you have enough money coming in to be able to pay your monthly mortgage.

What if there isn't enough to cover the mortgage ?

To be able to keep your home you really need to be able to pay the monthly instalment. If you find after doing your budget that you cannot afford this, here are some things you should check -

- See if you can cut down on any spending in your budget to free up some money for the mortgage. Be realistic, don't cut down on things so much that your budget is too tight to live on!

- Make sure that you are not paying any credit debts at the expense of the mortgage. Credit debts are less important because they are not secured against your home. If you can show from your budget that you can't afford to make the payments to credit debts they can be reduced or frozen and this includes the interest. For more information on how to do this, see our Dealing with Debt booklet.
- Find out if there are any benefits or tax credits that you can get to increase your income. You can always call our helpline on 020 8583 5016 to check or use the benefit calculator on the Hounslow website: www.hounslow.gov.uk
- Check to see if your mortgage company will agree to less than the monthly payment. They may agree to a reduced payment for a short time if there is a temporary problem, for example you are in between jobs. Sometimes the company will agree to interest only payments particularly if someone is on certain benefits but this means that the loan is not being paid off. They are unlikely to agree to this if there are large arrears.
- Sometimes there are other options, e.g. through local housing associations.
Call the Housing Advice Service Helpline: 020 8583 3842.

Borrowing more money or getting a loan?

Often when people get into difficulties paying their mortgage they think that the answer is to borrow more money to pay off the debt or take out a new mortgage to pay off the old mortgage. Think very carefully before doing this because it normally makes the situation worse. Borrowing more money will only increase the amount you owe and it will also mean that you have more money to pay back. Companies who lend to people who are behind on their mortgage usually charge you a lot more in interest and may have high fees as well for arranging the mortgage.

You should also watch out for fixed deals that offer you low payments at the start of the loan but then increase by a lot when the fixed time is over.

Always get advice before taking out a new loan to make sure you really understand what you are taking on.

Making an offer to the mortgage company

If you have done your budget and you have enough money to pay your monthly mortgage you should contact your mortgage company to explain why you have had problems and tell them you will be paying the monthly payment. Normally they will want you to pay something on top to pay off the arrears. If you can't do this, they may just accept the monthly payments, particularly if your house is worth a lot more than what you owe them.

If you can pay something on top of the monthly mortgage to start paying off the arrears this is a good position to be in. Your mortgage company may want the arrears to be paid off quite quickly or all in one go but don't be pushed into offering more than you can afford. Work out what you can afford each month using your budget and explain this to the mortgage company. Tell them that the arrears will now be going down and that you do not want to offer more than you can afford. Start making the payments too so they can see that you mean what you say!

What if they won't accept the offer ?

If the mortgage company won't accept your offer, they will need to take you to court in order to take your home back. There will be a date when you have to go to court so that the court can decide what is best to do. Just because they take you to court does not mean that they will get your home back. The court can stop them from taking your home if they feel that you can pay off the arrears in a fair amount of time. For the court to be able to agree to your

offer you need to be able to pay your monthly mortgage payment **and** be able to clear the arrears by the end of the mortgage. This means that if you have 15 years left on your mortgage, the court can allow you up to 15 years to pay off the arrears. This is normally a lot longer than the mortgage company would be willing to agree to. The court will normally make a 'suspended possession order'. This means that if you pay what is ordered nothing will happen but if you miss any payments the mortgage company will be allowed to get an eviction warrant without another court hearing.

You can still ask the court to stop an eviction by filling in a court form called an N244, which you can get from the court office. You will need to show the court that you can afford the payments and every time you miss payments it gets harder to get the court to stop an eviction. This is why you should only offer what you can afford to pay. You have to pay a fee with the form N244 to the court. No fee has to be paid if you get certain benefits like Income Support or Working Tax Credit, or you can prove you have low income but you have to take proof of your income to the court office.

Getting help with your mortgage

There is only limited help that you can get with your mortgage payments if you have a low income. People are expected to take out insurance to cover them if their situation changes and they cannot make the payments. Some people may be able to get some help with their mortgage but this is limited. Only people on the following benefits can get help with their mortgage:-

- People on Income Support or Income Based Jobseekers Allowance
- People on the Guarantee Credit part of Pension Credit
- People on the Income-related part of Employment and Support Allowance (from October 2008)

This help is only on mortgages used to buy your home or carry out certain home improvements. If you used the mortgage to pay off debts or for a business it will not be covered. The benefits only take into account the interest part of the mortgage and can only pay on loans up to £100,000. If your loan is for more than that they will only cover the first £100,000 of that loan. For most people under the age of 60 there is also a waiting period before this help is given with the interest and this can be up to 9 months.

What happens at court if you can't afford the mortgage?

If you cannot afford the mortgage the court will normally have to make a possession order. This will normally be a '28 day possession order'. This means that at the end of the 28 days the mortgage company will be able to get an eviction date from the court without another court hearing. Once your home is repossessed the mortgage company will sell your home. The monthly instalments continue to be added on until the property is sold. If the property is sold for less than what is owed, you will still have a debt to the mortgage company. However, the mortgage company does have to try and get the best price they can for the property.

Sometimes the court will give you longer than 28 days if you are trying to sell the property yourself and you can show that a sale may go through soon. It is often better to sell your property yourself because you may get more for it than the mortgage company. However check first with your local council if you will be applying to the council for re-housing, because the Homeless Persons Unit need to agree that you could not afford to keep the property and you were forced to sell it.

Where to go for advice

If your mortgage company is taking you to court you should always get advice. Some courts have court advice desks so you can get

independent advice from a solicitor or advice agency on the day of the hearing. Check with your local court before your hearing.

**It is best to get advice before the court hearing day.
For advice contact one of the following agencies:-**

Hounslow Welfare Benefits and Money Advice unit

Helpline: 020 8583 5016.

Fax: 020 8583 5020

e-mail: wbmau@hounslow.gov.uk.

Citizens Advice Bureaux in Hounslow: 0870 126 9500

Hounslow Law Centre: 020 8570 9505

National Debtline: 0808 808 4000. www.nationaldebtline.co.uk

Law for All (West London): 020 8600 3100

Brentford County Court Advice Desk - Monday mornings 9.30-11am
at the Brentford County Court, Alexandra Road, Brentford.

Arabic

هذا المنشور يشرح اذا ما كان لديك مشاكل بخصوص دفع دفعة رهن العقار المصرفي.
للمعلومات الرجاء الاتصال على 020 8583 2299.

Farsi

این نشریه توضیح میدهد که چه باید کرد اگر در قسمت پرداخت دوباره مارگیج (وام بانک) مشکلی داشته باشید. برای اطلاعات بیشتر لطفاً به شماره تلفون 020 8583 2299 تماس بگیرید.

Panjabi

ਇਸ ਪਰਚੇ ਵਿਚ ਇਹ ਦੱਸਿਆ ਗਿਆ ਹੈ ਕਿ ਜੇਕਰ ਤੁਹਾਨੂੰ ਮੋਰਟਗੇਜ ਦੇਣ ਵਿਚ ਮੁਸ਼ਕਲ ਆ ਰਹੀ ਹੈ ਤਾਂ ਕੀ ਕਰਨਾ ਹੈ। ਹੋਰ ਜਾਣਕਾਰੀ ਲਈ ਇਸ ਨੰਬਰ 'ਤੇ ਫੋਨ ਕਰੋ: 020 8583 2297

Polish

Ta broszura wyjaśnia co należy zrobić w razie problemów ze spłacaniem pożyczki hipotecznej (mortgage). Aby otrzymać więcej informacji proszę zadzwonić pod numer: 020 8583 2299

Somali

Liifletkan wuxu ku macnayayaa haddii ay kugu adkaato habkii aad u bixin laheed mortgage kaaga. Wixii warar dheeraad ah, fadlan soo wac 020 8583 2299

Urdu

اس ایف لٹ میں یہ بیان کیا گیا ہے کہ اس صورت میں کیا ہوگا، اگر آپ اپنی مورگیج کی ادائیگی میں کوئی مشکل پیش آ رہی ہو۔
معلومات کیلئے براؤ کر م اس نمبر 0208 583 2299 پر رابطہ کریں



Community
Legal Service



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