

## MORTGAGE ARREARS

**If you are in arrears with your mortgage**, your lender can take further action, which may lead to the loss of your home. There are a number of things you can do about this:



- Speak to your mortgage lender (see below) – It is important that you keep your lender informed of any financial difficulties you may be experiencing.
- If you have taken out a mortgage payment protection policy make a claim if you are experiencing ill health or redundancy.
- Get a benefit check up – you may be able to claim other benefits including Council Tax benefit, Working Tax & Child Tax Credit, Support for Mortgage Interest etc. Your local Neighbourhood Office will be able to complete a benefit check up for you.
- Budget – It is important to prioritise your spending. You may be able to make cuts in your expenditure in order to meet your mortgage payments.

### Contacting your lender – if you can make payments

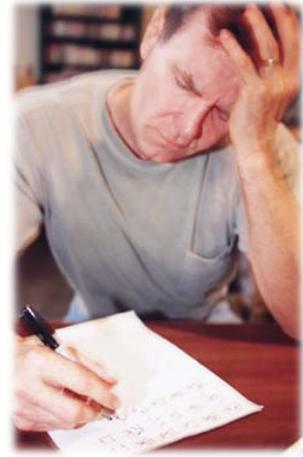
Try and do this as early as possible. You can contact them in writing, by phone, or face to face. It is important to try and reach an agreement with them to pay your current mortgage plus an amount off your arrears. Before making contact with them, draw up an income and expenditure statement. This will allow you to see how much money you have left after your essential expenditure. Be realistic and only offer your lender an amount you can afford. Don't wait for your lender to accept your offer, start to make regular payments, no matter how small, as this may help at a later date if they take court action. You may be able to capitalise the arrears (see next page).

### Contacting your lender – if you cannot make payments

If you are unable to clear your arrears or your lender does not accept your offer, this will result in you being taken to court for a possession hearing. At the hearing the court will consider your offer and decide if this is reasonable. The judge may allow you to stay in your property by suspending the possession on agreement that you keep to the payment arrangement. It is essential that the arrangement is maintained. The other alternative the court has is to give the mortgage lender possession which would mean you being evicted.

## Other strategies to consider

- Reduce your monthly interest payments by moving your mortgage.
- Rent a room – this may be a consideration but you should seek advice as not all lenders allow this.
- Increase the term of your mortgage – this would mean smaller monthly payments but increase the total amount you pay back.
- Capitalising your arrears – This means adding your arrears to your mortgage balance and paying them off over the remaining period of your mortgage.
- Reduce or stop payments on your endowment policy. These may have to be made up at a later date. You could also consider cashing in any endowment or pension policies – seek further advice on this.
- Mortgage holiday – some lenders will agree to this but interest will still be charged. Most lenders are offering to help customers in short term difficulties by deferring interest. This is sometimes called the Homeowners Mortgage Support Scheme (see our separate leaflet on this scheme).
- If there anybody else who lives with you, can they contribute towards the household expenses?
- Downsizing – If you are in a large property or in an area with high house prices, you may consider moving to a smaller property or an area with cheaper house prices.



## Strategies to avoid (or at least think carefully about)

- Usually it is not a good idea to hand your keys back to your mortgage lender, as you may still be liable for the property until it is sold and for any shortfall after the sale.
- Rent back schemes – Private companies offer to buy your property and rent it back to you. This could lead you paying high levels of rent or being evicted at a later date. Get advice on this before signing anything. If you qualify you may be eligible for the government Mortgage Rescue Scheme (see our leaflet giving details)
- If you are considering taking out further credit talk this over with a qualified adviser to see if it's a good idea. Consolidation loans look good in theory often with lower interest rates, but are usually secured on you property and you may be living beyond your means and getting further into debt.

**The information provided in this factsheet is for guidance only. Before embarking on any strategy it is important to seek advice first.**

## Further Information

Debt Advice can be obtained from Birmingham City Council on **0121 303 2087** or your local Neighbourhood Office (please call **0121 303 1111** for your nearest office). You can also visit the Council's website:

[www.birmingham.gov.uk/debtadviceteam](http://www.birmingham.gov.uk/debtadviceteam)

Information on mortgage products can be found at:

[www.money.made.clear.fsa.gov.uk](http://www.money.made.clear.fsa.gov.uk) a Financial Services Authority website