

Mortgage Rescue

Information for Mortgage Rescue applicants

What is Mortgage Rescue?

The government has responded to the increase in repossessions and the threat of homelessness by announcing a new package of assistance for some vulnerable households at risk of losing their homes. The money will assist housing associations to offer you the chance to stay in your home through these options:

- **'Mortgage to rent'** - where the housing association purchases your property outright and then rents it back to you at a rent level you can afford (80% of the average rent in your area.)
- **Shared equity** - where the housing association gives you a loan of between 25% and 75% of your current mortgage to repay this part of your mortgage. You will have to make monthly payments

on the remainder of your mortgage and on the loan.

Hackney launched this scheme, with the support of our key partners, in April 2009 .

Who can apply for Mortgage Rescue?

The scheme is aimed at vulnerable households and eligibility is based around two criteria:

- People in 'priority need' under housing law - this include families with dependant children, a pregnant woman within the household or people who are vulnerable as a result of old age or medical reasons.
- People who are threatened with homelessness because they are in mortgage arrears.

See page 4 for the full eligibility criteria.



Who is involved with Mortgage Rescue?

The Council

The Council is the co-ordinator of Mortgage Rescue and with the support of our key partners, has established an agreed procedure to administer the process. This will take you from your initial enquiry through to outright or part purchase of your home by an housing association.

The Council has also appointed a Mortgage Rescue Specialist Housing Advisor with responsibility for co-ordinating the process. The specialist advisor will;

1. take all initial enquiries from you
2. explore all housing options available - including other government mortgage support schemes, private renting and social housing options
3. carry out an assessment of your circumstances against the Mortgage Rescue criteria
4. visit your property and complete the Mortgage Rescue application
5. collate supporting evidence from you
6. process your Mortgage Rescue application
7. make the referral to the housing association
8. case co-ordinate and track the application

Hackney's Citizen Advice Bureau (CAB)

Hackney's Citizen Advice Bureau (CAB) provides money advice services and is a key agency in the Mortgage Rescue process.

They will provide a detailed assessment, known as a Common Financial Statement, of your financial ability to remain in your home based on the projected financial benefits of Mortgage Rescue.

The scheme can only be considered as an option after a Common Financial Statement has been completed and the CAB have recommended to the Council that it is appropriate. The CAB may also consider that your mortgage debt can be resolved by alternative options such as:

- exploring hardship tools available through your mortgage lender
- rescheduling other non-priority debt
- renting a room
- bankruptcy

If you approach the Council before you have received a Common Financial Statement, the complete Mortgage Rescue application process cannot begin. The Council however, will make an appointment for you with the CAB within five working days.



Mortgage lenders

Mortgage lenders have a range of hardship tools to help those in mortgage arrears avoid repossession. New legislation has meant that **lenders must explore these measures with you before they can commence court proceedings to repossess your property**. The hardship tools include:

- mortgage payment holidays
- reduced monthly payments for an agreed period
- better loan rates
- conversion to interest only loans
- extending the term of the loan
- allowing time to sell the home

A household will only be considered for the scheme when their lender has exhausted all appropriate hardship tools with them and the Council has confirmed this with the lender's appointed 'Mortgage Rescue champion'.

Metropolitan Home Ownership

The housing association will finalise and implement Mortgage Rescue by using all previously gathered information by the Council and the CAB. They will assess each case against a pre-determined financial model to identify which is the best product for you of either:

- Government mortgage to rent or
- Shared equity



Government mortgage to rent

This is designed to help the most vulnerable households on low incomes who are likely to have little chance of sustaining their mortgage. Some of the key features of this product include:

- It is available to households who have a mortgage of between 75% and 95% loan to value
- The housing association will retain a 3% equity contribution of the value of your home. For example, if your home is worth £150,000 you will have to contribute £4,500 in equity. Your equity contribution will be taken away from the price that the housing association will pay for your home. This means that your equity contribution will give the housing association a discount from the true value of your home.
- The housing association will purchase the freehold or leasehold from you in full and then issue you with an Assured Shorthold Tenancy.
- The rent on the property will be set by an independent body at 80% of the market rental value in your area.
- The repair and maintenance of the property will become the responsibility of the housing association.
- You will not have 'the right' to repurchase your property, but the housing association may choose to sell it back to you.

What if I am in negative equity?

If the loan(s) secured on your home are higher than the value of your property then you are in negative equity. Households with a loan to value of up to 120% are eligible for Mortgage Rescue but this is dependent upon the agreement of your lender(s).

Shared equity

This is designed to help householders who have experienced difficulty in paying their mortgage. key feature of this product is that the repair and maintenance of the property remains the responsibility of the homeowner.

Mortgage Rescue eligibility criteria

In order for the Council to recommend you to the housing association for potential Mortgage Rescue, they must conduct a housing assessment to ensure that each of the following criterion are met:

- You are eligible for assistance which means you are not subject to immigration control, or from abroad without status to enter or remain in the UK. The criteria is set out by the Homelessness Code of Guidance for Local Authorities as defined by the Housing Act 1996 and amended by the Homelessness Act 2002.
- You have explored and exhausted all appropriate hardship tools with your lender and it has been confirmed via their 'Mortgage Rescue Champion' or by verified correspondence.
- An up-to-date valuation of the property indicates that Mortgage Rescue is a viable option and the value does not exceed the cap of £295,000 set by the Government for properties in London.
- You are being threatened with homelessness because of potential mortgage repossession and you wish to remain in your home.
- Your gross household income is no more than £60,000.
- You have provided an up-to-date Common Financial Statement completed by Hackney's CAB and Mortgage Rescue has been recommended.
- There are no outstanding charges or ownership disputes on the property that prevents the sale of your home
- You are in priority need for reasons that include families with dependent children, a pregnant woman within the household or you are vulnerable as a result of old age or a medical reason as set out by the Homelessness Code of Guidance for Local Authorities as defined by the Housing Act 1996 as amended by the Homelessness Act 2002
- You have a mortgage between 75% and 95% loan to value.
- You need to have a mortgage of at least 75% of the value of the property for shared equity.
- You must have been provided with sufficient time and advice to enable you to make an informed decision about your options including Mortgage Rescue.

How do I apply for Mortgage Rescue?

Contact our Mortgage Rescue Advisor on:

Tel: 020 8356 2983

Email: MortgageRescue@hackney.gov.uk

or write to: Housing Options and Advice, Christopher Addison House, 72 Wilton Way, London E8 1BJ