

Mortgage problems

Separating the
myths from reality



Shelter

Struggling to keep up with your mortgage repayments? Does your debt get you down?

Don't despair: separating mortgage myths from reality to help with your arrears and to reduce the risk of losing your home...

Myth: If I get into arrears, I will have to hand back the keys to my home.

Reality: You don't have to hand back the keys to your home just because you fall into arrears. It might be tempting to walk away, but you will be better off taking action. Even if you have missed a mortgage payment, there are still lots of ways to sort out your arrears and avoid losing your home. (Please see *Five ways to sort out your mortgage arrears without winning the lottery*).

Myth: My lender won't want to know if I'm having problems.

Reality: A good lender will want to know if you are having difficulties. This isn't so your lender can tell you off, or grab your home, but to offer expert advice and easy-to-follow suggestions before the situation gets more serious. If your lender won't offer flexibility to help you pay off your arrears, speak to an independent adviser as you may need to report your lender to a regulatory authority.



Where to go for help for free, independent advice...

- **Shelter:** For further information on mortgages and housing, have a look at the 'Paying for housing' page at www.shelter.org.uk or call Shelter's free housing advice helpline on **0808 800 4444**.
- **Citizens Advice Bureau:** This service helps people resolve their legal, money and other problems by providing free information and advice. Visit www.citizensadvice.org.uk or look in the phone book for your local bureau.
- **Job Centre Plus:** Are you eligible for housing or other state benefits? Visit www.jobcentreplus.gov.uk for information or to find your local branch.
- **Financial Services Authority:** FSA is an independent Government regulator that looks after the financial services industry and protects consumers. Have a look at the information for consumers at www.fsa.gov.uk or call 0845 606 1234, textphone 08457 300 104.
- **Financial Ombudsman Service:** FOS is an independent arbitration service you can use if you are unhappy with the way your lender dealt with your complaint. Visit www.financial-ombudsman.org.uk or call 0845 080 1800.

Myth: The only way I can put right my arrears is by paying off the whole amount I owe.

Reality: There are a number of alternatives to paying a large chunk of money towards your mortgage, see *Five ways you can deal with your arrears without winning the lottery* for some suggestions. A good lender will offer you a range of options to help you get back on track.

Myth: It doesn't matter if I can't afford my mortgage payments as I can always fall back on state benefits.

Reality: There is a very limited state safety net to catch those who struggle with their mortgages. If you receive Income Support or the Job Seeker's Allowance there may be some help available, but it will be slow in coming and probably won't cover the full amount you owe. Contact your local JobCentre Plus office or an advice agency listed above to find out whether you are eligible for benefits.

Myth: I don't need to worry too much about falling behind with my payments because my insurance policy will cover me.

Reality: You may have taken out Mortgage Payment Protection Insurance (MPPI), which is also known as accident, sickness and unemployment (ASU) cover. This

insurance cover can help out with your mortgage when things go wrong. However, it is likely the policy won't pay out straight away and you might not receive benefits from your policy if you have other sources of income, or had existing health problems, or if your problems are due to factors outside the insurance terms. If your insurance policy doesn't cover you and you think this is unfair, seek independent advice.



Myth: I can get help from a debt management company.

Reality: You should be wary of claims made in advertisements from companies who say that by using their services, your debts will disappear. Remember that, because you pay a fee to these companies, it will take longer for you to pay off your debt. Debt management companies can help you deal with debt, but be careful. **You don't need to pay for advice.** There are plenty of organisations that offer free, independent advice to help with your mortgage arrears and financial problems. Have a look at the previous page for a list of free advice centres.

Myth: I could take out a bank loan to pay off my arrears.

Reality: Taking out another loan you can't afford could be disastrous. There is probably a better way out of debt. The interest on new loans can be high and loans can be secured on your house – so you could lose the roof over your head if you can't make the repayments. Always seek independent advice if you are considering a loan, or if you feel your debts are getting out of control.

Did you know...?

- When a lender takes you to court, it will often be to reclaim the money you owe and not to take possession of your home.
- It costs mortgage lenders more to attract a new customer than it does to keep an existing one. There are good reasons why your lender will want to help you through your arrears problems, get your payments back on track and stay in your good books!
- Shelter's specialist housing advisers want to help you with your mortgage problems – whether you have missed a payment for the first time, or are facing eviction. Call 0808 800 4444 from 8am to midnight.
- Most mortgage lenders see dealing with arrears as part of their customer service. Lenders would rather hear from borrowers about the difficulties they are having, than be kept in the dark.

Five ways to sort out your mortgage arrears without winning the lottery*...

1. Ask your lender if you can add your arrears to the total sum borrowed.

This would spread the payment of your arrears over the remaining term of your mortgage. Your monthly repayments would increase, but you won't need to find a huge chunk of money upfront.

2. Ask your lender if you can extend your mortgage period.

Some mortgages last for 25 years and if you have had a repayment mortgage for some years, your lender could agree to extend the term up to 25 years. This will have the effect of reducing your monthly repayments, but you will be paying for longer and you will owe more because of the interest.

3. Ask your lender to delay paying off your arrears if your financial situation changes.

If your drop in income is temporary and you can still pay your monthly repayments, but not the arrears, you could ask your lender not to demand arrears payments for a set period of time. You must make sure that you will be able to start paying your arrears again when the period expires.

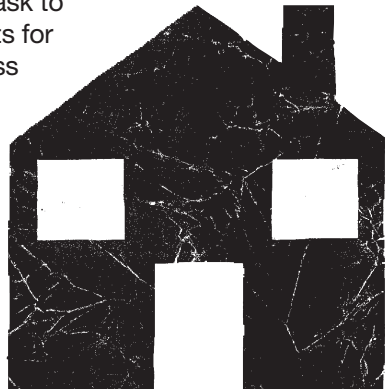
4. Start paying your arrears as soon as you are able to.

Even if you can only pay a very small amount towards your arrears, this will help stop interest and other costs building up, and it shows you want to work with your lender. A good lender will accept payment in instalments.

5. Consider changing the way you repay your mortgage.

If you have a repayment mortgage and your difficulties are not likely to last for a long time, you could ask to switch your mortgage to interest-only payments for a short time. Your monthly payments will be less (because you will only be paying the interest), but you will need to catch up on paying off the full amount at a later date.

*Any of these steps will add to the total amount you pay back. Some mortgage lenders might not be willing to work with customers who get into arrears – if you talk to your lender and you don't get any help with your problems, your lender is not following best practice and you might need to make a complaint to the regulators. Always remember to speak to an independent adviser about your options.



Bad housing wrecks lives

We are the fourth richest country in the world, and yet millions of people in Britain wake up every day in housing that is run-down, overcrowded, or dangerous. Many others have lost their home altogether. Bad housing robs us of security, health, and a fair chance in life.

Shelter believes everyone should have a home.

We help more than 170,000 people a year fight for their rights, get back on their feet, and find and keep a home. We also tackle the root causes of bad housing by campaigning for new laws, policies, and solutions.

Our website gets more than 100,000 visits a month; visit www.shelter.org.uk to join our campaign, find housing advice, or make a donation.

**We need your help to continue our work.
Please support us.**

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