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12d Notice of Lender Concession

12e Borrower Review Letter

12f Borrower Exit Letter 1
1. Introduction

1.1 What is HMS?

Homeowners Mortgage Support (HMS) was launched in April 2009 to help homeowners if they, or a member of their household, suffer a temporary loss of income which means they are no longer able to pay the contractual monthly interest payments on their mortgage.

In order to benefit from the scheme, borrowers have to meet certain eligibility criteria and have a mortgage with a lender who is signed up to the scheme.

HMS allows borrowers to postpone up to 70% of their monthly mortgage interest payments for up to two years. This is not a ‘payment holiday’; the deferred payments will be rolled up and added to the principal value of the loan. They will then have to be paid back after the homeowner leaves the scheme according to a schedule agreed between the homeowner and the lender. Interest will be charged on any amounts deferred.

It is up to the lender to decide whether to admit a borrower to the scheme and they will organise a review after one year, or earlier, to assess whether the scheme is still suitable for the borrower.

All lenders offering HMS have the backing of a Government financial guarantee that will protect the lender if the customer ultimately defaults on the mortgage. If, during or after exiting the scheme the borrower is unable to keep up with their mortgage payments, the lender may decide to repossess and sell the property. If there is a shortfall between the proceeds from the sale and the amount of money owed to the lender, the Government will pay the lender up to 80% of the interest deferred while on the scheme.

1.2 When might HMS help my clients?

HMS is designed for people who have suffered a temporary loss in income, for example a cut in hours, unemployment or temporary difficulties with a business. By reducing monthly interest payments to an affordable level, it offers households valuable breathing space to get their finances back on track. While on the scheme, the lender will not commence or proceed with any repossession action as long as the homeowner maintains the agreed schedule of payments, giving the homeowner some confidence that they are no longer at risk of losing their home.
There are risks associated with HMS, as the homeowner will be increasing their overall levels of debt and may end up in a worse position in the future than they are now if they should come to be repossessed on leaving the scheme.

HMS is one of the forbearance options available to clients and should be explored alongside other options

1.3 What types of homeowners might be eligible for HMS?

To be eligible for HMS, the homeowner must:

- Be a British citizen or a person with leave to remain in the UK and have recourse to public funds (or a national of a member state of the European Economic Area or Switzerland).
- Have total loans secured on the property of less than £400k (not including business loans).
- Have suffered a temporary loss of income which means they are unable to pay their monthly interest payments on their mortgage.
- Be able to pay at least 30% of interest-only payments on their mortgage.

If homeowners do meet the above criteria they will not be eligible for the scheme if:

- The property is a buy to let or other investment property.
- They are in receipt of Support for Mortgage Interest (SMI) or Mortgage Payment Protection Insurance (MPPI).
- They have taken out the mortgage after 1 December 2008 or have increased the loan to value amount by remortgage after that date.
- They have savings that exceed £16,000.
- The property is located outside the UK.
- They own a second property.

The borrower must have been making an agreed level of payments to their lender over the five months prior to entering the scheme. These could be reduced or nil payments and it is possible for lenders to agree these payments retrospectively. This means that even if a client has missed a payment or payments they could be eligible for the scheme if the lender agrees to accept the missed payments.

1.4 What is the role of the money adviser in relation to HMS?
Before the suitability of a homeowner for admission to HMS can be considered by the lender, the homeowner must access independent and impartial money advice from an HMS money adviser.

The money adviser will help a homeowner assess whether HMS is a possible option to help them with their mortgage difficulties. They will explain to the homeowner what the scheme is, what the implications are and specifically talk through the key risks and benefits of the scheme so that the homeowner is in a position to make an informed choice should their lender offer admission to HMS.

If you are a generalist adviser or new to providing money advice you should perform an initial assessment of whether the homeowner is eligible for HMS and whether their lender is signed up (following steps 1–6 in the money advice process outlined below). If you consider the homeowner is eligible and the homeowner would like to pursue HMS, seek support from your specialist provider or a caseworker.
2. The Money Advice Process

FIRST CONTACT
Encourage homeowner to inform lender they have a money advice appointment. Provide homeowner with checklist of information for money advice session

STEP 1: PROVIDE HOLISTIC MONEY ADVICE
Initial income and expenditure analysis

STEP 2: IDENTIFY HMSS AS AN OPTION

Has the homeowner got MPPI?

NO

STEP 3: EXPLAIN HMSS TO THE HOMEOWNER

YES

Refer to Appendix X for info on other Government scheme and options for homeowners

Has the homeowner eligible for SMI or MRS?

YES

Is the homeowner suffered a temporary income shock?

YES

NO

NO

NO

NO

NO

NO

YES

STEP 4: IS THE HOMEOWNERS LENDER SIGNED UP?
Check direct.gov

YES

Contact lender for alternative options

STEP 5: IS THE HOMEOWNER ELIGIBLE?
Run through eligibility checklist

YES

STEP 6: DOES THE HOMEOWNER HAVE MULTIPLE CHARGES?
(phone adviser)

STEP 7: FINALISE COMMON FINANCIAL STATEMENT

NO

YES

STEP 8: ESTIMATE PAYMENTS UNDER HMSS

STEP 9: ESTIMATE PAYMENTS ON LEAVING HMSS

Afford 30%+ of interest payments

HOMEOWNER CONTACTS LENDER TO REQUEST ACCESS TO HMSS

Ongoing advice as required

STEP 10: TALK THROUGH RISKS AND BENEFITS

Homeowner doesn’t want to pursue

Contact lender for alternative options

STEP 11: TALK THROUGH HMSS PROCESS
Accessing HMSS, on the scheme, leaving the scheme

HOMEOWNER CONTACTS LENDER TO REQUEST ACCESS TO HMSS

Ongoing advice as required

STEP 12: CONFIRM NEXT STEPS
Provide CFS, CFS declaration, Confirmation of advice, saving declaration, evidence checklist

Homeowner wants to pursue
2.1 Step 1: Provision of holistic money advice

HMS is an additional option for homeowners and does not replace current procedures for advising homeowners.

Some homeowners may, however, be accessing money advice with HMS in mind, in particular if they have been referred by their lender.

A. Where the homeowner is accessing money advice services they may have to wait for a first appointment. Where possible, the adviser should provide the homeowner with a confirmation of appointment and all the relevant details required to effectively access money advice. Please see Appendix 1 – Checklist of information for money advice session.

B. After the initial money advice appointment it may take some time for the homeowner to obtain and collate all the required information to complete their financial statement accurately. The homeowner should ensure they are keeping the lender(s) informed of progress during this process, using the self help letter in appendix 2 if appropriate. [Please see Appendix 2 - Letter notifying lender that the homeowner has sought money advice].

C. In developing the financial statement, the homeowner and adviser will use agreed budgeting guidelines as a minimum.

D. The financial statement and income and expenditure sheet will identify the following:
   a. Income
   b. Outgoings
   c. Priority debt payments
   d. The difference between income and expenditure (deficit budget). Please refer to appendix 3 for an example of how this deficit budget is created.
   e. Whether there is money available for payments to non priority creditors.
   f. Indication of whether homeowner can afford to pay at least 30% of interest to all priority lenders on an interest-only basis

An example template to calculate income and expenditure accompanies this pack. [See attached Excel spreadsheet - Appendix 3 Common Financial Statement]. Use the summary sheet (or an equivalent which meets these minimum criteria) to present to lenders and other creditors.
E. The HMS money adviser may, where appropriate, identify HMS as a potential option.

**Note:** If there any uncertainty regarding the monthly income because a homeowner is self-employed or has income generated from a business they will need to be referred to Business Debtline (BDL). A consultation with BDL will access their income accurately and enable you to complete the income and expenditure sheet. The number for BDL’s helpline is 0800 197 6026
2.1 Step 2: Identifying HMS as an option

2.2.1 Has the homeowner suffered a temporary income shock?

HMS is designed to help homeowners who have experienced a temporary drop in income (an income shock). This could be because they have lost their job, had overtime or working hours reduced, or because of temporary difficulties with a business. The income shock may include a loss of or reduction in income suffered by any member of the homeowner’s household that affects the homeowner’s ability to make payments in respect of the mortgage or loans secured on the property.

When considering whether an income shock is temporary, it may help to think about the following:

- How long does the homeowner expect the income shock to last?
- Is it reasonable to expect that the drop in income will not be permanent?
- Does the homeowner have a reasonable prospect and expectation of recovering their financial position in order to recommence full mortgage payments at the end of the scheme?

It is important that the homeowner considers the position of their household carefully and is realistic about the prospects of recovering their financial position. While on the scheme, the homeowner will be simply be delaying part of the payment due and this will have to be paid off when they leave the scheme. In order to do this, their mortgage payments are likely to be higher when they exit the scheme than they are now. If they are unlikely to be able to increase their income sufficiently to meet payments after exiting the scheme, then HMS may not be the appropriate option for them.

2.2.2 Is the homeowner eligible for Support for Mortgage Interest (SMI) or the Mortgage Rescue Scheme (MRS)?

HMS is one of a number of Government schemes designed to help people at risk of repossession. The other schemes available to homeowners are:

- Support for Mortgage Interest (“SMI”)
- Mortgage Rescue Scheme (“MRS”)

A homeowner is not eligible for HMS if the homeowner is eligible for Support for Mortgage Interest (SMI) payments or if they are receiving payments under Mortgage Rescue Support, or any other form of Government mortgage support.
Support for Mortgage Interest
If a homeowner is entitled to an income related benefit (Income Support, income-based Jobseeker's Allowance, income-related Employment & Support Allowance or State Pension Credit for those of pension age) they may be able to claim help with housing costs through Support for Mortgage Interest. Payments can be made towards a customer's mortgage interest payments for loans taken out to purchase the property or for specific home improvement loans up to a maximum capital limit of £200,000. Please see Appendix 4: Other Government help available for more information on SMI.

Advisers will need to check benefit entitlement rules – general advisers may need to seek support from your supervisor or specialist support team/NHAS consultancy line. Owner-occupiers who are on benefits and who are having trouble paying their mortgage should contact their local Jobcentre Plus Office, or the Pension Disability and Carers Service.

Government Mortgage Rescue Scheme
The Government Mortgage Rescue Scheme provides help to vulnerable households to remain in their homes through either a shared equity loan to reduce their monthly payments, or a government mortgage to rent offer.

To be eligible for MRS, a homeowner must have a priority need for accommodation as defined in section 189(1)(a)-(c) of the 1996 Act, i.e. include dependent children, or a pregnant woman, or someone who is vulnerable because of old age, illness, disability, or other special reason. Their gross annual income must be below £60,000 and they will not be eligible if they own a second home, or a property valued above a regionally set level. For more information on MRS, please see Appendix 4: Other Government help available.

2.2.3 Existing lender forbearance

There are already a range of options a lender can offer to assist a homeowner to remain in their home where they are facing difficulties paying the mortgage. These are often called ‘hardship tools’. Borrowers need to explore all forbearance options with their lender before requesting access to HMS – this is one of the requirements of the scheme. The options available will vary from lender to lender but as examples, the lender may:

- Move the homeowner to an interest only mortgage or interest only terms
- Agree to change or lengthen the term of the loan, spreading payments over a longer period. This will reduce the monthly payment but the homeowner will pay more overall by extending the term.
- Add any mortgage arrears to the loan outstanding, spreading it over the whole term of the loan
- Reduce the charges it imposes where the account is in arrears with payments
- Allow a period of interest only payments, so the homeowner pays interest each month but does not reduce the capital amount outstanding
- Restructure the loan agreement and reduce the interest rate
- Allow time to sell the home (if not in negative equity), a planned sale
- Offer a payment holiday

As a money adviser, you will want to consider these options alongside HMS with the homeowner to establish which are available and viable options to pursue with the lender.

2.2.4 Mortgage Payment Protection Insurance

Some homeowners will have Mortgage Payment Protection Insurance ("MPPI"). Upon a reduction of income, the homeowner must contact their MPPI provider to establish whether a claim can be made.

If the proceeds from the MPPI policy are sufficient to cover the borrower’s monthly mortgage interest payments then this will be the best option for them as it will prevent the build-up of debt and they will not be eligible for HMS. However, if the proceeds from MPPI are insufficient to cover the borrower’s interest payments, or they are unable to claim under their MPPI policy, then a borrower may be considered for HMS.

If the MPPI only covers one loan or mortgage secured on the property (or if the MPPI payments are not sufficient to cover all the interest on one charge), the household may be eligible to join HMS for the other loans secured. In this case, the lender covered by the MPPI will need to agree to the homeowner entering the scheme.
2.3 Step 3: Explaining HMS to the homeowner

Overview of the Scheme

- HMS is designed to help homeowners if they, or a member of their household, suffer a temporary loss of income which means they are no longer able to pay the contractual monthly payments on their mortgage. For example, someone may have lost their job, experienced temporary difficulties with a business, or have had overtime or working hours reduced for a defined period. To enter the scheme, homeowners will need an indication that the loss or reduction in income is temporary.

- To access HMS, at least one of the homeowner’s lenders must be signed up to the scheme. Not all lenders have signed up to the scheme – a list of live participating lenders can be found on www.direct.gov.uk/hms. In addition, some lenders have committed to offer their own comparable arrangements to HMS to help homeowners avoid repossession - details of these lenders can also be found on www.direct.gov.uk/hms. Borrowers who have mortgages with these lenders should be made aware of this and encouraged to discuss this as an option with their lender where appropriate.

- In order to enter the scheme, the homeowner must meet certain eligibility criteria, reinforced by evidence where necessary. These are explained in detail in Step 4: Assessing Eligibility.

- It is up to the lender to decide whether to admit a borrower onto the scheme. Even if a homeowner meets all the eligibility criteria, the lender may still not offer HMS.

- HMS allows borrowers to postpone up to 70% of their monthly mortgage interest payments for up to two years. This is not a ‘payment holiday’; all interest deferred whilst on the scheme will be added to the total amount of loan to be repaid and interest will be charged on any amounts deferred.

- While on the scheme, the homeowner will be moved to an interest only mortgage or terms¹. If the lender is entitled to charge a fee to the homeowner for the conversion of their mortgage, it may continue to do so, however lenders should not charge extra fees specific to joining HMS.

¹ unless to do so would create complications in the case of certain loans regulated under the Consumer Credit Act 1974
The homeowner will be required to pay an agreed amount of interest each month. They must pay as much as they can towards their interest payments and at least 30% of the interest which would otherwise be due on an interest-only basis (contractual monthly interest).

It should be made clear to the homeowner that their mortgage remains a priority and they must pay as much each month as they can afford. HMS is not designed to reduce mortgage payments so that the homeowner can prioritise unsecured debts over their mortgage.

The homeowner must undertake to make the agreed payments each month while on the scheme and to inform the lender during this period of any further changes in circumstances (positive or negative) as soon as possible.

While on the scheme, the lender will not commence or progress any repossession action as long as the homeowner maintains the agreed payments, giving the homeowner some confidence that they are no longer at risk of losing their home.

It is possible for homeowners with more than one loan secured against their home to join HMS, if all the lenders (including all lenders which are participants in HMS and those lenders which are not participants in HMS) agree to the homeowner entering the scheme. For more details on multiple charges, see Step 6 “Does the homeowner have multiple charges?”

The interest rate chargeable by the lender while on the scheme should be the same as that contractually agreed before entering HMS. If a homeowner is on tracker rate mortgage and the interest rate changes during HMS, the amount which the homeowner pays should not change; the principle remains that the homeowner should already be paying as much as they can afford. However, as the amount the homeowner pays does not change, the percentage of the total interest per month which is being paid by the homeowner will change, i.e., the amount the homeowner pays as a percentage of the total interest due will decrease if the variable rate increases, so they will be deferring more interest.

The lender will inform the homeowner of the interest rate and the monthly payments to be made at the time of making an offer to the homeowner of admission to HMS.

The lender will make an initial offer for a homeowner to enter HMS for a period of up to one year. At the end of the period, there will be a review to
ensure that the homeowner is still eligible for the HMS and the scheme is still a suitable option for them. Some homeowners may agree to go on the scheme for less than one year depending on the reason for the income reduction.

- The lender will send the homeowner a reminder about the need for the review in advance, setting out the steps the homeowner needs to take if they wish to continue in the scheme, including the need to seek further money advice to consider whether the scheme is still an appropriate option for them.

- If, as a result of the review, it is decided that it would be appropriate for the homeowner to remain on the scheme, the homeowner may do so for a further period of up to one year. The amount of the monthly interest payment will be reassessed and, if necessary, adjusted.

- A homeowner may choose to exit the scheme at any time. If, after leaving, the homeowner's circumstances deteriorate again they may agree with the lender to re-enter the scheme subject to meeting the eligibility criteria again. However, a homeowner who joins the scheme more than once will not be allowed to defer a percentage of their interest payments for more than 2 years in total.

- Upon leaving HMS, the homeowner may have to make increased monthly payments to pay the deferred interest and any principal arrears accrued during membership of HMS, or extend the term of the loan. A payment plan will be determined by agreement between the homeowner and the lender. Borrowers will need to ensure they have reasonable prospects of financial recovery in order to pay back the debt accrued - if the borrower was struggling to meet their mortgage payments prior to the income shock, they may find it even more difficult to make the potentially higher payments after exiting HMS, and so the scheme may not be suited to them.

- If, after leaving the scheme, a homeowner continues with an interest-only mortgage, the homeowner will need to ensure they are able to repay the full amount which will be outstanding at the end of the term of the loan.
2.4 Step 4: Is the homeowner’s lender signed up?

In order for a homeowner to be admitted to the scheme, at least one of the homeowner’s secured lenders must be participating in the scheme.

- If the homeowner only has one mortgage, charge or standard security on their property, this lender must be a participating lender; or
- If the homeowner has more than one mortgage, charge or standard security on their property, at least one of the lenders must be a participating lender and all participating lenders must agree to admit the homeowner to the scheme. For more detail on this, see Step 6 “Does the homeowner have multiple charges?”

A live list of lenders participating in the scheme can be found at www.direct.gov.uk/hms. The website also lists the lenders who have committed to offer comparable arrangements to HMS. Borrowers who have mortgages with these lenders should be made aware of this and encouraged to discuss this as an option with their lender where appropriate.

If none of the homeowner’s lenders are participating in the scheme, the homeowner cannot be admitted to HMS.
2.5 Step 5: Is the homeowner eligible?

It is ultimately the lender’s responsibility to assess the homeowner’s eligibility and confirm this before offering the homeowner entry into HMS. However, you should review these eligibility criteria with the homeowner to:

a) Ensure the homeowner is aware of the eligibility criteria;
b) Ensure the homeowner is aware that they will need to provide evidence to their lender to prove their eligibility; and

c) Undertake an initial analysis of whether the homeowner is eligible and therefore whether the homeowner should pursue HMS any further.

Eligibility Checklist

1. Is the homeowners a single natural person, or two or more natural persons (if the mortgage agreement is in more than one name)?
   ✓ = Eligible
   X = Ineligible

2. Does the homeowner have UK or European citizenship? Can they provide passport, national insurance details or other documents to your lender which may prove status?
   ✓ = Eligible
   X = Ineligible

3. Can the homeowner provide evidence of a temporary reduction of income and how it reduces their ability to pay their mortgage? For example, wage slips, bank statements, letters from their employer, any indication that this is temporary.
   ✓ = Eligible
   X = Ineligible

4. Is the homeowner unable to make full mortgage payments, but is able to pay at least 30% of the total monthly interest payments required if the mortgage was on an interest only basis?
   ✓ = Eligible
   X = Ineligible

? = If this is not clear from the initial income and expenditure statement, you may need to work through to Step 7: Finalising the common financial statement (CFS) to get a final answer to this question. It will be useful at this point to check with the client whether they are able to supply the necessary information to develop a financial statement [see details of CFS in Step 7]
5. Have the homeowner explored alternative forbearance options with their lender?
   ✓ = Eligible
   ✗ = It is recommended that the homeowner talks to their lender – although proceed with the eligibility criteria for HMS on the assumption that the lender will explore and, where appropriate, use all the available forbearance options. If the homeowner wishes to pursue HMS they must provide a Financial Statement, declaration letters and a copy of the confirmation of advice they have received from their designated HMS adviser.

6. Does the homeowner have £16,000 savings or less? [Note: this only applies to those listed on the mortgage agreement]
   ✓ = Eligible
   ✗ = Ineligible

7. Is the homeowner willing to move to interest-only payment terms? (This may not apply for certain loans regulated under the Consumer Credit Act 1974)
   ✓ = Eligible
   ✗ = Ineligible

8. Is the property in the UK?
   ✓ = Eligible
   ✗ = Ineligible

9. Did the homeowner purchase the property before 1 December 2008?
   ✓ = Eligible
   ✗ = If not, did they enter into a legally binding commitment to purchase the property before 1 December 2008?
     ✓ = Eligible
     ✗ = Ineligible

10. Did the homeowner remortgage the property after 1 December 2008?
    ✗ = Eligible
    ✓ = If so, did the total amount remortgaged materially increase from the original amount?²
        ✓ = Ineligible
        ✗ = Eligible

² This does not include where the total loan increased to cover remortgage arrangement fees
11. Does the homeowner have copies of all the secured loans against their property – CCA regulated loans, secured overdrafts etc? Do these amount to less than £400,000 in total (this can include any ‘all monies charge’)?

✓ = Eligible
X = Ineligible

12. Is the homeowner eligible for SMI or is receiving any other form of Mortgage Support, such as MRS?

✓ = Ineligible
X = Eligible

13. Has the homeowner claimed or is in receipt of Mortgage Payment Protection Insurance which covers all of their contractual monthly mortgage interest payments?

✓ = Ineligible
X = Eligible

14. Is this the homeowner’s principal home or only property?

✓ = Eligible
X = Ineligible

Additional Eligibility Points

5 months of agreed payments
The homeowner must have been making an agreed level of payments to their lender over the five months prior to entering the scheme. These could be reduced or nil payments and it is possible for lenders to agree these payments retrospectively. This means that even if a homeowner has missed a payment or payments they could be eligible for the scheme if the lender agrees to accept the missed payments.

Multiple Charges
It is possible for homeowners with more than one loan secured against their home to join HMS, if all the lenders (including all lenders which are participants in HMS and those lenders which are not participants in HMSS) agree to the homeowner entering the scheme. Please see Step 6: Does the homeowner have multiple charges? for more information.

Exploring alternative forbearance
The homeowner must have explored all alternative forbearance options with their lender before pursuing HMS. These must be used where appropriate – if the lender has considered an alternative forbearance option
but decided that it would not be appropriate for a client at that time, then HMS can be offered without first using and exhausting that alternative option.

The homeowner may have discussed forbearance their lender before seeking money advice, or they may not. If the homeowner has not already discussed alternative forbearance options with their lender, they will need to do so before pursuing HMS. In order to avoid confusion, it is very important that the homeowner tells their lender very clearly that they:

- have completed an initial income/expenditure sheet indicating how much they can afford to pay on their mortgage;
- have discussed HMS with their money adviser and believe they could be eligible;
- need to explore all the forbearance options available to them in order to establish whether HMS is the appropriate option for them and;
- Where no other forbearance options is available or suitable they will return to their money adviser to complete the necessary documentation for HMS if their lender is willing to consider them for the scheme.

2.6 Step 6: Does the homeowner have multiple charges?

**Note for telephone advisers:** If the homeowner is identified as having more than one charge on their property, and you have identified them as an HMS candidate, you should check whether any of the homeowner’s lenders require that the homeowner must seek face-to-face advice.

**Whilst the default position for lenders will be that the homeowner must seek face to face advice if the homeowner has multiple charges on their property, if you consider that you are able to continue to advise the homeowner and it is not necessary for them to seek face to face advice, you should recommend that the homeowner speaks to their lender to inform them that they (the borrower) is seeking telephone advice and is happy to continue doing so, but need confirmation from the lender that this would be acceptable.**

If the lender’s policy is that homeowner’s with more than one charge on their property must seek face-to-face advice, please explain this to the homeowner and signpost them to a face-to-face HMS money adviser. A list of money advisers is available on www.direct.gov.uk/hms. Please provide the homeowner with a confirmation of advice letter and a copy of their completed income/expenditure analysis to take with them.

It is possible for homeowners with more than one loan secured against their home to join HMS, as long as at least one of the homeowners lenders are signed up the scheme and all their lenders (including all lenders which are...
participants in HMS and those lenders which are not participants in HMS) agree to the homeowner entering the scheme.

If all the borrower’s lenders are signed up to HMS:
- they must all agree to admit the homeowner to the scheme and;
- they must all agree the amount that the homeowner should pay in respect of each loan. In these circumstances, the general assumption is that the homeowner will pay the same percentage of interest payments due (which must be at least 30%) to each participating lender admitting the homeowner to the scheme.

If not all the borrower’s lenders are signed up to HMS:
- all participating lenders must agree to admit the homeowner to the scheme and the amount that they should pay in respect of each loan (as above)
- all lenders not participating in HMS must agree, in writing,
  a. a repayment schedule with the homeowner (as a starting point, the borrower should pay the same proportion of the total interest due to each lender)
  b. not to enforce the security on the loan while the borrower is on HMS
  c. to notify the participating lenders if the homeowner defaults.

Please see Appendix 5 for a sample letter to be sent to non-participating lenders requesting whether they will in principle, allow the homeowner to join HMS in respect of their other secured loans

It should be noted that there are special rules which are applicable to certain loans which are regulated by the Consumer Credit Act 1974. For these loans, the lender may offer entry into the scheme, but may reserve the right at any time to withdraw the homeowner from the scheme. The right of the lender to withdraw the homeowner from the scheme will be subject to the lender’s usual lending and forbearance procedures and a requirement that the lender is acting reasonably in requiring the withdrawal. In practice, a lender is unlikely to require withdrawal unless a homeowner is in breach of the terms of the mortgage or the scheme. If a withdrawal is made by such a lender, all other lenders must also withdraw the homeowner from the scheme.

The homeowner may be advised to obtain a Time Order in relation to a loan regulated by the Consumer Credit Act 1974 (where the lender is not a participating lender), providing that lender also agrees to the homeowner joining HMS, that they will not enforce security during the period when the
homeowner is on the scheme and they will notify the participating lenders if the homeowner defaults.

**Money Adviser role in relation to multiple charges:**

- In respect of second charges, the HMS money adviser should either liaise with lenders on the homeowner’s behalf or provide guidance for the homeowner to help themselves. Where the advisor is acting on behalf of the homeowner, the adviser must obtain a signed Form of Authority/Mandate.

- The usual starting point for negotiations is that the homeowner should make the same percentage of interest payments to each of the lenders (i.e. if the homeowner can afford 40% of their overall interest payments, they should pay 40% of their interest payments in respect of each loan). Please note that it is not a requirement of the scheme that the homeowner must agree the same percentage interest payments with each of the lenders, but this is an agreed starting point and it is expected that in the majority of cases lenders will not diverge from this.

- The estimate payment calculator (see Step 8: Estimate the payments the borrower can make under HMS) should be used to determine how much in total the homeowner can afford to pay towards the mortgages, charges or standard securities on their property and the estimated percentage interest payments which the homeowner can afford to make.

- The homeowner (or the HMS money adviser on the homeowner’s behalf) will need to agree the exact payment with each of the lenders but the figures above provide a guide to beginning discussions.

### 2.7 Step 7: Finalise the Common Financial Statement (CFS)

The Common Financial Statement or equivalent should identify the homeowner’s deficit amount:

\[
\text{Income} \quad - \quad \text{Outgoing and priority debts} \quad = \quad \text{Deficit amount}
\]

An excel spreadsheet [Appendix 3: Common Financial Statement] accompanies this pack to provide a guide to illustrate the format and content of the statement the homeowner will provide to the lender.
The Common Financial Statement will need to be revised to state the interest only payment amount for each of the homeowner’s mortgage payments rather than including any capital repayments. Use the HMS estimate payment calculator which accompanies this pack [Appendix 6 – HMS Estimate Payment Calculator] to calculate this monthly amount.

Note: If there any uncertainty regarding the monthly income because a homeowner is self-employed or has income generated from a business they will need to be referred to Business Debtline (BDL). A consultation with BDL will access their income accurately and enable you to complete a Common Financial Statement (CFS).

Assets:
Where a homeowner has assets, these will not be included for the purpose of determining whether the homeowner meets the criterion that no homeowner with savings of more than £16,000 may be admitted to the scheme. However, the lender may consider the possibility of the homeowner realising other assets if the realisation would be without cost or other implications.

When discussing the use of assets with the homeowner, you should apply the usual principles to discussions around the use of assets (i.e. best use of funds and assets available) but there is no formal requirement that assets must be realised before allowing the homeowner to enter HMS. This will include discussing the best use of funds available where the homeowner has set up a fund as a repayment vehicle where they are on an interest only mortgage.

Savings: The homeowner must not have more than £16,000 in savings and will need to sign a declaration of their savings to provide to the lender. A template saving declaration is attached at Appendix 10. When considering the amount of savings, a homeowner should include any of the following, which may be held by the homeowner:
- bank or building society accounts
- post office accounts
- national savings bank accounts or national savings certificates
- premium bonds
- unit trusts, ISAs, PEPs or other investments
- income or capital bonds
- money from redundancy payments
- proceeds from the sale of any second home, buy to let or other investment property, or any other large or significant item of property or asset of the borrower
- any interest in any second home or buy-to-let or other investment property, or any other large or significant item of property or asset of the borrower
- money that has been saved for a particular purpose
- any money or other property that is held in trust for the borrower; and
- any other money (excluding pension contributions made by or for the benefit of the borrower).

When discussing the use of savings with the homeowner, you should apply the usual principles to discussions around the use of savings and what kind of contingency they should retain. Lenders should consider homeowners on a case by case basis, recognising where there is a need to retain savings (i.e. emergency fund).

Furthermore, whilst the eligibility criteria do not include consideration of other members of the household’s savings (such as a partner who is not a signatory to the mortgage), normal consideration should be given to the best use of the household’s savings as part of the money advice process.

It may be helpful for the homeowner considering the scheme to have an indicative valuation of their property to check their loan to value ratio (LTV) and thus if they is already in negative equity before entering HMS. An indicative valuation can be achieved by looking at websites such as property snake or rightmove, seeking a valuation from an estate agent (ensuring no charges are incurred) or if the homeowner has been trying to sell the property, they may already have an indication. However, knowledge of any such valuation is not an eligibility criterion, and a homeowner with any LTV (or indeed negative equity) is still eligible for the scheme

2.8 Step 8: Estimate the payments the homeowner can make under HMS

Using the deficit amount provided by the CFS, use the online calculator attached as appendix 6 (HMS estimate payment calculator) to identify how much the homeowner can afford to pay to each of their secured lenders. The calculator will apportion the amount (in £s) the homeowner can pay per month between the secure lenders, such that the same proportion (%) of the total interest due is paid to each creditor. This will indicate what percentage of interest the homeowner can pay and whether this exceeds the minimum of 30% of their interest payments after the conversion of the loan into an interest-only loan, if necessary. Please note: This is an indicative figure only - any calculations provided to the homeowner should be flagged as estimate calculations and final amounts should be confirmed by the lender
To use the calculator the money adviser should input the following (marked in white on the following sample illustration):

- a. Amount remaining on the homeowner’s mortgage
- b. Current interest rate applied
- c. CFS deficit

Please refer to the sample illustration below:

<table>
<thead>
<tr>
<th></th>
<th>First charge</th>
<th>Second charge</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charge</td>
<td>£100,000</td>
<td>£20,000</td>
</tr>
<tr>
<td>Interest rate</td>
<td>6%</td>
<td>12%</td>
</tr>
<tr>
<td>Per annum</td>
<td>£6000</td>
<td>£2400</td>
</tr>
<tr>
<td>Per month</td>
<td>£500</td>
<td>£200</td>
</tr>
<tr>
<td>Total</td>
<td>£700</td>
<td></td>
</tr>
<tr>
<td>CFS (deficit)</td>
<td>£420</td>
<td></td>
</tr>
<tr>
<td>Amount which can be put towards mortgage</td>
<td>£280</td>
<td></td>
</tr>
<tr>
<td>(Total charges – CFS deficit)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>Percentage interest payments under HMSS</td>
<td>40% (£200)</td>
<td>40% (£80)</td>
</tr>
</tbody>
</table>

If necessary the homeowner should seek the appropriate information from their lender to complete the payment calculator (for example, the amount remaining on the mortgage, current interest rate applied).

Please note that entry into HMS will not affect the position of the mortgage as the priority debt and the homeowner should pay as much as they can towards their priority creditors. Please refer to Section 3.3 “Managing Unsecured Debt for more information on this issue”
2.9 Step 9: Estimate the payments the homeowner will need to make upon exiting HMS

The indicative payment illustration calculator accompanying this pack [Appendix 7 – Indicative payment illustration calculator] can be used to provide an approximate outline of the payments the homeowner would need to make both during and after the end of the scheme.

This illustration can be used by money advisers to illustrate the potential risks and benefits of HMS and as a guideline to estimate the increase in monthly payments and the overall increase in debt once a homeowner leaves the scheme. These figures are illustrative only - homeowners should be aware that the actual payment plans provided by the lender may be significantly different.

To use the calculator the following information should be input into the spreadsheet:

1. Value of outstanding mortgage
2. Number of months in the scheme (this can be varied to show how the impact differs according to how long the homeowner stays in the scheme)
3. Mortgage interest rate
4. Mortgage term when entering the scheme
5. Estimate % of mortgage affordable (as illustrated by the estimated payment calculator at Appendix 6)

This will then populate the results table and provide an estimated payment illustration.

Money advisers should stress that the homeowner’s payments will vary according to the length of time that the homeowner remains in the scheme (up to a maximum of 2 years) and the repayment terms agreed with the lender.

*Note: the illustrations are based on the interest deferred being paid off over the term of the mortgage and the interest deferred being paid off over a term which has been extended by the length the homeowner is on the scheme. The lender may agree a different payment period with the homeowner and the homeowner should be aware that if this is shorter than the term of their mortgage, their monthly payments will increase.*

Money advisers should confirm that the homeowner’s interest rate may change whilst the homeowner is on the scheme. For example, if a homeowner
is on a variable rate mortgage, the interest rate may be varied in line with changes in the Bank of England base rate.

Below are some sample payment illustrations to share with the homeowner, which provide qualitative examples of how homeowners mortgage payments may change as a result of HMS.

**Matt and Michelle**

Matt and Michelle own an apartment in Hartlepool. Matt works in construction and Michelle has a job in a local call centre. They were relying on Matt’s overtime to help them make their monthly repayments, but that has recently dried up and now they are both working part-time.

Matt and Michelle have £80,000 on an interest-only mortgage, which has an interest rate of 6 per cent. They also have another loan of £20,000 secured against their home, which has an interest rate of 10 per cent.

In total, they are repaying £593 a month over 20 years: £567 is interest on their mortgage and loan; £26 a month is repaying the capital on their loan.

After discussing their situation with both lenders, they agree to repay half of the interest due each month on each loan. This means they are paying £200 on their mortgage and £83 on their secured loan.

After a year, Michelle is promoted and takes on a new full-time role at work. They leave the scheme having deferred £2,477 on their mortgage and £1,053 on their loan.

They decide to make larger payments each month rather than extend the life of their mortgage. Their total repayments will now be £619 each month. They are still on an interest-only mortgage and will need to set up a repayment plan to pay off the capital balance of their mortgage.

**John and Elizabeth**

John and Elizabeth own a flat in London and have £285,000 left to pay on their mortgage. John is a consultant and Elizabeth looks after their young child. John is working on a long-term project but his hours have been cut back substantially.
They have an interest-only mortgage and are repaying £1188 a month at an interest rate of 5 per cent. With their money adviser, they work out a budget and think they can pay about half of the interest due, which is £594.

Two years later, John has found full-time work again and Elizabeth has also gone back to work part-time. They leave HMSS having deferred £14,999. They have twenty years left on their mortgage, but have decided to extend it by a further year. They switch to a capital repayment mortgage and are now paying £1980 a month.
2.10 Step 10: Talk through the risk and benefits of HMS

It is vital that the homeowner understands the risks and the benefits of signing up to HMS. The role of the money adviser is to explain to the homeowner the risks and benefits so that the homeowner is able to make an informed choice. It is up to the borrower to weigh up the risks and benefits and decide whether they want to pursue the scheme with their lender. They may wish to seek independent financial advice at this stage – see section 3.2 “Independent Financial Advice”

Key benefits

- HMS provides the homeowner with a chance to stay in their home whilst looking for another job or opportunities to increase their income.
- The homeowner is making reduced payments, giving them a breathing space to get their finances back on track.
- If the homeowner maintains the agreed payments the lender will not commence or progress action to repossess the property.
- The scheme is flexible. If the homeowner’s situation changes (for better or worse), they can ask their lender to adjust the level of payments, as long as they maintain the minimum amount of 30% on the monthly interest payment due. If the lender agrees to the adjustment, they will not take action against the borrower as longer as the new level of payments is maintained.

Key risks

- The homeowner will end up paying more than they originally borrowed on their mortgage:
  - Though the homeowner’s monthly payments will be reduced, they are putting off part of the payment due so their overall mortgage payments over the full term will have increased.
  - Interest will be accruing on the part of the payment the homeowner has deferred.
  - When the homeowner leaves HMS, their monthly payments are likely to be higher than they were prior to entry into the scheme.

Note: Due to the nature of CCA regulated loans, the payment the homeowner is required to make after they leaves the scheme may be substantially higher than those they was making before they entered the scheme (due to potentially higher interest rates, short mortgage terms and the capital repayment amount which would normally fall due to not being paid during the period in which the homeowner is in HMS).
The homeowner's circumstances may not improve after joining HMS:
- Homeowners can only stay on HMS for a limited period, up to a maximum of two years.
- A homeowner must be confident that during that time, they can get their financial situation back on track in order to return to full payments when leaving the scheme.
- This is particularly important because, as noted above, on leaving HMS, their payments are likely to be greater than they are prior to admission into the scheme.

If the homeowner is unable to make the payments due their home could still be repossessed:
- HMS can help to reduce the risk of repossession because the homeowner should find it easier to keep up with their reduced monthly payments.
- However, HMS cannot eliminate the risk entirely. If the homeowner cannot return to normal payments after two years, or if the homeowner's situation worsens significantly and they can no longer maintain the agreed level of payments, their home may still be repossessed.

If the homeowner's property is ultimately repossessed after being on HMS, they may potentially be in a worse situation than if the property had been repossessed prior to the homeowner's entry into the scheme
- The homeowner's property may fall in value, at the same time that their debt is increasing during participation in HMS.
- This means that, if the property were to be repossessed, the homeowner may be in negative equity (i.e., the value of the amount payable in respect of the loan exceeds the value of the home).
- They would therefore still owe the lender money, even after repossession.
- This is particularly important to note if the homeowner already has a very large mortgage compared with the value of their home. This makes it more likely that they would enter negative equity.

Note: The homeowner should be made aware of these risks, whilst recognising that the homeowner may decide that the personal benefits of staying in their home for up to another 2 years outweigh the potential financial cost.

Actions to reduce these risks
There are steps that the homeowners should take to reduce the impact of these risks:

- Pay as much as they can towards their mortgage: The higher the percentage of their contractual monthly interest payments due the homeowner makes over the term of the scheme, less interest will be deferred and added to their overall debt.
- Notify their lender as soon as they can pay more towards their mortgage: The lender will either increase the percentage of the contractual monthly interest payments that the homeowner makes or remove the homeowner from the scheme and return to full payments. The sooner the homeowner does this, the less the amount of interest which will be deferred and added to their overall debt.
- Develop a plan and budget for getting their finances back on track e.g. seeking alternative work, cutting back on expenditure or taking on extra hours.
- Notify their lender immediately if they are concerned about being unable to maintain their reduced payments.
- Notify their lender and seek money advice as soon as they can if they realise that their income shock may not be temporary and they may not be able to make full payments at the end of the scheme.
2.11 Step 11: Talk through the process for accessing HMSS

HMSS has been flagged as a potential option

Do I understand the risks and benefits of HMSS? Do I want to proceed with HMSS?

Receive the following documents from your MA:
1. Finalised CFS or equivalent and CFS or equivalent declaration
2. Approximate repayment percentage and amount you can afford on mortgage repayments
3. Confirmation of Advice letter
4. Checklist of documentary evidence to talk to your lender
5. Signed Savings Declaration
6. HMSS consumer guide

Prepare evidence you will need to provide to your lender. Speak to your lender if you are having problems

Share documentation with your lender

Your lender will decide whether to make you an offer. The lender is not required to offer HMSS to you and may review your situation and consider that HMSS is not suitable, even if you are eligible

Review the offer you receive
- Do you understand the revised repayments and implications?
- Are you happy with this offer?

Sign and return your homeowner acceptance form to your lender within the period set by your lender

IN THE SCHEME

We recommend you seek advice from your money advisor or an IFA

Keep your lender informed of any changes in circumstances. Note: your lender must notify you of their decision within a reasonable period

Maintain regular repayments and contact your lender as soon as possible if you are unable to make a repayment

Seek money advice where necessary

3 months before your review point, you will receive a letter from your lender notifying you of your review

Seek money advice to update your CFS or equivalent within 1 month of receiving the review notification letter

REVIEW POINT
Talk the homeowner through the customer journey outlined above, with reference to the following points

2.11.1 Entering the scheme

The homeowner (or money adviser acting on their behalf) will need to submit the Common Financial Statement (CFS) or equivalent and accompanying documentation to the lender. This will enable the lender to make a full assessment of eligibility and suitability for the scheme and to calculate the terms of an offer. Full details of the documentation that needs to be submitted is provided in Step 12: Next steps.

The lender is not required to offer HMS to the homeowner and may review the homeowner’s situation and consider that HMS is not suitable, even if the homeowner is eligible.

In order to enter the scheme, the homeowner will be moved to an interest only mortgage or terms if they have not already done so. If the lender is entitled to charge a fee to the homeowner for the conversion of their mortgage, it may continue to do so. However, no fee should be charged solely for admitting the homeowner to the scheme.

If the lender would like to offer the homeowner HMS, the lender should write to the homeowner setting out the amounts of the monthly payments, monthly interest deferred, and the interest rate and the projected additional amount to be added to the total loan or mortgage as a consequence of joining HMS. They will inform the homeowner how long the initial offer period will last and when it will come up for review. This offer letter is known as the Lender Decision Letter; an example is attached as Appendix 12 Lender Documentation, however letters from individual lenders may vary.

The lender should notify the homeowner of how long the homeowner has to consider the offer of admission to HMS before confirming their acceptance or rejection.

The homeowner can choose not to accept the offer, or seek further money advice or independent financial advice before making a final decision. However they will have to decide whether to accept any HMS offer from the lender within the timescale outlined by the lender. In order to accept the offer

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3 unless to do so would create complications in the case of certain loans regulated under the Consumer Credit Act 1974

4 For legal reasons, CCA lenders may refer to a “concession” rather than an offer when admitting borrowers to HMS.
they will need to sign and return the borrower confirmation form attached to the lender offer (See Appendix 12: Lender Documentation for an example)

If the lender decides not to offer a homeowner HMS, they will send a notification letter to the homeowner informing them of this decision (see Appendix 12: Lender Documentation for an example of this). If this happens, the borrower will need to speak to their lender, and/or their money adviser, to consider alternative options.

2.11.2 On the scheme

The homeowner must maintain the minimum agreed payments while on the scheme.

If the homeowner defaults on the agreed minimum interest payments for either three consecutive months or for any five payments in a 12 month period, the lender must remove the homeowner from the scheme.

If the lender would normally charge a homeowner for missing mortgage payments, they will be able to do so if the homeowner misses on their payments as agreed under HMS

If their circumstances change, for better or for worse, the homeowner must inform the lender as soon as possible.

If their circumstances improve so that they are able to increase or return to their full monthly interest payments the lender and homeowner will need to agree a revised schedule of payments.

If their circumstances deteriorate, the homeowner should seek the help of independent money advice to consider the options available to them and the viability of continuing with the scheme, in light of the risks and benefits outlined. They will need to talk to their lender to see if:

a) it is appropriate for them to stay on HMS and make payments at a lower level (as long as this is above the 30% minimum);

b) alternative forbearance options might be more appropriate or

c) they are eligible for another form of Government support e.g. Mortgage Rescue Scheme.

If the homeowner's circumstances change, lenders are required to act fairly and reasonably and should continue to apply best practice in forbearance.
A homeowner may choose to exit the scheme at any time. If, after leaving, the homeowner's circumstances deteriorate again they may agree with the lender to re-enter the scheme subject to meeting the eligibility criteria again. so long as in total they is not in HMS for more than 2 years.

2.11.3 Review Point

When the initial offer period comes to an end, there will be a review to reassess the homeowner's eligibility for the scheme and consider if HMSS remains an appropriate option. Following the review, the lender may extend access to the scheme for a further period of up to one year.

The lender should write to the borrower at least 3 months before their review date to remind them of the review and see out the steps they need to take if they wish to remain in the scheme. An example of a borrower review letter is attached in Appendix 12 Lender Documentation.

The homeowner will need to book an appointment to see an HMS money adviser within one month of receiving the notification of review letter. If for any reason the homeowner is unable to attend a meeting with their money adviser in this time, they must let the lender know as soon as possible.

The homeowner will need to collect evidence of their current financial position and bring this with them to the money advice session in order to update their Common Financial Statement.

The money adviser will look at whether the homeowner remains eligible and advise on any identified risks in remaining in the scheme. The adviser can help the homeowner reflect on events since the homeowner entered the scheme and whether the scheme is still appropriate to them.

As when the homeowner was admitted to the scheme, they will need to send the updated CFS and supporting documentation to the lender. The lender will decide on the homeowner's continued eligibility and whether the scheme remains a suitable option for them.

The lender will write to the homeowner to inform them of the outcome of the review, following the same processes as when the homeowner first applied for the scheme.

If the lender decides to extend the scheme, the amount of the monthly interest payment will be reassessed and, if necessary, adjusted. The lender will set out the terms of the extension, the schedule of payments that will need to be
made and the level of debt deferred for the remaining period of HMS in a second Lender Decision Letter.

If the homeowner does not take part in the review they will be removed from HMS at the end of the 12 month period.

If a homeowner has exited and re-joined the scheme and the one year review falls at a point where their membership of the scheme could only be extended for 3 months or less after the review, a formal review will not be required. In these circumstances the lender may determine whether it is appropriate for the homeowner to remain in the scheme.

It is the homeowner’s responsibility to ensure they attend all meetings and to keep their lenders informed. If the homeowner does not keep their lender up to date they may risk exclusion from the scheme.

2.11.4 Leaving the scheme

When the homeowner leaves the scheme the amount of deferred interest will have been added to the total principal outstanding of the loan. The homeowner will have a revised figure of amount of interest deferred, amount of loan outstanding and total capital amount that must be repaid.

On leaving the scheme, the homeowner will owe more than when they entered the scheme.

The homeowner may agree with the lender to revert to a repayment mortgage. In this event, the amount they must pay each month will be revised to take into account the total amount of debt accumulated during the deferral period and the amount required to be paid to repay the total amount by the end of the term. The payment plan for homeowners will differ from lender to lender and according to the specific circumstances of the homeowner.

Alternatively the homeowner may agree with the lender to continue with interest only payments on the mortgage and make arrangements to pay off the capital sum at the end of the term. Homeowners will need to carefully consider whether they will have sufficient funds to pay off the total loan. If a homeowner does not, the lender is entitled to pursue the homeowner for any shortfall.

The homeowner may agree with the lender to extend the term of the mortgage where the total amount outstanding would otherwise make the
monthly payments unsustainable. This will increase the total amount the homeowner will pay.
2.12 Step 12: Confirm next steps for discuss HMS with their lender

A. You should provide the following information to the homeowner to assist with their conversations with the lender

1. The finalised Common Financial Statement or equivalent (please see accompanying excel spreadsheet Appendix 3 for an example of a Common Financial Statement)
2. A copy of the completed HMS estimate payment calculator (please refer to appendix 6)
3. Signed copy of the Confirmation of Advice including any standard paragraphs on HMSS and information for the homeowner to identify the risks in entering the scheme (a template Confirmation of Advice template is attached at appendix 8). Confirm that the homeowner must sign this.
4. Common Financial Statement Declaration for the homeowner to complete and sign (a template of this is attached at appendix 9)
5. A copy of the Savings Declaration for the homeowner to complete and sign (attached at appendix 10)
6. Checklist of the evidence which the homeowner may be required to provide to the lender to prove their eligibility (appendix 11). Please note that the lender may require additional evidence and that the list in should be treated as a guide

Where there is more than one party to the original mortgage agreement, all parties will need to sign the Common Financial Statement Declaration and Saving Declaration. See section 3.1 “What if there is more than one party to the mortgage agreement?” for more information.

Where the financial statement is to be shared with the lender(s) and other creditors directly by the adviser, the adviser must obtain a signed Form of Authority from all parties to the debts so that the adviser can act on the homeowner’s behalf

B. Remind the homeowner that they will need to submit the following to enable the lender to make a full assessment of eligibility and calculate the terms of an offer:

- Common Financial Statement (or equivalent)
- Common Financial Statement Declaration
- Confirmation of Advice Letter
• Savings declaration
• Evidence to prove eligibility as set out in the checklist and requested by the lender

C. Where there is more than one charge on the property, refer to Step 6 for guidance on how to assist the client by liaising with multiple lenders on the homeowner's behalf. The homeowner can only join HMS if all lenders agree.

D. Confirm that the homeowner has understood the risks and benefits of the scheme

E. Provide the homeowner with an overview of the offer process, in particular:
   • Confirm that the lender is not required to offer HMS to the homeowner and may review the homeowner’s situation and consider that HMS is not suitable, even if the homeowner is eligible.
   • Talk the homeowner through a sample offer document (please refer to appendix 12 for an example).
   • Stress that the homeowner should review the offer document carefully, in particular in relation to the payment illustrations and potential payment plan.
   • Stress that the homeowner has a limited amount of time (as determined by their lender) to decide whether they will accept the offer and should seek money advice, independent financial advice or legal advice if they is concerned about any of the terms of the offer. The homeowner may want to return for money advice during this period to ensure that their new monthly payments will be sustainable

F. Draw the homeowner’s attention to the following:
   • Keep up with your payments or your property may still be repossessed
   • There will be a review at the end of the initial offer period to see whether the scheme is still available to and suitable for you, but you must inform your lender of any changes in circumstances in the intervening period
   • Seek money advice again if you have questions or concerns at any point
   • Be aware that there are risks as well as benefits. You are postponing debt, not writing it off. This will result in an increase in the total debt
   • Follow usual complaints procedures if you aren’t satisfied with your lender’s response
3 Additional Information

3.1 What if there is more than one party to the mortgage agreement?

Where you have identified there is more than one party to a mortgage or loan agreement but only one party is accessing advice you need to establish if your client is accessing the advice for all parties involved in the agreement or just for themselves.

Where a homeowner is seeking advice only for their own purposes then the advice you give applies to that person only (this may apply where there has been a relationship breakdown for example). Each other party will need to seek their own advice from a money adviser. You cannot advise both parties to an agreement where there is a dispute as there will be a conflict of interest.

Where you are advising a homeowner who states that they are seeking advice on behalf of all of the borrowers under the agreement, then you should explain that all parties should be happy with the Confirmation of Advice letter and sign the Common Financial Statement Declaration.

What happens when ex-partners are signatories to the mortgage?

If ex partners are contributing to the household this should be noted as an income on the Common Financial Statement (CFS). If an ex-partner who would normally be contribute to the household has had an income shock this is relevant as a loss of income to that household and should be recorded on CFS.

If an ex-partner is not contributing to the household then the adviser would not need to include them in the Common Financial Statement. However, as entering HMS will have an impact on them they should seek their own advice, if they traceable.

If the borrower wants to join HMS then all signatories to the mortgage agreement have to agree to join the scheme.

Where an ex-partner who is a signatory to the mortgage has abandoned their responsibility for the mortgage, the borrower may benefit from specialist advice in relation to either Family Law Act or Matrimonial Homes Act.

3.2 Independent Financial Advice (IFA)

There is no requirement for a homeowner to obtain independent financial advice before accessing HMS. However, the advice process may highlight to
the homeowner that they may wish to do so prior to entering the scheme. The HMS money adviser will need to explain there may be costs involved in independent financial advice, starting at £75 per hour to £250 per hour.

However, this independent financial advice must be in addition to, rather than instead of, receiving advice from one of the money advisers approved for the purposes of HMS.

For details on where IFAs are located the homeowner can look at:
www.unbiased.co.uk – a site run by an NfP organisation funded by the sector
www.mylocal adviser.co.uk – IFAs are verified against the FSA register
www.findanadviser.co.uk – The Personal Finance Society – lists advisers at different levels against the Chartered Financial Planner mark

3.3 Managing Other Debt

HMS is not designed to change current money advice on managing multiple debts. It is very important to ensure that the homeowner is maintaining contact with all creditors to their situation while they look into HMS. The adviser may have to do this on behalf of the client in some cases.

The money adviser should consider carefully all other options for the homeowner in managing their debts e.g. IVAs, bankruptcy, pro rata payments, DMPs (or in the case of Scotland, Trust deeds, Protected Trust deeds, debt arrangement schemes) and explain the implications of any of these options.

Priority Debts
The money adviser will need to follow usual money advice procedures in relation to any other priority debts the homeowner may have e.g. council tax debts, court fines, Child Support payments etc. The adviser will need to work with the homeowner to negotiate rescheduled payments on these debts, making realistic offers to prevent further action being taken by these creditors. This might include making an application for a Time Order in connection with Consumer Credit Act regulated agreements, if that is appropriate.

Charging Orders
Charging orders are not covered by HMS. Borrowers who have a charging order issued against their property are not excluded from HMS, nor do they need agreement from their charging order creditor to enter the scheme. Where payments are being made in respect on the charging order, these should be reviewed as part of the holistic money advice offered and factored into the CFS.
If it is not possible to negotiate or maintain agreed payments with the charging order this may trigger an application for order for sale - the homeowner will need to be aware of this risk.

**Unsecured debts**

The money adviser will adopt standard money advice practice around the prioritisation of debt and the management of unsecured debt.

The scheme requires that borrowers pay as much as they can towards their mortgage. This is because it is better for borrowers to pay more rather than defer and build up more debt. The scheme does not address how borrowers should prioritise their debts. This will be something advisers will need to do as they do for all borrowers facing difficulties paying their mortgage.

Whilst the scheme focuses on paying as much towards the mortgage as the borrower can afford, there is no requirement in the scheme that borrowers must be making nil or token payments on their unsecured debt in order to be eligible for HMS. Clients maintaining individual voluntary arrangements (IVAs), or Trust Deeds in Scotland, are potentially eligible for the scheme. The lender will make a decision whether to admit the household on the scheme based on the information provided in the common financial statement. If the homeowner is continuing to make payments to non-priority creditors, the mortgage lender may request that these be reduced before they will consider them for the scheme.

There is nothing in the scheme rules to stop unsecured lenders continuing to pursue debts when a borrower enters HMS. You should discuss with the homeowner the options available to them to protect themselves against unsecured debts which they are unable to pay and the potential consequences of not maintaining payments on their unsecured debt.

If the homeowner is offered admission to HMS by their lender, it may be helpful for the homeowner to send a letter to the unsecured creditor notifying them that they has had a temporary income shock; are taking action to manage their finances in conjunction with their secured lenders and money adviser and; as a result has entered into HMS.

There may be reasons why it is in the interests of the unsecured lender to be lenient during the homeowner’s membership of HMS. If the home is repossessed, it is unlikely that unsecured lenders will recover their money. The homeowner is selected for HMS precisely because they are unable to pay their creditors but this position is considered to be temporary. HMS gives the homeowner the opportunity to return to full debt payments, which would
be impossible if the homeowner lost their home. Furthermore, if the lender were to place a charging order (in the case of Scotland, inhibitions) on the property, it is unlikely to realise any of its debt should the property be repossessed.

Remember, it is in the interests of the homeowner to pay as much as possible under HMS, as this reduces the amount of deferred interest which is accruing compound interest. This must be balanced against the threat that an unsecured lender could undermine HMS through placing a charging order (in the case of Scotland, inhibitions) on the property, forcing bankruptcy or even placing the homeowner under such emotional strain that they walk away from their home. It is therefore important that the homeowner fully understands why they must inform their lender or money advisers immediately if there is a problem with an unsecured lender.

You should ensure the homeowner understands the risks of any potential action the unsecured lender can take to realise its debt (e.g. charging orders, bankruptcy) while on the scheme.

3.4 Complaints Procedure

If a homeowner has a complaint in relation to the operation of the Scheme, they should in the first instance raise the issue with their lender.

The lender is required to review and process complaints in accordance with the complaints procedures published by the FSA.
Appendices

Appendix 1 – checklist of information to be provided by adviser to homeowner for them to have ready for an appointment OR debt pack cover letter

a) Checklist

Things you need to bring with you and/or tell us about or collate to provide evidence for the CFS.

To enable the money adviser to compile a budget and to establish the exact amount of your debts, we need to investigate the following in respect of our meeting. We do not necessarily need to see the underlying documents but you will need to provide a true and fair reflection of your finances. Not all items listed below may be relevant to you. We will copy all papers and return the originals to you. If you do not have some of the items, please estimate or contact us in advance.

- Wage/pay slips
- Benefit/pension award letter or book
- Full details of your mortgage(s) – lender’s name, outstanding balance, interest rate, current monthly payment.
- Any correspondence from the lender to show whether any alternative hardship tools have been utilised or considered previously
- Council tax bill
- Water bill
- Fuel bills (for example gas, wood, Liquid Petroleum Gas, electricity and coal)
- Inland Revenue and National Insurance Bills
- Bank statements including details of loans and overdrafts
- Telephone (land and mobile) bills
- TV rental and satellite costs and rental of any other goods.
• All court papers

• Credit card details and correspondence, hire purchase and loan details and correspondence

• Car expenses/travel costs/schools meals

Think about the cost of housekeeping, other essential items and leisure costs.

Return to Step 1

OR

b) Example debt pack cover letter to client - for face-to-face meetings

Dear

You have been referred to us by …. as it has been identified you may benefit from Money Advice.

Your appointment is on……..with ........adviser at ........agency

It would be useful if you could complete the forms enclosed, before your visit.

• Please sign the Form of Authority/Mandate.

• Please read and sign the Money Advice Contract. This sets out what you can expect of us and what we expect of you.

• Please complete the Client Profile.

• Please complete the income/expenditure sheet as best as you can. This is essential to show how much money you have coming in and how much you need to live on. You can choose if your budget is monthly or weekly but please make your choice clear. The budgeting guidelines will help you with some costs.

• Please read the list of ‘things you need to bring with you’ and bring all that you can which is relevant to you and which you have to hand. If you do not have some items at the moment, please let the adviser know about it.
Please note that if you fail to attend any appointments and do not provide the information required to help us advise you, the local authority may question why you have not accessed the money advice and support offered to you in any subsequent assessment of housing needs it undertakes.

Yours sincerely
(Contact details for money advice agency in case any changes to appointments are needed)

Return to Step 1
Appendix 2: Example letter from the homeowner notifying the lender that they have sought money advice

Note: This is not a requirement of the scheme and is only an example of a letter which you may want to provide to your client as part of the HMS advice process

Dear

This letter is to confirm that I have sought advice from [insert name of organisation]. Please also find enclosed a letter I recently received from [insert name of organisation] which confirmed the discussions we have had up until now.

During my call with a [insert name of organisation] advisor, I discussed my financial position and began to plan the completion of a budget sheet detailing my income and expenditure. Please be aware that I am now in the process of collecting further information so that I can finalise my budget sheet.

One of the options I discussed with the [insert name of organisation] advisor was Homeowner Mortgage Support Scheme. Once I have finalised my budget sheet I will get back to you with further information.

Please accept this letter as confirmation that I am in the process of receiving advice from [insert name of organisation] and I will contact you with further information as soon as possible.

Yours sincerely

Return to Step 1
## Appendix 3 - Common Financial Statement

### Step 1

<table>
<thead>
<tr>
<th>Income Monthly</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage or salary</td>
<td>£</td>
</tr>
<tr>
<td>Wage or salary (partner)</td>
<td>£</td>
</tr>
<tr>
<td>Jobseeker's Allowance</td>
<td>£</td>
</tr>
<tr>
<td>Income Support or Pension Credit</td>
<td>£</td>
</tr>
<tr>
<td>Tax Credit</td>
<td>£</td>
</tr>
<tr>
<td>Works pension</td>
<td>£</td>
</tr>
<tr>
<td>Retirement pension</td>
<td>£</td>
</tr>
<tr>
<td>Child Benefit</td>
<td>£</td>
</tr>
<tr>
<td>Incapacity Benefit (EMA)</td>
<td>£</td>
</tr>
<tr>
<td>Maintenance</td>
<td>£</td>
</tr>
<tr>
<td>Non-dependants' contributions</td>
<td>£</td>
</tr>
<tr>
<td>Savings</td>
<td>£</td>
</tr>
<tr>
<td>Other</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>£</td>
</tr>
<tr>
<td>2</td>
<td>£</td>
</tr>
</tbody>
</table>

**Total Income Box A** £

### Step 2

<table>
<thead>
<tr>
<th>Outgoings Monthly</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage</td>
<td>£</td>
</tr>
<tr>
<td>Mortgage endowment policy</td>
<td>£</td>
</tr>
<tr>
<td>Second mortgage</td>
<td>£</td>
</tr>
<tr>
<td>Rent</td>
<td>£</td>
</tr>
<tr>
<td>Council Tax</td>
<td>£</td>
</tr>
<tr>
<td>Water rates</td>
<td>£</td>
</tr>
<tr>
<td>Ground rent or service charge</td>
<td>£</td>
</tr>
<tr>
<td>Building and contents insurance</td>
<td>£</td>
</tr>
<tr>
<td>Life insurance and pension</td>
<td>£</td>
</tr>
<tr>
<td>Gas</td>
<td>£</td>
</tr>
<tr>
<td>Electricity</td>
<td>£</td>
</tr>
<tr>
<td>Other fuel</td>
<td>£</td>
</tr>
<tr>
<td>Housekeeping</td>
<td>£</td>
</tr>
<tr>
<td>TV rental and licence</td>
<td>£</td>
</tr>
<tr>
<td>Magistrates' court fine</td>
<td>£</td>
</tr>
<tr>
<td>Maintenance payments</td>
<td>£</td>
</tr>
<tr>
<td>Hire payments vehicle</td>
<td>£</td>
</tr>
<tr>
<td>Travelling expenses</td>
<td>£</td>
</tr>
<tr>
<td>School meals and meals at work</td>
<td>£</td>
</tr>
<tr>
<td>Clothing</td>
<td>£</td>
</tr>
<tr>
<td>Laundry</td>
<td>£</td>
</tr>
<tr>
<td>Phone and mobile phone</td>
<td>£</td>
</tr>
<tr>
<td>Prescriptions and health cost</td>
<td>£</td>
</tr>
<tr>
<td>Childminding</td>
<td>£</td>
</tr>
<tr>
<td>Other</td>
<td>£</td>
</tr>
<tr>
<td>1</td>
<td>£</td>
</tr>
<tr>
<td>2</td>
<td>£</td>
</tr>
</tbody>
</table>

**Total outgoings Box B** £

### Step 3

<table>
<thead>
<tr>
<th>Priority debts</th>
<th>Balanced owed</th>
<th>Monthly offer of repayment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Mortgage arrears</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Arrears on a second mortgage</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Rent arrears</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Council Tax or community charge arrears</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Fuel debts:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gas</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Electricity</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Magistrates' court fine arrears</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Maintenance arrears</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Hire purchase arrears</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Social Fund loans</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
</tbody>
</table>

**Total priority debts repayments Box C** £

### Step 4

<table>
<thead>
<tr>
<th>Total income</th>
<th>Box A</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>take away</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Total outgoings</td>
<td>Box B</td>
<td>£</td>
</tr>
<tr>
<td>Total priority debts repayments</td>
<td>Box C</td>
<td>£</td>
</tr>
</tbody>
</table>

**Money for creditors/DEFICIT BUDGET Box D** £

### Step 5

<table>
<thead>
<tr>
<th>Creditors</th>
<th>Balanced owed</th>
<th>Monthly offer of repayment</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
</tbody>
</table>

**Total owed Box E** £

**Total monthly payment Box F** £

---

This is an accurate record of my financial position on

Signed

---
Appendix 4 – Other Government help available

4A. Support for Mortgage Interest

If a homeowner is entitled to an income related benefit (Income Support, income-based Jobseeker’s Allowance, income-related Employment & Support Allowance or State Pension Credit for those of pension age) they may be able to claim help with housing costs through Support for Mortgage Interest. Payments can be made towards a customer’s mortgage interest payments for loans taken out to purchase the property or for specific home improvement loans up to a maximum capital limit of £200,000.

Accessing Support for Mortgage Interest (“SMI”) -
- the waiting period before full Support for Mortgage Interest on eligible loans is paid to recipients of Income Support (“IS”), income-based Jobseeker’s Allowance (“JSA”) and income-related Employment and Support Allowance (“ESA”) is 13 weeks
- the maximum capital limit in respect of which mortgage interest may be paid under SMI is £200,000
- there is a two year time limit on payment of SMI for new and some repeat income-based JSA claims
- There is no waiting period before SMI can be paid to recipients of Pension Credit, and the maximum £100,000 capital limit in respect of which mortgage interest may be paid under SMI will continue to apply in respect of SMI paid to recipients of Pension Credit.
- The Standard Interest Rate used as the basis of the SMI calculation is 6.08% for six months, for all existing and new SMI customers, including those claiming state Pension Credit.

Return to Step 2

4B. Mortgage Rescue Scheme

Target homeowners
MRS was developed specifically to help prevent homelessness. Over the next two years, the scheme will provide an additional safety net for up to 6,000 vulnerable homeowners at risk of losing their home through repossession. It is available to those who have taken out either first or second mortgages on their home. However, MRS does not replace any duties a council may owe to an applicant under homelessness legislation (Part 7 of the Housing Act 1996).

To be eligible for MRS, a homeowner must have a priority need for accommodation as defined in section 189(1)(a)-(c) of the 1996 Act, i.e. include
dependent children, or a pregnant woman, or someone who is vulnerable because of old age, illness, disability, or other special reason.

**Excluded homeowners**
MRS is not available to homeowners with an annual gross income above £60,000; or who have a second home; or who own properties valued above a regionally set level, although there may be exceptions, i.e. a need for an exceptionally large property or one that is specifically adapted for the homeowner’s needs.

Under MRS depending on their circumstances, eligible homeowners may be offered one of two options:

**Shared equity loan:** To be eligible, the value of the homeowner’s mortgage (and any loans taken out against their property) must be less than 120 per cent of the value of the property. A registered social landlord (RSL) Zone Agent (see below) will provide a loan to clear or reduce second charge loans or reduce the amount outstanding on the first mortgage loan. The shared equity loan is a low interest only loan. The interest rate will be reviewed periodically so will need to be checked at the time of application. The loan will be secured by a charge on the property.

A charge equal to three per cent of the value of the property is levied. This is recouped when the property is sold or if the loan is repaid in full where the homeowner’s circumstances have improved, as appropriate.

**Government mortgage to rent:** To be eligible, the value of the homeowner’s mortgage (and any loans taken out against their property) must be less than 120 per cent of the value of the property. An RSL Zone Agent buys the property at market value and rents it back to the former owner at 20 per cent less than the market rent. In most cases the homeowner will be offered an assured short hold tenancy with a minimum term of three years.

The homeowner will be required to relinquish 3% equity to enter the mortgage to rent scheme. Where a homeowner receives a lump sum from any remaining equity they may use this to repay other outstanding debts.

**How do homeowners apply for MRS?**

Eligibility for MRS is based on the following requirements:

1. The applicant provides an up-to-date financial statement drawn up by a council designated money advice agency, i.e. a local Citizens Advice...
Bureau ("CAB"), independent advice agency, the National Debt line, Consumer Credit Counselling Service or the council’s own service.

2. The applicant has explored all viable alternatives to repossession with their mortgage lender. MRS is not an alternative option to what a lender may offer. The lender must be prepared, in principle, to support their application for MRS.

3. There are no outstanding charges on the applicant’s property that would prevent it being sold.

4. An up-to-date valuation of the applicant’s property, provided by estate agents or chartered surveyors, indicates mortgage rescue is viable. More than one valuation is required.

5. MRS is affordable, suitable and sustainable for the applicant.

6. The applicant has had sufficient time, advice and assistance for them to make an informed decision about all their housing options.

Contact your local authority housing department to find out if MRS is available in the area your client lives in.

Return to Step 2
Appendix 5: Sample letter to non participating lender - requesting whether they will in principle, allow the homeowner to join HMSS in respect of their other secured loans

(Your home address)

Date ___________________

Dear Sir/Madam

Account No __________________________

Since making the above agreement with you, my circumstances have changed. This is because

Due to this change of circumstance, I can no longer afford to pay my mortgage payments in full. I have been speaking to my mortgage lender and to [insert name of organisation] about joining the Homeowner Mortgage Support Scheme. This is a temporary Government scheme and will allow me to defer some of the interest on my mortgage, until my circumstances improve.

I understand that you are not participating in the Homeowner Mortgage Support Scheme. However, under the terms of the scheme, my lenders who are participating in the scheme may allow me to join the scheme, if I have confirmation from my non participating lenders that they would:

- in principle be in agreement to me signing up to HMS;
- during the period that I am in the scheme, agree to a repayment plan; and
- not seek to enforce security during the period when I am a member of HMS.

I am in the process of looking at HMS as an option and before pursuing this any further, please could you confirm whether:

- you would consider agreeing to me joining HMS (subject to confirmation of the exact terms); or
- you are unable to agree to me being in the scheme at this time.

Thank you for your assistance. I look forward to hearing from you as soon as possible.

Yours faithfully

Return to Step 6
Appendix 7 - Indicative repayment illustration calculator

NOTE: THIS IS FOR ADVISOR REFERENCE PURPOSES ONLY AND SHOULD NOT BE PROVIDED TO THE CLIENT. THIS SHOULD BE USED AS A TOOL TO INDICATE THE POTENTIAL IMPACT OF HMSS BUT IT IS ONLY AN ILLUSTRATION

<table>
<thead>
<tr>
<th>Inputs</th>
<th>Results</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Outstanding</td>
<td>£285,000</td>
<td></td>
</tr>
<tr>
<td>Assumed number of months on the scheme</td>
<td></td>
<td>6</td>
</tr>
<tr>
<td>Assumed mortgage interest rate</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Mortgage term when entering the scheme years</td>
<td>20 years</td>
<td></td>
</tr>
<tr>
<td>Estimate % of mortgage interest affordable</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>The mortgage and date stays the same as it was when the borrower entered the scheme</td>
<td>Monthly mortgage payment on a capital and interest basis without the scheme</td>
<td>£1,881</td>
</tr>
<tr>
<td></td>
<td>Current monthly mortgage payment on an interest only basis without the scheme</td>
<td>£1,188</td>
</tr>
<tr>
<td></td>
<td>Affordable monthly payment while on the scheme</td>
<td>£594</td>
</tr>
<tr>
<td></td>
<td>Household monthly saving if paying reduced monthly mortgage interest amount</td>
<td>£594</td>
</tr>
<tr>
<td></td>
<td>Estimate of interest unpaid and therefore rolled up and added to your mortgage balance (given the assumed time on the scheme)</td>
<td>£3,614</td>
</tr>
<tr>
<td></td>
<td>Estimated monthly 'interest only' mortgage payment when exiting the scheme</td>
<td>£1,203</td>
</tr>
<tr>
<td></td>
<td>Estimated monthly payment on a capital and interest basis when exiting the scheme</td>
<td>£1,933</td>
</tr>
<tr>
<td></td>
<td>Estimated increase in household monthly mortgage interest payments as a result of being on this scheme</td>
<td>£15</td>
</tr>
<tr>
<td></td>
<td>Estimated increase in household monthly mortgage (interest+capital) payments as a result of being on this scheme</td>
<td>£52</td>
</tr>
</tbody>
</table>

Please don't alter the working below

**Inputs**
- Assumed number of months on the scheme: 6
- Assumed mortgage interest rate: 5%
- Mortgage term when entering the scheme: 20 years
- Estimate % of mortgage interest affordable: 50%

**Outstanding**: £285,000

**Results**
- Monthly mortgage payment on a capital and interest basis without the scheme: £1,881
- Current monthly mortgage payment on an interest only basis without the scheme: £1,188
- Affordable monthly payment while on the scheme: £594
- Household monthly saving if paying reduced monthly mortgage interest amount: £594
- Estimate of interest unpaid and therefore rolled up and added to your mortgage balance (given the assumed time on the scheme): £3,614
- Estimated monthly 'interest only' mortgage payment when exiting the scheme: £1,203
- Estimated monthly payment on a capital and interest basis when exiting the scheme: £1,933
- Estimated increase in household monthly mortgage interest payments as a result of being on this scheme: £15
- Estimated increase in household monthly mortgage (interest+capital) payments as a result of being on this scheme: £52

**Please don't alter the working below**

Annual interest rate: 5%
Monthly interest rate: 0.004074

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>11</th>
<th>12</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.004074</td>
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<td>1.01227223</td>
<td>1.016396</td>
<td>1.020537281</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Interest factor: 6.08614

Estimate of interest unpaid and therefore rolled up and added to your mortgage balance (given the assumed time on the estate): £3,614

Please don't alter the working below

<table>
<thead>
<tr>
<th>time on scheme</th>
<th>6</th>
<th>12</th>
<th>18</th>
<th>24</th>
</tr>
</thead>
<tbody>
<tr>
<td>interest factor</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 6 - HMSS estimate payment calculator

<table>
<thead>
<tr>
<th></th>
<th>First Charge</th>
<th>Second Charge</th>
<th>Third Charge</th>
<th>Fourth Charge</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding Amount</strong></td>
<td>£250,000.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Interest Rate</strong></td>
<td>4.70%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Monthly Payment</strong></td>
<td>£979.17</td>
<td>£0.00</td>
<td>£0.00</td>
<td>£0.00</td>
</tr>
<tr>
<td><strong>Annual Interest Paid</strong></td>
<td>£11,750.00</td>
<td>£0.00</td>
<td>£0.00</td>
<td>£0.00</td>
</tr>
<tr>
<td><strong>Total Monthly Payments Due</strong></td>
<td>£979.17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Income Deficit (from CFS)</strong></td>
<td>£450.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>New Affordability</strong></td>
<td></td>
<td></td>
<td></td>
<td>£529.17</td>
</tr>
<tr>
<td><strong>Percentage this represents of interest due</strong></td>
<td></td>
<td></td>
<td></td>
<td>54.04%</td>
</tr>
<tr>
<td><strong>Proposed monthly payments (under HMSS)</strong></td>
<td>£529.17</td>
<td>£0.00</td>
<td>£0.00</td>
<td>£0.00</td>
</tr>
</tbody>
</table>

A COMPLETED VERSION OF THIS CALCULATOR SHOULD BE SHARED WITH THE CLIENT
Appendix 8: Confirmation of Advice letter

[Note: To be used on initial admission to the Scheme]

From: [HMSS Money Adviser]
   [Insert details]

To: [Borrower]
   [Insert details]

Date: [ ]

Dear [Borrower],

Homeowners Mortgage Support Scheme (the “Scheme”)
Mortgage Account No. xxxxxxxxxxxxxxxx

Thank you for [attending your appointment(s) with us OR calling us on [insert date(s)]]. We hope that the money advice and information you were given was helpful. Your Money Adviser is [name] and their supervisor is [name] [Job title]. They can be contacted on [telephone number].

This letter confirms what we discussed with you on [insert date], together with information that you may find useful. Please read it carefully and keep it for future reference.

- You asked for advice about:

[Insert all key points covered in the meeting]

- In summary, our advice is:

We discussed your financial position and assessed your household’s income and expenditure. [We identified that you have the following [insert mortgage type(s)] mortgage(s) provided by [insert names of the institution(s) which participate(s) in the Scheme (the “Participating Lender(s)”) [and insert names of the Borrower’s other secured creditors] [and discussed the consequences of the mortgage(s) not being capable of being treated as an interest only mortgage].

---

5 Where the Borrower has more than one mortgage he/she must attend a face to face meeting with a HMSS Money Adviser unless each of those Borrower’s Participating Lenders agree that a telephone meeting is appropriate.
6 HMSS Money Adviser may include as appropriate.
Our advice covered all available options to enable you to maintain your priority payments and any mortgages/loans secured against your home so that you can stay in your home, including other government sponsored schemes that are available to home owners and the possibility of downsizing your property.

We discussed the risks you may face if you cannot maintain your contractual mortgage payments or other loans secured against your home.

[include, if appropriate, a list of all the hardship tools explored or already adopted, any rights to re-housing under homeless legislation, likely actions non secured creditor(s) may take if the household does not make payments].

We discussed any action your Participating Lender(s) [has/have] already taken in respect of your mortgage(s) and any discussions you have had with them.

[We looked at all of your other creditors and have suggested ways in which [we/you] can negotiate with them to agree how much you can pay back during your period of reduced income.]7

[We discussed with you the likely impact on your credit rating if you are unable to repay your Participating Lender(s) [and your other creditor(s)] the amount(s) owing under your mortgage(s).]8

[You asked us to act on your behalf as a point of contact between, and to liaise with, your Participating Lender(s) [and your other creditor(s)].]9

We explored the circumstances which have led to a reduction in your household income and discussed whether this was likely to be a temporary situation.

We worked together to develop an up to date picture of your financial circumstances and we discussed the Scheme. We worked on a calculation to see if the Scheme would be a feasible option for you and we considered your eligibility against the Scheme criteria. We helped you to complete your personal budget sheet (your “Common Financial Statement”) which you confirm is an accurate and a true and fair reflection of your current financial

7 Include if appropriate.
8 Include if appropriate.
9 A Borrower should request this where he/she has more than 1 mortgage with different lenders.
circumstances and which you have agreed [to share/we can share] with your Participating Lender(s).

We discussed that you may be eligible for the Scheme and that this may provide you with a temporary solution to the change in your financial circumstances by letting you defer some of the interest payments on your mortgage. We discussed the fact that you need to repay the interest deferred upon exiting the scheme and therefore the Scheme is only suitable for you if you believe your income will be recoverable. We considered the Scheme as an option for you but we did not recommend the Scheme to you. We reminded you that our role is to give you advice in relation to the range of options available to you so that you can make an informed choice, and not to recommend particular options, such as the Scheme, to you.

Please note that whether or not you can participate in the Scheme will be decided by your Participating Lender(s) entirely at [its/their] discretion. [[All of] your Participating Lender(s) [and your other creditor(s)]] will need to agree to you joining the Scheme].

- **What are the risks and benefits of the Scheme?**

We discussed the risks and benefits of joining the Scheme which may be relevant both during your membership of the Scheme and after you leave the Scheme, and you confirmed that you understood these risks and benefits, including the fact that your income will need to recover in order to pay off the deferred interest upon exiting the scheme.

- **How do you apply to the Scheme?**

If you wish to join the Scheme [you must contact [all of] your Participating Lender(s) [and your other creditor(s)]] to explain that you are requesting entry to the Scheme OR we will contact [all of] your Participating Lender(s) [and your other creditor(s)] to explain that you are requesting entry to the Scheme.

Once your Participating Lender(s) [has/have] received a copy of your Common Financial Statement together with any other documentation [it/they] may request, [it/they] will assess whether it is appropriate for you to join the Scheme. If they are satisfied that it is appropriate for you to be admitted to

---

10 Delete as appropriate.
11 Delete as appropriate.
12 Include where the Borrower has more than 1 loan secured on his/her property.
13 Delete as appropriate.
the Scheme, your Participating Lender(s) will write to you to let you know that you may join the Scheme, outlining all of the relevant terms and conditions. You will then have [insert number of working days] working days to decide whether or not you wish to become a member of the Scheme.

You may wish to seek independent financial advice in relation to joining the Scheme or in relation to your financial position generally. We have discussed where you would obtain this advice and you are aware that you will be responsible for any associated costs that may arise in connection with consulting other money advisers.

If your Participating Lender(s) decide(s) that it is not appropriate for you to join the Scheme [it/they] will notify you and you should let us know so that we can discuss any further action you can take or any other options which may be available to you.

- **What are your next steps?**

[Where appropriate, outline any actions the Scheme money adviser has agreed]

- If you have not already done so, [you/we]\(^{14}\) will contact your Participating Lender(s) [and your other creditor(s)] to discuss your mortgage payments and to explain that you wish to join the Scheme.

- You will collect together the information/documents that your Participating Lender(s) request(s) from you in connection with the Scheme. We enclose a checklist of this information.

- [You must sign the enclosed copy of your Common Financial Statement.]\(^ {15}\)

- You must also complete the enclosed common financial statement declaration providing certain confirmations in relation to the advice that we have given you and in relation to the sharing of financial information set out in and supporting your Common Financial Statement.

- You must complete and sign the attached savings declaration confirming that you do not have savings totaling more than £16,000.

- [You must provide your Participating Lender(s) with a copy of this letter,]

\(^ {14}\) Delete as appropriate.

\(^ {15}\) Delete where the Borrower has prepared his/her Common Financial Statement himself/herself following a telephone meeting with a HMSS Money Adviser, or where the Borrower signed his/her Common Financial Statement at the meeting.
your Common Financial Statement, your common financial statement declaration, your saving declaration, the completed HMSS estimate payment calculator (enclosed) [and any information/documents that your Participating Lender(s) [has/have] requested from you].

- **What if you are eligible to join the Scheme?**

If your Participating Lender(s) [is/are] satisfied that it is appropriate for you to join the Scheme [it/they] will allow you to join for an initial period of up to 1 year. If, after this initial period, your circumstances have not improved enough for you to return to full mortgage payments, you may need to ask your Participating Lender(s) to extend your membership of the Scheme for up to 1 more year. You will also need to arrange a further meeting with a Scheme money adviser and complete a new Common Financial Statement so that your eligibility can be accurately reassessed by your Participating Lender(s).

Your Participating Lender(s) will write to you no later than 3 months before the date by which your annual review is due. You must reply to this review letter or you may be removed from the Scheme.

Please be aware that the maximum total period of time you can be a member of the Scheme is 2 years even if you leave the Scheme before 2 years and are entitled to re-join at your Participating Lender(‘s)’ determination.

- **What if your circumstances change whilst you are a member of the Scheme?**

Once a member of the Scheme, you are responsible for telling your Participating Lender(s) (as soon as you are aware) if you have any changes to your financial circumstances (whether positive or negative and [including as a consequence of a change to the financial position of your household]) as if your circumstances change it may effect your eligibility to stay in the Scheme. If you do not tell your Participating Lender(s) about any changes and [it/they] discover that there has been a change, [it/they] may remove you from the Scheme and may subject you to further investigations.

If you have told your Participating Lender(s) about any change [it/they] may ask you to update your Common Financial Statement. Following a change, your Participating Lender(s) will assess whether you can remain on the Scheme and will notify you of [its/their] decision. If your Participating Lender(s) decide(s) that you are no longer eligible for the Scheme [it/they] will

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16 Delete where the Borrower has asked the HMSS Money Adviser to provide these to the Participating Lender(s).
17 Include as appropriate.
take appropriate steps to remove you from it. Before your Participating Lender(s) remove(s) you from the Scheme [it/they] should give you notice and tell you the date when you will be deemed to have exited the Scheme.

- **When we will contact you again:**

[Outline any reasons why]

We ask that you to keep us updated of any change in your financial circumstances and keep any appointments with us.

We have the right to withdraw our services and close your case if you do not keep us fully informed.

Yours faithfully,

................................
[Name]
[Job Title]

We are sending you a number of documents with this letter. These are listed below. If any of the documents on the list are missing, please contact us so that we can send you a replacement.

1. A leaflet describing the Scheme.
2. [A copy of your Common Financial Statement].18
3. A declaration to accompany your Common Financial Statement. You need to sign this [and deliver it to your Participating Lender(s)/return it to us so we can deliver it to your Participating Lender(s) on your behalf].19
4. A HMSS estimate payment calculator showing how much you can afford to pay towards your mortgage based on the information that you supplied to us.
5. A checklist of information that your Participating Lender(s) may require in order to assess whether it is appropriate for you to be admitted to the Scheme.
6. A saving declaration to complete and sign

18 Delete where the Borrower has prepared his/her Common Financial Statement himself/herself following a telephone meeting with a HMSS Money Adviser.

19 Delete as appropriate.
Sample paragraphs which may be inserted into Confirmation of Advice letters

- Please be aware that by entering HMS you will end up paying more than you originally planned as you are deferring part of your mortgage payments which will be accruing interest.

- Please be aware that your payments will increase once you leave the scheme.

- If property prices decrease during the period you are in the scheme, you may move into negative equity.

- If your circumstances do not improve during the period in which you are on the scheme and you are unable to meet the agreed payments your property may be repossessed.

- On leaving the scheme you may not be able to remortgage as your levels of indebtedness will have increased.

- If you are ultimately repossessed after being on HMS, you may potentially be in a worse position than if you were repossessed prior to entering the scheme (due to falling house prices and an increase in your mortgage debt).

- While you are in HMS if you do not meet your agreed payments the lender may ask you to leave the scheme and commence possession proceedings.

- Where your circumstances change (improve or deteriorate) during the period of the scheme, you must inform the lender immediately.

- If during the deferral period your circumstance change either positively or negatively we strongly recommend you seek further money advice to revise your financial statement.

- There are special rules applicable to certain loans which are regulated by the Consumer Credit Act 1974. For these loans, the lender may offer entry into the scheme, but may reserve the right at any time to withdraw the homeowner from the scheme. The right of the lender to withdraw the homeowner from the scheme will be subject to the lender's usual lending and forbearance procedures and a requirement that the lender is acting reasonably in requiring the withdrawal.
practice, a lender is unlikely to require withdrawal unless a homeowner is in breach of the terms of the mortgage or the scheme. If a withdrawal is made by such a lender, all other lenders must also withdraw the homeowner from the scheme.

Return to Step 12
Appendix 9: **Common Financial Statement or equivalent Declaration**

From: [Eligible Borrower]  
[Insert details]

To: [Participating Lender]  
[Insert details]

Date: [ ]

Dear [Participating Lender],

**Homeowners Mortgage Support Scheme (the “Scheme”)**

Mortgage Account No. xxxxxxxxxxxxxxxx

1. I refer to the Scheme.

2. [I enclose copies of:
   (a) my completed and signed common financial statement;
   (b) my confirmation of advice letter from [insert name of Scheme money adviser], my Scheme money adviser); and
   (c) [insert details of any other information/documents that your lenders participating in the Scheme have requested].

3. [My Scheme money adviser is providing you with copies of:
   [list information/documents as appropriate]]

4. In the event that I am admitted to the Scheme, I ask that you be provided with a guarantee under the Scheme.

5. I confirm that:
   (i) the information provided to my Scheme money adviser and included in my common financial statement is an accurate and a true and fair reflection of my financial position [and the financial position of my household]; and
   (ii) I have received advice from my Scheme money adviser and, as a result, I understand the terms of the Scheme and am aware of the alternatives to the Scheme that may be available to me and

---

20 Where you have authorised your Scheme money adviser to act on your behalf, your Scheme money adviser will send copies of these documents to each of your lenders participating in the Scheme on your behalf. If this applies, delete paragraph 2 and include paragraph 3.

21 Include paragraph 3 where the Scheme money adviser is providing documents to the Borrower’s lenders participating in the Scheme on the Borrower’s behalf.

22 Include where appropriate.
the consequences and risks associated with the Scheme (and with the Scheme alternatives) and of deferring the interest payments due under my mortgage agreement(s).

6. I give you permission to disclose all information you hold relating to me in connection with the Scheme, including my common financial statement (together with copies of all documents [enclosed with this declaration/sent to you by my Scheme money adviser]²³) and any updated information or documents provided by [me/my Scheme money adviser]²⁴ to any of my other lenders, the Secretary of State for Communities and Local Government, the Department of Communities and Local Government and any person appointed by them in connection with the Scheme, for the administration, reviewing, auditing and/or monitoring of the Scheme.

7. Where any information and/or documents provided to you by me or my Scheme money adviser, in connection with the Scheme, includes personal data relating to another person, I confirm that I have obtained that person's consent to disclose such personal data to you and to any of my other lenders, the Secretary of State for Communities and Local Government, the Department of Communities and Local Government and any person appointed by them in connection with the Scheme, for the administration, reviewing, auditing and/or monitoring of the Scheme.

Yours faithfully,

....................

[Eligible Borrower]

²³ Delete as appropriate.
²⁴ Delete as appropriate.
Appendix 10: Example saving declaration

Form of Borrower Savings Confirmation

To: [Participating Lender]
   [Insert Details]

   [HMSS Money Adviser]
   [Insert Details]

Date: [Insert Date]

Dear [Participating Lender],

Homeowners Mortgage Support Scheme (the “Scheme”)
Mortgage Account No. xxxxxxxxxxxx

In accordance with the Scheme rules, I confirm that as at today’s date I do not have savings of more than £16,000\(^1\) in total.

Yours faithfully,

……………………..
[Borrower]

Return to Step 7

\(^1\) Excluding any pension contributions
## Appendix 11: Checklist of evidential requirements for homeowners

<table>
<thead>
<tr>
<th>Checklist of Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Checklist of Information</strong></td>
</tr>
<tr>
<td>* Compulsory Things you will need to take with you to your Lender Details</td>
</tr>
<tr>
<td>* National insurance number(s)</td>
</tr>
<tr>
<td>Either: Copy of Birth certificate; or Or: Copy of Original Passport</td>
</tr>
<tr>
<td>* Payslips Hard copies of at least 1 month’s payslips or, in the case of self-employed homeowners, business bank statements, in each case pre and post income shock</td>
</tr>
<tr>
<td>* Bank Statements Hard copies of 3 month’s bank statements pre and post income shock</td>
</tr>
<tr>
<td>P45 (if relevant and available) Only relevant if unemployed</td>
</tr>
<tr>
<td>* Mortgage Agreement A copy of the relevant terms of the Mortgage Agreement between the homeowner and his or her participating lender.</td>
</tr>
<tr>
<td>* Savings declaration A self-certification signed by the homeowner confirming that the homeowner does not have savings which are more than £16,000 in total.</td>
</tr>
<tr>
<td>* Common Financial Statement (or equivalent); and From the HMSS Money Adviser</td>
</tr>
<tr>
<td>* Confirmation of Advice Letter; and From the HMSS Money Adviser</td>
</tr>
</tbody>
</table>
Signed Common Financial Statement Declaration | From the HMS Money Adviser

*In addition, though only if in the special case of having non-participating secured lenders*

| Certification from non-participating secure lenders | Certification from the non-participating lender that it:  
- has agreed a repayment schedule with the homeowner (having regard to the homeowner’s current financial circumstances) in relation to that other indebtedness;  
- will not seek to enforce its mortgage during the period when the homeowner is a member of the scheme; and  
- undertakes to notify the participating lender for that homeowner if the homeowner defaults on the agreed payment schedule such that the other lender would ordinarily be entitled to enforce its mortgage |
Appendix 12: Lender Documentation

12a Lender Decision Letter (indicating initial lender decision to accept borrower onto HMS and outlining the terms on which they will be initially admitted to the Scheme)
12b Borrower Confirmation Form (indicating borrowers agreement to the terms of an initial admission)
12c Borrower Notification Letter (indicating initial lender decision not to accept Borrower to the Scheme)
12d Notice of Lender Concession (confirming lenders acceptance of the borrower on the scheme and the terms which will now be applied to the borrowers mortgage)
12e Borrower Review Letter (notifying the Borrower of the requirements to review eligibility for the scheme following expiry of the initial offer period)
12f Borrower Exit Letter 1 (where borrower is due to exit the scheme (whether after the initial deferral period or after the maximum 2 year term)

Return to Step 11
12a Form of Lender Decision Letter

From: [Participating Lender]
[Insert details]

To: [Borrower]
[Insert details]

Date: [Insert date]

Dear [Borrower],

Homeowners Mortgage Support Scheme (the “Scheme”)
Mortgage Account No. xxxxxxxxxxxxxxxx

You have recently indicated you intend to join the Scheme. Having considered the documentation [you/your Scheme money adviser] provided us along with your financial circumstances, we have decided that it is appropriate for you to join the Scheme. [For Borrowers not already on interest only mortgages – As your current mortgage is not an interest-only mortgage agreement we will be touch with you separately to arrange moving you to an interest-only mortgage.]

This letter sets out the information that you need to help you to decide if you wish to join the Scheme. We are not providing you with any advice as to whether the Scheme is suitable for you nor are we recommending that you join the Scheme. If you are unsure whether to join the Scheme, we strongly recommend that you seek independent advice from a money adviser.

If you wish to participate in the Scheme, you should complete, sign and return the enclosed confirmation form by [insert date by which application must be posted]. Once you have correctly completed and signed the enclosed confirmation form and returned it to us, you will be deemed to have joined the Scheme on [insert date] (the “Start Date”). If your Start Date changes for any reason, we will write to you again to let you know.

The information contained in this letter is correct as at the date of this letter.

25 Delete as appropriate.
26 All the MCOB requirements applicable to promotion, advising on and agreeing a new mortgage contract will need to be complied with and documented in accordance with the lenders normal procedures, prior to a non-interest only borrower being eligible for the Scheme.
27 Please take into account your requirement to give reasonable notice.
• **About joining the Scheme**

From the Start Date you will be able to defer a proportion of your interest payments under your mortgage for an initial period of [insert period]. Interest will continue to be charged on the proportion of the interest payments that is deferred.

You are not permitted to take out any further loans secured against your property.

[Insert other terms and conditions, regulations etc]

If you break the terms and conditions of the Scheme, you will no longer be able to participate in the Scheme and you will be removed from it. Please see “What happens when I leave the Scheme” below for further details.

• **What we know about your current mortgage with us**

Your current mortgage balance is £[ ]
Your property value is estimated at £[ ]
Your current [fixed][floating][capped][discounted] interest rate is [ ]%
Your current monthly instalment is £[ ]
Your current arrears balance is £[ ]
[Your monthly instalment on an interest only basis would be £[ ]]  

• **What will it cost to join the Scheme?**

The calculations shown here assume that the current interest rates will remain unchanged.

The monthly interest to be charged on your account based on a rate of [ ]% and with a current mortgage balance outstanding of £[ ] will be £[ ]. The overall cost for comparison is [ ]%APR.  

Your commitment is to pay a minimum of £[ ] each month (representing [ ]% of your current monthly interest) whilst you remain on the Scheme with the remainder of the monthly interest amount being deferred until you exit the Scheme. It is, however, in your interest to pay as much of the current monthly interest as you can afford.

---

28 The initial period may not exceed 1 year.
29 The APR needs to be stated to comply with MCOB 3.6.17 R, where the letter is presenting price information and where the letter is sent to a customer who will also be changing to an interest-only mortgage (the letter constituting a non-real time financial promotion of qualifying credit).
30 This figure should not be less than 30% of the Borrower’s current monthly interest.
We have agreed reduced payments for an initial period of [insert period]. You must commit to making these payments each month during this initial period starting from the Start Date. If you do not keep up these payments, you will no longer be able to participate in the Scheme.

Please see the Summary Table at the end of this letter which sets out:

a. your current mortgage payments;
b. the payments you will need to make from the Start Date; and
c. an estimate of what your payments and total amount owing on your mortgage is likely to be if you defer payments for the whole of the initial period and then you leave the Scheme.

We will not charge any arrangement fee for transferring your mortgage with us into the Scheme.

- **What happens whilst I am on the Scheme?**

Once a member of the Scheme, you must tell us immediately about any change, whether positive or negative, to your financial circumstances [including as a consequence of a change in the financial position of your household]. If you notify us of a change in your financial position we will decide whether you can continue as a member of the Scheme. We may ask you to supply further information before making this decision. If it is appropriate for you to continue being a member, we will decide whether this is on the same terms or different terms to those which applied at the start. We will always inform you by letter of any proposed change to your terms, so you can decide whether to continue your membership of the Scheme.

If your income increases, we may decide that it is appropriate for you to increase your repayments or to leave the Scheme and recommence full payments under your original mortgage agreement with us.

If your income decreases, you must talk to us and to your independent money advisor as soon as possible. We will then decide whether you can continue to make reduced monthly payments and remain a member of the Scheme or whether other alternatives are more appropriate.

We will contact you regularly while you are a member of the Scheme and are making reduced monthly payments. By [insert date] (or such later date as we may indicate) (the “Review Date”), we will have conducted a full review of

---

31 The initial period may not exceed 1 year.

32 Include if appropriate.
your continued membership of the Scheme which will repeat the initial evaluation of your financial circumstances. This review will include consideration of a further common financial statement which will require you to seek further advice from a Scheme money adviser. This advice will help you assess whether you are eligible to remain a member of the Scheme for a further period and if that extended membership is appropriate or if you would prefer to leave the Scheme and return to making standard mortgage repayments. The maximum total period of time you can be a member of the Scheme is 2 years. We will write to you no later than 3 months before the Review Date to tell you what you must do.

- **What happens when I leave the Scheme?**

We will send you details of any changes to your current mortgage terms and your revised monthly mortgage payments which will apply from the date you leave the Scheme. We will give you at least [insert number of days] days' notice before the date on which you will leave the Scheme. Your revised monthly mortgage payments will be recalculated to repay the outstanding debt [over [insert term]/the remaining term of your mortgage agreement]. From the date any changes take effect, they form part of your mortgage agreement with us.

Based on the information we have today, we estimate that as a result of deferring interest payments for the whole of the initial period set out in this letter, your revised [monthly] payment after leaving the Scheme (assuming interest rates remain the same) will be £[     ].

Your first payment under the new monthly mortgage payments will be due [insert number of months] after the date on which you exit the Scheme.

- **Points to Note**

On leaving the Scheme, your debt will be higher than it is now because as a member of the Scheme you will pay less interest each month during the period of your membership than you would pay under your current mortgage agreement.

You should also be aware that on leaving the Scheme your monthly repayments are likely to be higher than they are now because when you leave the Scheme you will be paying the interest that you deferred by joining the Scheme, as well as the interest charged on those deferred interest amounts.

---

33 Please take into account your requirement to give reasonable notice.
34 Insert term of repayment where a revised term is agreed.
Interest rates can rise as well as fall so the underlying interest on your mortgage may rise, even though your commitment to pay £[     ] each month will remain unchanged whilst you remain a member of the Scheme (assuming your financial circumstances do not change).

Property values can fall as well as rise. **You are reminded that if your property is repossessed in the future, it may not be worth as much as it is now.**

**Your home may be repossessed if you do not keep up repayments on your mortgage.** This applies before you join the Scheme and after you leave the Scheme.

- Next steps

If you wish to join the Scheme, you must sign and return the enclosed confirmation form by [insert date]. This form confirms that you agree with the terms and conditions set out in this letter.

If you need any further information about your account or if you want to advise us of any changes to your financial circumstances, please speak to [insert name] on [insert telephone number].

To help us provide you with a better service please always quote your account details on any correspondence or on telephone calls.

Yours faithfully,

.................................................
For and on behalf of
[Participating Lender]

**It is important that you understand the way the Scheme works and the risks involved in joining the Scheme. You should read this letter carefully together with the information about the Scheme that you have been given. If you have any doubts about deferring monthly interest payments and joining the Scheme you should discuss these with a Scheme money adviser.**
Summary table for [Mr/Mrs X, Account No.]

Note the calculations below assume that your current interest rate will remain unchanged

<table>
<thead>
<tr>
<th>Your current arrangements under your existing mortgage agreement (including any arrears)</th>
<th>Your revised arrangements from the Start Date</th>
<th>Your arrangements when you leave the Scheme (assuming you do not leave early)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Your current mortgage balance: £[●]</td>
<td>• The amount of interest that you will be able to defer each month (and which will be added to your mortgage balance): £[●]</td>
<td>• Your estimated mortgage balance: £[●]</td>
</tr>
<tr>
<td>• The estimated value of your property: £[●]</td>
<td>• Your revised temporary monthly payment (on an interest only basis): £[●]</td>
<td>• The remaining term of your mortgage: [●] years [●] months</td>
</tr>
<tr>
<td>• Your current arrears balance: £[●]</td>
<td></td>
<td>• Your estimated monthly payment: £[●]</td>
</tr>
<tr>
<td>• Your current interest rate: [●]%</td>
<td></td>
<td>• [Your estimated (monthly) principal payment: £[●]]</td>
</tr>
<tr>
<td>• Your current monthly payment: £[●]</td>
<td>[The overall cost for comparison is [●]% APR]&lt;sup&gt;35&lt;/sup&gt;</td>
<td></td>
</tr>
</tbody>
</table>

Your home may be repossessed if you do not keep repayments on your mortgage.

Return to Step 11

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<sup>35</sup> Lenders should consider whether the interest only mortgage is caught by the FSA’s MCOB 3.6.17 R rule relating to the presentation of information about the APR, where the letter contains price information (for example, such as that detailed in the table) relating to qualifying credit (likely to be the interest-only mortgage available under the Scheme). As the letter constitutes an invitation to the customer to join the scheme it may fall within the FSA’s definition of a non-real time financial promotion; this is particularly the case where it is sent to a customer who is not currently on an interest-only mortgage, as the letter will be promoting a change to a regulated interest-only mortgage, even though separate documentation regarding such a mortgage would still need to be sent to the customer. Similarly lenders will need to have regard to the generality of MCOB 3.6.3 R in ensuring any non-real time financial promotion is clear, fair and not misleading when presenting information about costs, charges and APR rates. Where specific rules about price information and APR statements do not apply (for example where the customer is not changing mortgage contracts and there is not a financial promotion), lenders should have regard to the high-level requirement to treat customers fairly in accordance with Principle 6, in determining the price and APR information that customers should be presented with.
12b Borrower Confirmation Form

[Note: To accompany the Lender Decision Letter on initial admission to the Scheme]

From: [Borrower]
   [Insert details]
To: [Participating Lender]
   [Insert details]
Date: [Insert date]

Dear [Participating Lender],

Homeowners Mortgage Support Scheme (the “Scheme”)
Mortgage Account No. xxxxxxxxxxxxxxxx

I refer to the Scheme and confirm that:

   I agree with the terms contained in your decision letter dated [insert date]; and

   I have received advice from my Scheme money adviser and, as a result,

   I understand the terms of the Scheme and am aware of the alternatives to the Scheme that may be available to me and the consequences and risks associated with the Scheme (and with the Scheme alternatives) and of deferring the interest payments due under my mortgage agreement[s]36.

   I agree to tell you about any change (whether positive or negative) in my financial position [or the financial position of my household]37 as soon as I become aware of it.

Yours faithfully,

...............[Borrower]

Return to Step 11

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36 Include as appropriate.
37 Include as appropriate.
12c Borrower Notification Letter

[Note: To be used following a request for initial admission to the Scheme]

Letter Code: [Insert ref]

From: [Participating Lender]
[Insert details]

To: [Borrower]
[Insert details]

[HMSS Money Adviser]38
[Insert details]

Date: [Insert date]

Dear [Borrower],

Homeowners Mortgage Support Scheme (the “Scheme”)
Mortgage Account No. xxxxxxxxxxxxxxxx

This letter is to confirm that, following a review of your financial circumstances, we have decided that it is not appropriate for you to join the Scheme.

[We remain happy to work with you to find a solution to your financial difficulties.]

Yours faithfully,

…………………………………….
For and on behalf of
[Participating Lender]

Return to Step 11

38 Where the Borrower has authorised a HMSS Money Adviser to act on his/her behalf.
12d Notice of Lender Concession

[Note: to be sent by each of the Borrower’s Participating Lender(s) that [is/are] party to a CCA regulated mortgage agreement on initial admission to the Scheme]

From: [Participating Lender]
[Insert details]

To: [Borrower]
[Insert details]
[HMSS Money Adviser]39
[Insert details]

Date: [Insert date]

Dear [Borrower],

Homeowners Mortgage Support Scheme (the “Scheme”)  
Mortgage Account No. xxxxxxxxxxxxxxxx

You have recently indicated you intend to join the Scheme. Having considered the documentation [you/your Scheme money adviser]40 provided us along with your financial circumstances, we have decided that it is appropriate for you to join the Scheme and have, therefore, decided to provide you with the payment concessions that are set out in this letter. A payment concession means that we have decided you can reduce your mortgage payments to us in order for you to become a member of the Scheme.

The payment concessions will take effect on your Start Date set out below and will end when you leave the Scheme. If you think the amount you will pay has been calculated incorrectly or you think we have misunderstood your financial position, please let us know as soon as possible and in any event within [insert number of days]41 days from the date of this letter. If you are able to pay a monthly sum greater than that set out in this letter, you may do so and this will not affect the continuation of the payment concession we have granted. [Please note that we reserve the right to withdraw this payment concession at our sole discretion, in accordance with our normal policies and procedures.]

39 Where the Borrower has authorised a HMSS Money Adviser to act on his/her behalf.
40 Delete as appropriate.
41 Please take into account your obligation to give reasonable notice.
This letter sets out information about the Scheme and your obligations as a Scheme member. If you require any further Scheme information, we strongly recommend that you seek independent advice from a money adviser.

The information contained within this letter is correct as at the date of this letter.

- **Joining the Scheme**
  It is proposed that you will join the Scheme on [insert date] (your “Start Date”). If your Start Date changes for any reason, we will write to you again to let you know.

  From your Start Date, you will be able to defer a proportion of your monthly payments under your mortgage with us for a period of [insert period]. Interest will continue to be charged on the proportion of the payments that is deferred.

  You are not permitted to take out any further loans secured against your property.

  [Insert any other terms and conditions, regulations etc that apply to the concession]

  If you break the terms and conditions of the Scheme you will no longer be able to participate in the Scheme and you will be removed from it. Please see “What happens when I leave the Scheme?” below for further details.

- **What we know about your current mortgage with us**

  Your current mortgage balance is £[      ]
  Your property value is estimated at £[      ]
  Your current [fixed][floating][capped][discounted] interest rate is [      ]%
  Your current monthly instalment is £[      ]
  Your current arrears balance is £[      ]
  [Your monthly instalment on an interest only basis would be £[      ]]

- **What will it cost to join the Scheme?**

  The calculations shown here assume that the current interest rates will remain unchanged.

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42 Note: The Scheme Rules require that a Borrower will be admitted to the Scheme on the same date by all of his or her Participating Lenders. The proposed date of admission should be agreed with the Borrower / Scheme Money Adviser when the Borrower is evaluated.

43 The initial period may not exceed 1 year.
The monthly interest to be charged on your account based on a rate of [      ]% and with a current mortgage balance outstanding of £[      ] will be £[      ].

We have decided that from your Start Date you can reduce your monthly payment to us. You must pay a minimum of £[      ] each month [(representing [      ]% of your current monthly interest payment)] until you leave the Scheme [or, if earlier, we give you notice that you must start making full payments].

The part of your monthly payment that you do not pay will be deferred until you leave the Scheme [or, if earlier, we give you notice that you must start making full payments]. It is, however, in your interest to pay as much of the current monthly payment as you can afford.

[You are reminded that we may give you notice at any time that you are no longer able to continue deferring payments under your mortgage and must, instead, start making full payments.]

[Unless we provide you with notice that you can no longer continue to defer payments,] we will allow you to make reduced monthly payments to us for an initial period of [insert period]. This period runs from your Start Date. If you do not keep up the required minimum monthly payments, you may not be able to continue to participate in the Scheme and we may decide that you can no longer continue to defer payments under your mortgage with us.

Please see the Summary Table at the end of this letter which sets out:
- a. your current mortgage payments;
- b. the payments you will need to make from your Start Date; and
- c. an estimate of what your payments and total amount owing on your mortgage is likely to be if you defer payments for the whole of the initial period and then you leave the Scheme.

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44 This figure should not be less than 30% of the Borrower’s current monthly interest.

45 Note: If, in accordance with its normal lending and forbearance policies and practices, a Participating Lender would expect to be able to revoke an indulgence provided to a Borrower, then the Scheme Rules allow that Participating Lender to include an equivalent and appropriate notice provision in its Notice of Lender Concession.

46 Note: If, in accordance with its normal lending and forbearance policies and practices, a Participating Lender would expect to be able to revoke an indulgence provided to a Borrower, then the Scheme Rules allow that Participating Lender to include an equivalent and appropriate notice provision in its Notice of Lender Concession.

47 If a Participating Lender would expect to be able to revoke a concession, the Participating Lender should include details of the terms on which such concession may be revoked.

48 The initial period may not exceed 1 year.
We will not charge any arrangement fee for transferring your mortgage with us into the Scheme.

- **What happens whilst I am in the Scheme?**

Once a member of the Scheme, you must tell us immediately about any change, whether positive or negative, to your financial circumstances [including as a consequence of a change in the financial position of your household]49. If you notify us of a change in your financial position we will decide whether you can continue as a member of the Scheme. We may ask you to supply further information before making this decision. If it is appropriate for you to continue being a member of the Scheme, we will decide whether you should continue to make the same monthly payments as set out in this letter. We will always inform you by letter of any proposed change to your monthly payments.

If your income increases, we may decide that it is appropriate for you to increase your monthly payments or to leave the Scheme and recommence full payments under your original mortgage agreement with us.

If your income decreases, you must talk to us and to your independent money advisor as soon as possible. We will then decide whether you can continue to make reduced monthly payments and remain a member of the Scheme or whether other alternatives are more appropriate.

We will contact you regularly while you are a member of the Scheme and are making reduced monthly payments. By [insert date] (or such later date as we may indicate) (the “Review Date”), we will have conducted a full review of your continued membership of the Scheme which will repeat the initial evaluation of your financial circumstances. This review will include consideration of a further common financial statement which will require you to seek further advice from a Scheme money adviser. This advice will help you assess whether you are eligible to remain a member of the Scheme for a further period and if that extended membership is appropriate or if you would prefer to leave the Scheme and return to making standard mortgage repayments. The maximum total period of time you can be a member of the Scheme is 2 years. We will write to you no later than 3 months before the Review Date to tell you what you must do.

- **What happens when I leave the Scheme?**

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49 Include if appropriate.
We will send you details of any changes to your current mortgage terms and your revised monthly mortgage payments which will apply from the date you leave the Scheme. We will give you at least \([\text{insert number of days}]^{50}\) days’ notice before the date on which you will leave the Scheme. Your revised monthly mortgage payments will be calculated to repay the outstanding debt over \([\text{insert term}]^{51}/\text{the remaining term of your mortgage agreement with us}\), taking account of the deferred payments resulting from us granting you the payment concessions.

Based on the information we have today, we estimate that as a result of deferring payments for the whole of the initial period set out in this concession letter your revised [monthly] payment after leaving the Scheme (assuming interest rates remain the same) will be £[     ].

Your first payment under the new [monthly] mortgage payments will be due [\(\text{insert number of months}\)] after the date on which you exit the Scheme [or, the date on which we provided notice that we have decided that it has ceased to be appropriate for you to continue to defer payments under your mortgage with us]^{52}.

- **Points to Note**
  
  On leaving the Scheme, your debt will be higher than it is now because as a member of the Scheme you will pay less each month during the period of your membership than you would pay under your current mortgage agreement with us.

  You should also be aware that on leaving the Scheme, your monthly repayments are likely to be higher than they are now because when you leave the Scheme you will be paying the amounts that you deferred by joining the Scheme, as well as the interest charged on those deferred amounts.

  Interest rates can rise as well as fall so the underlying interest on your mortgage may rise, even though your commitment to pay £[     ] each month will remain unchanged whilst you remain a member of the Scheme (assuming your financial circumstances do not change).

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50 Please take into account your obligation to give reasonable notice.
51 Insert terms of repayment where a revised term is agreed.
52 Note: If, in accordance with its normal lending and forbearance policies and practices, a Participating Lender would expect to be able to revoke an indulgence provided to a Borrower, then the Scheme Rules allow that Participating Lender to include an equivalent and appropriate notice provision in its Notice of Lender Concession.
Property values can fall as well as rise. **You are reminded that if your property is repossessed in the future, it may not be worth as much as it is now.**

**Your home may be repossessed if you do not keep up repayments on your mortgage.** This applies before you join the Scheme and after you leave the Scheme.

- **Next steps**

If you need any further information about your account or if you want to advise us of any changes to your financial circumstances, please speak to [insert name] on [insert telephone number].

To help us provide you with a better service, please always quote your account details on any correspondence or telephone calls.

Yours faithfully,

........................................
For and on behalf of
[Participating Lender]

It is important that you understand the way the Scheme works and the risks involved in joining the Scheme. You should read this letter carefully together with the information about the Scheme that you have been given. If you have any doubts about deferring monthly payments and joining the Scheme you should discuss these with a Scheme money adviser.

**Summary table for [Mr/Mrs X, Account No.]**

*Note the calculations below assume that your current interest rate will remain unchanged*
<table>
<thead>
<tr>
<th>Your current arrangements under your existing mortgage agreement (including any arrears)</th>
<th>Your revised arrangements from the Start Date</th>
<th>Your arrangements when you leave the Scheme (assuming you do not leave early) [insert anticipated exit date]</th>
</tr>
</thead>
</table>
| - Your current mortgage balance: £[●]  
- The estimated value of your property: £[●]  
- Your current arrears balance: £[●]  
- Your current interest rate: [●]%  
- Your current monthly payment: £[●] | - The amount that you will be able to defer each month (and which will be added to your mortgage balance): £[●]  
- Your revised temporary monthly payment: £[●] | - Your estimated mortgage balance: £[●]  
- The remaining term of your mortgage: [●] years [●] months  
- Your estimated monthly payment: £[●]  
- [Your estimated [monthly] principal payment: £[●]] |

Your home may be repossessed if you do not keep up repayments on your mortgage.

Return to Step 11
12e Borrower Review Letter

[Note: To be sent no later than 3 months prior to a review date]

From: [Participating Lender]
   [Insert details]

To: [Eligible Borrower]
   [Insert details]

Date: [Insert date]

Dear [Eligible Borrower],

Homeowners Mortgage Support Scheme (the “Scheme”)
Mortgage Account No. xxxxxxxxxxxxx

On [insert date] your membership of the Scheme is due to end.

As we explained when you originally joined the Scheme, we are required to review your financial circumstances by [insert review date] in order to determine whether it would be appropriate for you to remain a member of the Scheme for a further period. This review will repeat the initial evaluation of your financial circumstances that took place before you originally joined the Scheme.

If you wish to extend your membership of the Scheme, you must, within 1 month from receipt of this letter, contact one of the Scheme money advisers listed below to make arrangements for a meeting to discuss the extension of your membership. The Scheme money adviser who advised you previously is [insert details].

[Insert list of potential Scheme money advisers]

There is no need to arrange a meeting with the Scheme money adviser that you originally dealt with but you may wish to do so.

During your meeting with the Scheme money adviser you will be able to discuss your current financial situation and any issues relating to your ability to afford your mortgage payments. Your Scheme money adviser will explain the risks that may result from you extending your membership of the Scheme.
[You should bring the following documents to your meeting: [list documents].]

If, for any reason, you are unable to attend a meeting with your Scheme money adviser within the next month you should make us aware of this as soon as possible. You are reminded that it is your responsibility to arrange and attend a meeting with your Scheme money adviser, and if you fail to do so you may no longer be eligible to remain a member of the Scheme.

After you have attended the meeting, we will be able to decide whether it is appropriate for you to remain in the Scheme for a further period and we will let you know our decision.

[Please call us on [insert telephone number] with details of who is going to be your Scheme money adviser and when you have scheduled your meeting with them.]

Yours faithfully,

…………………………………….

For and on behalf of
[Participating Lender]

Your home may be repossessed if you do not keep up repayments on your mortgage

Return to Step 11
Dear [Eligible Borrower],

Homeowners Mortgage Support Scheme (the “Scheme”)  
Mortgage Account No. xxxxxxxxxxx

This letter is to let you know that on [insert date] your membership of the Scheme will end. This is because you have reached the end of [your initial membership period and you have not requested an extension of your membership OR the maximum membership period permitted under the Scheme rules.]

This means that from [insert date] the following revised terms and conditions will apply to your mortgage(s):

[Insert terms and conditions and payment schedule(s)]

Please contact us should you wish to discuss the effect that leaving the Scheme will have on your monthly payments. To help us to provide you with a better service, please always quote your account details on any correspondence or telephone calls. **Your home may be repossessed if you do not keep up repayments on your mortgage(s).**

You may also wish to obtain further independent money advice from any of the Scheme money advisers listed on [www.direct.gov.uk](http://www.direct.gov.uk) so as to understand  

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53 Please take into account your requirement to give reasonable notice.  
54 Delete as appropriate.  
55 Delete as appropriate.
fully the revised terms of your mortgage agreement(s), the implications of leaving the Scheme and the other options that may be available to you given your financial circumstances.

[We remain happy to work with you to find a solution to your financial difficulties.]

Yours faithfully,

…………………………………….
For and on behalf of
[Participating Lender]

Summary

<table>
<thead>
<tr>
<th>Your current arrangements (while you are a member of the Scheme)⁵⁶</th>
<th>Your arrangements when you leave the Scheme⁵⁷</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The amount of interest that you are deferring each month (and which has been added to your mortgage balance): £[●]</td>
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</tr>
<tr>
<td>• Your temporary monthly payment (on an interest only basis): £[●]</td>
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</tr>
<tr>
<td></td>
<td>• [Your [monthly] principal payment: £[●]]</td>
</tr>
</tbody>
</table>

Return to Step 11

⁵⁶ Amend as appropriate.
⁵⁷ Amend as appropriate.