

**Decision Session- Executive Member for Housing
& Safer Neighbourhoods**

4 April 2016

Report of the Assistant Director of Housing and Community Safety

Mortgage Rescue Scheme - 'Mortgage Breathing Space'

Summary

1. The 'Mortgage Breathing Space' scheme was developed regionally and is administered by Wakefield Metropolitan Borough Council on behalf of other LA's to address the rise in mortgage repossessions due to the 'Credit Crunch'. Current access to the scheme is for those who are at risk of repossession as a result of a recent and significant change in their circumstances.
2. This report proposes the extension to the existing 'Mortgage Breathing Space' Mortgage Rescue Scheme to home owners aged 55+ who are not being repossessed as a result of a recent and significant change in circumstances but who are in danger of losing their owned home because their mortgage term is coming to an end and they have not repaid all of the capital borrowing and do not have the means to do so. Younger people in this position will simply extend their mortgage terms but older borrowers won't be offered an extension.

Recommendations

3. Executive Member is asked to:
 - **Agree Option 1** – to agree to the extension of the 'Breathing Space' Mortgage Rescue Scheme to home owners aged 55+ who are not being repossessed as a result of a recent and significant change in circumstances but who are in danger of losing their owned home because their mortgage term is coming to an end and they have not repaid all of the capital borrowing and do not have the means to do so.

Reason: To extend scheme to home owners aged over 55 to continue interest only mortgage repayments to prevent the loss of their home.

Background

4. City of York Council historically offered a Mortgage Rescue Scheme in conjunction with partners in Leeds and Harrogate as part of a 'Golden Triangle' initiative. This scheme ceased in 2011
5. In 2009 the government launched a national mortgage rescue scheme (MRS). This scheme ceased in 2014
6. City of York operates the Wakefield Metropolitan Borough Council (MBC) 'Mortgage Breathing Space Scheme' to assist home owners in mortgage arrears to access a loan, to prevent homelessness and / or to give them a 'breathing space' to sell their home and find alternative accommodation rather than being repossessed.
7. Mortgage Breathing Space is now the only mortgage rescue scheme available to York residents
8. The current 'Mortgage Breathing Space' scheme provides a loan to clear arrears on mortgages and secured loans, repayable within 3 years, as well as giving up to 12 months' forward payments when needed. The loan to retain the property (as opposed to allow sale before repossession) is premised upon the applicants circumstances being expected to improve in the foreseeable future so they can afford to meet their monthly mortgage contributions and pay an amount toward their loan sufficient to ensure the loan is cleared by the end of the third year.
9. The founding principle of the scheme is to help owner occupiers who suddenly find themselves in financial difficulties to stay in their own home and where this is not possible to help them through a controlled move where they can keep more of their property equity.
10. 36 households in York have been assisted by mortgage rescue schemes, of which 7 have been assisted through the Mortgage Breathing Space Scheme

	Golden triangle Scheme	CLG Scheme	Breathing Space
2009/10	8	3	N/A
2010/11	2	6	0
2011/12	N/A	4	2
2012/13	N/A	5	2
2013/14	N/A	2	1
2014/15	N/A	N/A	2

11. Many older people have interest only mortgages or some people use it as a form of equity release in their current home and didn't fully understand the consequences. Others are supposed to have a repayment vehicle, such as an endowment policy, but either have failed to maintain it or the policy has under performed. As they are too old to be offered new borrowing they are expected to sell to produce the capital to repay to the lender and if they don't sell they are repossessed, even if the outstanding debt is as small as a few thousand pounds.
12. Repossessions have reduced from a high in 2008 of 2500 to under 500 in 2015

Current and Ongoing Targets

13. The Department for Communities and Local Government (DCLG) and City of York Council targets for 2015/16 is to reduce (statutory accepted) homelessness by 5% (2015/16 target 98) and numbers in temporary accommodation to 55 (2015/16 target is 62).

Options

14. **Option 1** – To agree to the extension of the 'Breathing Space' Mortgage Rescue Scheme to home owners aged 55+ who are not being repossessed as a result of a recent and significant change in circumstances but who are in danger of losing their owned home because their mortgage term is coming to an end and they have not repaid all of the capital borrowing and do not have the means to do so.
15. **Option 2** – That CYC does not adopt the extended 'Mortgage Breathing Space Scheme' but retains the existing scheme which can only help those who are at risk of repossession as a result of a recent and significant change in circumstances.

Analysis

16. **Option 1** – Wakefield MBC have highlighted the following benefits to the extended scheme
 - help can be offered to homeowners who do not currently qualify under the eligibility criteria
 - staving off potential repossessions will support the reduction of homelessness within the authority
 - there will be an opportunity to test the equity release market as a possible means for homeowners to resolve mortgage difficulties and potentially plan for a financially independent future.

- this approach may allow residents to stay living independently in their own homes for longer or even indefinitely. .
17. Under the current Breathing Space Scheme policy, applicants can access a loan only where the cause of the financial difficulties they are find themselves in, is due to a recent and significant change e.g. illness or unemployment. Under the current scheme therefore residents in a shortfall position due to their interest free mortgage ending do not qualify for help, because their change in circumstances has occurred over a number of years and is not recent.
 18. Currently older homeowners who come to an end of an interest only mortgage where they have no vehicle to repay their mortgage or are facing a shortfall are not eligible for help. The proposal seeks to widen the eligibility to older home owners in this situation where they have limited opportunities to re-finance and would otherwise face homelessness through repossession action by their lender. The proposal will then offer a secured loan designed to stave off legal action and give the owner time to implement a long term solution to their housing difficulty. The proposal seeks to extend scheme to allow help to homeowners aged 55 or over with an endowment shortfall on their mortgage
 19. The extension scheme will still offer secured loans of between £2,000 to a maximum of £15,000. The loan limit was initially set during the pilot project in 2008 to minimise risk on the project budget and was endorsed when the regional project was launched in 2009.
 20. A detailed explanation of how the proposal will operate is shown in Apendndix 1 (Wakefield MBC documents) but in summary applications will be dealt with in the following ways:
 - Loans to fully redeem any mortgage shortfalls that are £15,000 or less will be considered. The client will either repay on monthly terms, or repay in full as a result of releasing equity or from the proceeds of a property sale.
 - Loans to provide a lump sum payment to lenders in return for an agreement to suspend any legal action for a period of 12 months will be considered where mortgage shortfalls are higher than £15,000. The client will either repay their loan in full as a result of releasing equity or from the proceeds of a property sale.
 - The repayment options protect the project budget and ensure that it can be recycled to help new applicants, further extending the life of the project. It should be noted that there may be some applicants for whom none of these repayment options is viable and whom the

scheme will not be able to help e.g. where the client does not have any equity.

21. Option 2 – If the council choose not to agree to the extension of the scheme and retain the existing criteria, we would not be able to help those individuals / households who would qualify for the extended scheme.

Council Plan

22. This will provide a mortgage rescue service to those over 55 and would contribute to Council aims as:
- Residents can access affordable homes while the greenbelt and unique character of the city is protected
 - Delivering frontline services for residents is the priority
 - Support services are available to those who need them
 - Focus on the delivery of frontline services for residents and the protection of community facilities

Implications

23. The implications arising directly from this report are:
- **Financial Implications** - There are no financial implications to CYC as there are no requirements for partners to underwrite loans or take on any bad debt provision on their ledgers.
 - **Equalities Implications** - A community impact assessment has been completed by Wakefield MBC highlighting benefit to older people.
 - **Legal Implications** - There are no legal implications for CYC
 - **Human resources** – There are no HR implications
 - **ICT** – There are no ICT implications
 - **Crime and Disorder** - There are no Crime and Disorder implications
 - **Property** - There are no Property implications
 - **Other** – There are no other implications

Risk Management

24. There is no risk to CYC in agreeing the recommendations set out in the report.

Contact Details

Author:

Becky Ward

Service Manager, Housing
Options and Homelessness
Communities and
Neighbourhoods
01904 554040

Chief Officer Responsible for the report:

Steve Waddington

Assistant Director, Housing and Community
Safety

**Report
Approved**

Date 21st March 2016

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Annexes

- Appendix 1 - Wakefield MBC report and impact assessment

Abbreviations

MRS - Mortgage Rescue Scheme

DCLG - The Department for Communities and Local Government

CYC – City of York Council