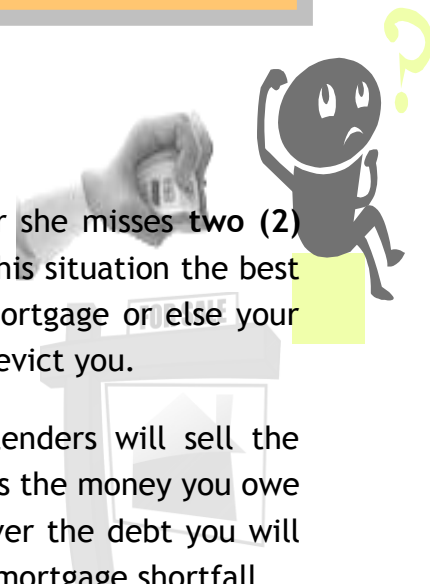




Mortgage Arrears

A person is said to have mortgage arrears when he or she misses two (2) months of mortgage payments. If you find yourself in this situation the best course of action will be to pay the arrears on your mortgage or else your mortgage lender can take action through the courts to evict you.



Upon a successful repossession of your property, the mortgage lenders will sell the property and use the money from the sale to pay off the debt (that is the money you owe on your mortgage). In the event proceeds from the sale do not cover the debt you will still be responsible for the difference. This difference is known as a mortgage shortfall.

Lenders are expected to adhere to the Pre-action Protocol Possession Claims based on Mortgage Arrears applicable 19th November 2008. The Pre-action protocol is to ensure that the lender and you must take reasonable steps to avoid litigation and the lender only makes a claim for repossession as a last resort.

How do I avoid repossession from my mortgage lender?

- 1) Realistically work out how much you can afford to pay your mortgage lenders. Doing so means working out how much money you have coming in and how much you have going out (including other debts if any). This can be referred to as your income and expenditure statement. At this stage it will be a good idea to seek the help of a debt and housing specialist adviser. See contact details at the end of this fact sheet***.
- 2) Contact your mortgage lenders and come to an agreement with them on how to pay off your arrears and current mortgage. Be realistic and offer to pay your mortgage lender an amount you can afford. You do not have to wait for your lender to accept your offer before making affordable regular payments. Your positive action may be taken into consideration if a claim for repossession of your property is brought before the court. The court may either allow you to stay in your property by suspending the possession on agreement that you keep to the payment arrangement if your offer is reasonable and the arrangement is maintained or in the alternative give the mortgage lender possession which would mean you being evicted.

Continued over...

***This factsheet is a guide. For further information or help with your mortgage arrears please contact:
Luton Rights: 15, New Bedford Road, Luton, LU1 1SA T: 01582453372
Luton Law Centre: 6th floor Cresta House, Alma Street, Luton LU1 2PL T: 01582481000
Luton Citizens Advice Bureau: 24-26 King Street, Luton LU1 2DP T: 08442451285

Luton Advice Network Fact Sheet

How do I pay off my mortgage arrears?

Depending on the agreement between you and your mortgage lender you may decide to pay off your arrears by:

- 1) adding an agreed extra amount each month on top your regular mortgage monthly payments to clear off the arrears
- 2) adding the arrears to your capital and paid back over the remaining period of the mortgage. This will increase the amount of your mortgage.
- 3) giving up your endowment policy or selling it off to an investor. Sales from your endowment policy can be used to pay off the arrears.
- 4) raising a lump sum to pay off all the arrears in one go.
- 5) getting on the Mortgage Rescue Scheme - a scheme launched by the Government to help vulnerable homeowners to stay in their home***.

How do I maximise my income to help with my situation?

- 1) Get a benefit check - you may be able to claim other benefits including Council Tax Benefit, Working Tax & Child Tax Credit, Support for Mortgage Interest etc. Your local agency will be able to complete a benefit check for you***.
- 2) Where possible make cuts in your expenditure in order to meet your mortgage payments. A budget will help you do this.

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