

HAMBLETON DISTRICT COUNCIL

Report To: Cabinet
5 July 2016

**Subject: REGIONAL MORTGAGE ASSISTANCE LOAN SCHEME – EXTENSION
TO SCHEME OF 2013 FOR OLDER RESIDENTS**

**All Wards
Portfolio Holder for Planning: Councillor B Phillips**

1.0 PURPOSE AND BACKGROUND:

- 1.1 To advise Cabinet on the financial issues facing some older residents who have an interest only mortgage and to outline a proposal through the established Mortgage Breathing Space Scheme to help reduce the risk of them losing their home.
- 1.2 The Mortgage Breathing Space Scheme is administered by Wakefield Council who hold a ring-fenced capital budget on behalf of 18 partner Local Authorities (including Hambleton) across the Yorkshire and Humber region. The current Mortgage Breathing Space Scheme gives an interest free secured loan to clear arrears on mortgages and secured loans, as well as giving up to 12 months forward payments when needed. 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. This is not only a better solution for the client but is more cost effective for the Council than dealing with the effects of homelessness.
- 1.3 It is estimated that nationally over 1 million homeowners face a shortfall on their endowment policies. Lenders have written to these homeowners over the years highlighting shortfalls and advising them to seek help to resolve problems. However, it is anecdotally reported that about 10% may not have solutions.
- 1.4 New lending rules from April 2014 mean it is now far more difficult for older owners to access credit which will limit their options if they have a mortgage shortfall and in addition, older residents may find it more difficult to find employment, following redundancy or loss of job.
- 1.5 By introducing an extension scheme older residents will be able to access help that will allow them to stave off repossession action and prevent homelessness. This in turn will reduce the number of approaches to the Council for residents facing legal action and repossession.

2.0 THE PROPOSAL:

- 2.1 Under the current Breathing Space Scheme, applicants can access a loan only where the cause of the financial difficulties they 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.
- 2.2 The proposal seeks to run an extension scheme alongside the current loan product, which will extend the current eligibility criteria to help homeowners aged 55 or over with an endowment shortfall on their mortgage.

- 2.3 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.
- (1) 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.
 - (2) 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.
- 2.4 The repayment options protect the project budget and ensure that it can be recycled to help new applicants. 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.
- 2.5 Currently, all clients receiving Breathing Space loan help are referred for independent financial advice (IFA). Under the proposal, clients will receive IFA on any loan proposal but may also seek advice on wider financial products such as equity release or pension release.
- 2.6 The client group who will become eligible for the extended scheme are considered to be much less vulnerable than other Breathing Space clients as they may have substantial equity that they will be releasing either through equity release or sale, or income levels that will allow them to repay their loan on monthly terms. These clients are struggling because they have an absence of financial product alternatives and are facing action because they cannot get finance elsewhere due to their age/retired status etc.
- 2.7 It is appropriate therefore to recoup some of the costs incurred in the loan process from them, which will replenish the funding available and allow the Council to deliver help for a longer period.
- 2.8 There are potential wider, very positive opportunities arising from utilising equity release for older homeowners, for example to fund repairs and adaptations to their properties and meeting other living and wellbeing expenses moving forward. Operation of the extended Breathing Space scheme by equity release in a controlled way will enable these to be tested and benefits or issues identified.

3.0 ENGAGEMENT:

- 3.1 The scheme partners have been consulted about the proposed changes and have endorsed the principle of a scheme extension to widen the available client base who could be helped.

4.0 LINK TO COUNCIL PRIORITIES:

- 4.1 Endorsement of the extension scheme will support the corporate objective of preventing homelessness and providing homes for older generations by helping the over 55s by allowing them to remain in their own homes and avoid repossession.

5.0 RISK ASSESSMENT:

- 5.1 There are no significant risks associated with this report.

6.0 FINANCIAL IMPLICATIONS:

6.1 There are no financial risks to the Council in agreeing the recommendation. Hambleton is a partner of this scheme which is administered by Wakefield Council. Wakefield received a ring-fenced grant of £2m in 2009/10 to provide interest free Mortgage Breathing Space loans across Yorkshire and the Humber. The current available funding is £907k, with £526k of loans outstanding. Any repayments are added back into the pot of funding available.

7.0 LEGAL IMPLICATIONS:

7.1 There are no legal implications.

8.0 EQUALITY/DIVERSITY ISSUES:

8.1 The extension of the current Mortgage Breathing Space Scheme has been considered in the context of the Local Authorities' Public Sector Equality Duties under the Equality Act 2010. The extension scheme is initially aimed at older homeowners, because of the increased difficulties they face in accessing mainstream credit. Younger homeowners have opportunities to re-finance and access mainstream credit that are not available to older homeowners, so their likelihood of facing repossession is reduced. An equality impact assessment has been completed which sets out which groups will be adversely affected by the proposal and what measures are being taken to mitigate/reduce the effects of the negative impact.

9.0 RECOMMENDATIONS:

9.1 That Cabinet approves:

- (1) the introduction of an extension to the current Mortgage Breathing Space Scheme; and
- (2) the extension of the advice sought through Independent Financial Advisors as part of the Mortgage Breathing Space loan application to allow residents to look at their longer term options.

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Background papers: HDC Cabinet report August 2013

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