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## Government help to those in difficulties with their mortgage

The Government has set up two schemes designed to assist those in difficulty with their mortgage.

**The Mortgage Rescue Scheme (MRS)** is a new initiative designed to enable homeowners, at risk of homelessness through repossession, to hold onto their homes in the current economic climate. It is intended to provide a safety net for up to 6,000 vulnerable households over the next two years. Depending on their specific circumstances, homeowners eligible for help under a MRS may be offered either:

- A shared equity option, which enables the homeowner's monthly mortgage payments to be reduced, or
- Government Mortgage to Rent which enables the homeowner to remain in the property as a housing association tenant on an assured short hold tenancy, paying an intermediate rent (below market rent level).

### How does the shared equity option work?

Key features of the shared equity loan option are:

- An RSL provider gives a loan of between 25 and 75% of a homeowner's current mortgage direct to the homeowner's lender
- This loan is secured against the property as an equity loan
- The homeowner's outstanding mortgage is reduced in line with the equity loan
- Monthly payments are made by the homeowner on the remaining mortgage and the loan
- An interest fee of 1.75% pa (increasing by RPI plus 0.5% pa) is charged on the equity loan, payable in monthly instalments by the homeowner
- An equity contribution of 3% of the value of the loan is paid by the homeowner to take part in mortgage rescue
- Once rescued, repairs and maintenance continue to be the responsibility of the homeowner
- The homeowner can pay off the loan, in full or in stages, at any time. The amount payable increases if the value of their home increases.



<b>Shared equity example</b>	<b>£</b>		<b>£</b>
Value of home	180,000		
Outstanding mortgage	130,000	Monthly payment	787
Pre-existing equity	50,000		
<b>Intervention- 50% of Mortgage paid in Equity Loan - £65,000</b>			
*Home owner equity contribution	1,950		
Total equity loan	66,950		
Outstanding mortgage	65,000		
Retained equity	48,050		
New monthly mortgage payment	380		
Monthly shared equity fee	98		
Total new monthly payment	478	Monthly saving	309

\*note this is not a cash contribution

### How does the Government Mortgage to Rent option work?

Key features of the Government Mortgage to Rent option are:

- A housing association (RSL) provider buys a homeowner's home and rents it back
- The RSL provider owns 100% of the freehold or leasehold
- The RSL grants a three year assured shorthold tenancy
- Rent is set at an intermediate rent level (market rent less 20%)
- An equity contribution of 3% of the value of the loan is paid by the homeowner to take part in mortgage rescue

<b>Mortgage to rent example</b>	<b>£</b>		<b>£</b>
Value of home	180,000		
Outstanding mortgage	165,000	Monthly payment	963
Pre-existing equity	15,000		
<b>Intervention- property purchased for value of home minus HEC - £174,600</b>			
*Home owner equity contribution (HEC)	5,400		
Total equity loan	9,600		
<b>RSL provider owns 100% of freehold or leasehold assured shorthold tenancy granted at intermediate rent for a three year fixed period</b>			
Monthly intermediate rent	720	Monthly saving	243

\*note this is not a cash contribution

The MRS is intended to help eligible homeowners who fall within one of three priority need categories in the homelessness legislation (see below) and who are at risk of homelessness as a result of mortgage repossession and who would be owed a duty to secure accommodation under the homelessness legislation if they became homeless through no fault of their own and to whom other options to prevent mortgage repossession are not available or would not be sufficient to avoid homelessness.

## The three priority need categories are that the homeowner must be

1. a person with whom dependent children reside or might reasonably be expected to reside;
2. a pregnant woman or a person with whom she resides or might reasonably be expected to reside; or
3. a person who is vulnerable as a result of old age, mental illness or handicap or physical disability or other special reason, or with whom such a person resides or might reasonably be expected to reside.

Before a local housing authority refers a homeowner ("the applicant") to an RSL provider for mortgage rescue, the authority must satisfy itself that the following grounds are met:

1. Having explored all viable alternatives to repossession including the exhaustion of lender's hardship options, the applicant's lender is prepared, in principle, to support an application for mortgage rescue
2. The applicant has, or will be able to provide, an up-to-date financial statement, obtained from money advice which demonstrates that mortgage rescue may be a viable option
3. The applicant is a homeowner, who wishes to remain in his or her home, a home that must be the only home and is at risk of homelessness through repossession as a result of mortgage difficulties
4. The applicant would be eligible for assistance under the Housing Act 1996
5. The applicant has a priority need for accommodation within the meaning of the Housing Act 1996
6. There are no outstanding charges other than those proposed to be cleared by mortgage rescue or ownership disputes. Where the total amount of debt secured against the property (charges and mortgages) added together exceeds the value of the property, placing a homeowner in negative equity, MRS cannot proceed.
7. The applicant's households gross income is less than £60,000 per annum
8. An up-to-date valuation of the applicant's property indicates that mortgage rescue would be a viable option for all parties, taking into account the maximum property cap for the region
9. The applicant has been provided with sufficient time, advice and assistance to give him a reasonable opportunity to seek independent financial advice and make an informed choice about the products offered by the RSL provider
10. The offer of a mortgage rescue product would provide a housing option for the applicant that would be affordable and sustainable

## What is Homeowners Mortgage Support?

Homeowners Mortgage Support (HMS) is the latest Government initiative to help people at risk of repossession. It is for people who've recently experienced a sharp drop in income: perhaps because they have had overtime cut or hours reduced. It is a last resort, after people have explored all other options with their lender.

## What does it involve?

Homeowners Mortgage Support enables you to postpone part of your interest payment for up to two years. The money postponed is added on to the remaining balance of your mortgage, to be paid back when your situation improves. All lenders will work with households who are having difficulty paying their mortgage to help them avoid repossession. This is known as 'forbearance'. HMS is a type of 'extended forbearance' which means lenders are offering longer than usual for borrowers having difficulties to get back on their feet.

## Is it a payment holiday?

No, because you have to keep paying as much as you can afford each month. Homeowners Mortgage Support would reduce your monthly payment for up to two years. But any money you do not pay now has to be paid off eventually.

## Aren't there risks in doing that?

Yes, there are risks as well as benefits. The main risks are that:

- By taking advantage of Homeowners Mortgage Support, you are adding to your debt, because you are not paying all of your monthly payment and interest will be charged on the payment you have postponed. Overall, you will end up paying more than when you took out your mortgage.
- You must be confident that your financial circumstances will improve and that you will be able to manage increased payments in the future

- If you do not keep up with your reduced repayments, then you may still be at risk of repossession
- If you are repossessed in the future, your debt may be larger because you have deferred some of the payments and your home may have declined in value owing to the changing housing market. If your home is then worth less than your mortgage, you may still owe the lender money even after you have been repossessed.

Together with your lender, you need to decide if the potential benefits outweigh these risks. Independent money advice can also help you decide – and some lenders will say that you must get money advice before you can apply.

## Will this help me avoid repossession?

HMS may reduce the risk of repossession, because you should find it easier to keep up with your reduced monthly payments and the scheme gives you time to get your finances back on track.

But it can't eliminate the risk entirely. If your financial situation worsens, or if you are not able to return to increased payments after two years, your home may still be repossessed.

## What would my monthly payments be when I am on the scheme?

That depends on your individual circumstances. Your lender will take into account your interest repayments at the moment as well as your new financial circumstances.

As a minimum, you will have to pay back thirty per cent of the interest due each month. But it is in your interest to pay back as much as possible.

## How do I pay back the money I've postponed?

Individual lenders will decide how this money is to be paid back. Your lender will work with you to agree a reasonable and affordable



repayment schedule to pay off your mortgage plus any amount that you have deferred. Some will extend the term of your mortgage. Some will spread out repayments over the existing term.

### **Is my lender taking part?**

The first lenders will be offering Homeowners Mortgage Support or an equivalent from April 21st. Others will soon follow suit. Check [www.direct.gov.uk/HMS](http://www.direct.gov.uk/HMS), or call your lender to find out they are offering HMS or an equivalent.

### **Can anyone sign up?**

No: this is a short-term solution for people for people who have had an 'income shock' but who believe they can get their finances back on track reasonably quickly. Lenders may also have other terms and conditions: for example, that your mortgage and any other loans secured against your home must not be more than a certain amount; or your savings must be below a certain level. You will need to check these details with your lender.

### **Does it matter what my interest rate is?**

No, having a high interest rate does not automatically make you ineligible for the scheme. But you must be able to pay at least thirty percent of the interest due. If your lender believes that you are eligible for this support, then they will explain how much you are able to postpone, and how much you would pay back each month.

### **Do I have to switch to an interest only mortgage?**

Yes. If you are not already on an interest only mortgage, then you will need to do so. Homeowners mortgage support only lets you defer your interest payments. Transferring to an interest only mortgage will also help reduce the payments overall.

Over the long term, you will need to make arrangements for paying back the capital too. In most circumstances, that would mean returning to a capital repayment mortgage once you have left the scheme.

### **Does it always last for two years?**

No. Two years is the maximum amount of time you can make the reduced repayments, but if your circumstances change, you will need to look again at whether this is still appropriate. For example, if your financial situation improves, it is in your own interest to pay more back each month, and return to normal payments if possible.

If your circumstances worsen, and you can no longer keep up with these lower repayments, you and your lender will need to revisit whether another option – like mortgage rescue – might be more appropriate.

### **Why is money advice so important?**

Your lender wants to be sure that you have fully understood all the risks as well as the benefits of joining the scheme. Some will require you to have money advice before you can apply.

Independent money advice will help you appreciate all the different implications so that you can make an informed choice. They cannot tell you whether or not you should apply: that is ultimately your decision.

Money advice covers general debt advice, as well as advice about mortgages. So they can also advise you on ways to improve your overall financial situation: for example, by helping you work out a suitable budget or helping you apply for benefits, if appropriate.

### **Is this my only choice?**

No. Homeowners Mortgage Support is just one option for people in particular circumstances. If you are worried about keeping up with your mortgage payments, the first thing to do is talk to your lender, who will help you explore the options. For example, they may be able to offer you a payment holiday or work out an alternative payment plan. There are also other Government schemes available, depending on your circumstances.

## **I think I'm eligible, but my lender won't let me sign up. What can I do?**

Your lender ultimately has discretion over to whether to let you participate. For example, if they don't think your earnings will return to the same level, and that you won't be able to keep up with repayments over the long term, they may not let you cut your repayments. But they must still explore all other alternatives before starting repossessions proceedings.

## **I've got other loans secured against my house, as well as my mortgage. Can I still apply?**

Yes, but only if all the lenders involved agree. You, your independent adviser and your lenders would need to develop a sensible repayment plan so that all lenders are receiving regular payments. How much you must pay to each lender will depend on your individual circumstances. You will need to discuss the details with your money adviser who may be able to help you negotiate with your lenders.

## **I'm in negative equity – can I still apply?**

If you are already in negative equity you are not automatically excluded from applying. However, you, the money adviser and your lender will need to consider carefully whether HMS is right for you. It will increase your debt and may leave you in a worse position than you are in now.

## **Is there any charge for Homeowners Mortgage Support?**

There is no charge to apply. But you may be charged other fees, depending on the terms of your original mortgage contract. For example, if you have gone into unauthorised arrears, a lender may charge you for that.

If you are having difficulties paying your mortgage you should in the first instance speak with your lender as they may be able to help you with a number of options, particularly the Homeowners Mortgage Support Scheme. You may also want to speak to the Citizens Advice Bureau. If you want to talk to someone about the

Mortgage Rescue scheme please contact the local authority for the area you currently live in.

If you live in the borough of Eastleigh and rent your home from a private landlord or a housing association and are in arrears and under threat of eviction please call us on 023 8068 8165 to discuss your circumstances as we may be able to help.

These leaflets may also be of assistance:



### Are you worried about your mortgage?

## Get advice now

If you are struggling to pay your mortgage, or you think it will be difficult to pay more when your fixed-rate deal ends, act now to stop your situation becoming worse.



\*Working with Citizens Advice Bureaux | Independent advice agencies | Local housing authorities to help prevent homelessness through the provision of timely, quality housing advice.



### Government mortgage rescue scheme

#### What will it mean for me and my family?



# Sheltered housing

## Plan for a care-free retirement at Rotary Court

Moving house is a daunting experience at any time of life, but particularly as we get older. The key is in the planning: ideally think a couple of years ahead – you may be perfectly happy in your house now, but perhaps the garden's getting a bit much, or you can see a time approaching when the stairs will become a bother. Planning means that you can take a look around at what's available in your area and give you time to visit a new development or an existing similar scheme to get an idea of how it would work for you.

Rotary Court in Netley Abbey will provide attractive, trouble-free housing for the over-60s, and will be available for occupation within the next two years. The finished development will consist of 28 one and two-bedroom retirement flats in two buildings, both with lifts. It will be part of a bigger scheme of around 30 additional flats and houses for single people and families.

The facilities include:

- Secure door entry system
- 24-hour emergency alarm system
- Residents' lounge
- Off-road parking

Netley itself has a GP surgery and a range of shops. A regular bus service goes to the city centre, which is about four miles away. Eastleigh Borough Council is working in partnership with Saxon Weald, a housing association which owns and manages more than 5,000 houses and flats throughout Hampshire, West Sussex and East Sussex.

Stuart Fullwood, Saxon Weald's Development Project Manager for Rotary Court, said:

"These flats will be built to very high standards, with weekly rents in the region of £80 for a one-bedroom flat and £90 for those with two bedrooms. In addition there will be service charges to cover costs such as a caretaker, grounds maintenance and communal lighting. People on low incomes may be entitled to help with their rents.

"All our new buildings are insulated and heated using the most modern techniques – so energy bills are low, and they have excellent sound insulation."

Flats at Rotary Court will be advertised through Eastleigh Homechoice. Please contact Eastleigh Borough Council on 023 8068 8165 for more information. We are particularly keen to use some of the retirement flats for existing housing association tenants who are under-occupying family homes. In these cases financial incentives as well as practical help with the move may be available.

Click to view

### Rotary Court

Queens View, Netley Abbey, Southampton, SO31 5EF



An attractive, modern retirement scheme, thoughtfully designed for the over 60s.



#### Accommodation

Rotary Court is under construction and will be ready for occupation in early spring 2010. Once finished, the scheme will offer 28 flats. The flats will be a mixture of one and two bedroom properties, and will be divided into two buildings.

Each property is fully self-contained, benefiting from a modern fitted kitchen and level access walk-in shower.

The scheme is part of a wider development which will include approximately 30 flats and houses for individuals and families

in business for neighbourhoods



# Down on the farm May 2009

The latest phase of the Dowd's Farm development was officially opened this week. In this penultimate phase, Swaythling Housing Society, part of Radian, has provided another 62 much needed affordable homes for the local community. The final stage has now commenced and once completed, the development will boast 765 homes, of which 230 will be available for affordable rent and shared ownership.

As with all Radian new-builds, consideration has focussed on environmental impact and Dowd's Farm has achieved an Eco Home rating of 'very good'. The land it is built on was formerly a green field site and much work has been done to minimise the disturbance to the existing wildlife on site. These concessions even include one of the blocks of flats containing a 'bat void' which provides a safe environment for bats to roost.

In addition to the residential facilities on site, Dowd's Farm also includes a new Primary School, a new 16 acre park and there are plans for a Community Centre. The site was developed in partnership with Eastleigh Borough Council and all homes comply with the Homes & Communities Agency funding conditions.

"The results of this project so far has been a combined investment of over £13million in the local economy but most importantly, the creation of homes that people want to live in and a major contribution to what we all hope will become a strong and vibrant community. Swaythling has an on-going commitment to do all that we can to help residents make this happen." Ralph Facey, Director, Swaythling Housing Society.z





## Housing association policies on pets in properties

Housing associations have their own policies on whether or not they allow pets, but generally if the property is within a block of flats that shares a communal entrance with others this would not be suitable for pets. Most houses and some flats that have both their own entrance and private garden usually would be suitable for pets. If you do have cats and dogs that you wish to take to your new property, you should check that the advert says 'pets allowed'

If you are unsure if a property is suitable for pets, you can contact the individual housing association that is advertising the property and they will be able to advise whether pets are allowed.

## Overcrowded?

Are you overcrowded and living in a housing association property in the borough of Eastleigh? If yes, and you also have a five bedroom need, this might apply to you.

We have 66 households on the register with a five or more bedroom need, but five bedroom houses are very rare.

We are working with housing association landlords in the borough to try and improve the housing conditions for those living in the most overcrowded circumstances. We have asked the housing associations to contact tenants who have a five bedroom need but living in much smaller housing association properties to check if there is any way their existing home can be extended (either by doing a loft conversion or an extension) so that the property is more suitable to the households needs so that they no longer have to move. If there is potential, any works will be subject to funding.

If you have not yet been contacted by your landlord please do not hesitate to contact them so your circumstances and your existing home can be assessed.

