

APPLYING FOR A THREE-MONTH MORTGAGE PAYMENT HOLIDAY

EASING THE STRESS SOME
BORROWERS WILL BE FACING
DURING THE PANDEMIC OUTBREAK

Mortgage borrowers that have been adversely affected financially by coronavirus (COVID-19) may want to consider requesting to take a mortgage payment holiday on their residential or buy-to-let mortgage for up to three months to help their financial situation. The Government's policy is aimed at easing the stress some borrowers will be facing during the pandemic outbreak.

It also provides some flexibility at a time when many workers are facing lower or no incomes. As mortgage payments are usually a household's largest outgoing, pausing payments may help to take some of the pressure off. However, an alternative some mortgage borrowers may want to consider is the option to reduce payments instead of delaying the debt.

When the three-month mortgage payment holiday policy was announced, understandably some mortgage borrowers were concerned about the effect a payment holiday would have on their credit report. The three credit reference agencies Experian, Equifax and TransUnion have now agreed to protect the scores of those affected by utilising this mortgage payment deferral option.

YOURS QUESTIONS ANSWERED

Q: WHAT IS A MORTGAGE PAYMENT HOLIDAY?

A: A mortgage payment holiday means you agree with your lender that you will not have to make contractual mortgage payments for a set amount of time. Payment holidays are designed to help you when you may experience payment difficulties – in this case, because of the coronavirus situation. Under the Government's new policy, you can apply for a payment holiday of up to three months.

It's important to remember that a mortgage holiday is a temporary break from your mortgage payments, to help you through these uncertain times. You still owe the amounts that you don't pay as a result of the payment holiday, and interest continues to be charged on the amount you owe. This means that, at the end of the payment holiday, you'll be required to make up the missed mortgage payments.

There will be various options for doing this, for example, by increasing your monthly payments slightly, or by adding a short extension to your

term. Your lender will be able to explain to you what options it offers.

Q: SHOULD I APPLY FOR A MORTGAGE PAYMENT HOLIDAY?

A: The majority of the main mortgage lenders have committed to this and are offering payment holidays to borrowers who are experiencing or reasonably expect to experience payment difficulties because of coronavirus.

Some lenders may consider that another option is more appropriate for the borrower's circumstances, and where it is in their interest. This can be discussed with the lender.

You should not apply for a mortgage payment holiday if you are not experiencing or do not reasonably expect to experience payment difficulties.

Q: HOW DO I APPLY FOR A MORTGAGE PAYMENT HOLIDAY?

A: Mortgage payment holidays of up to three months are available to all homeowners who are up to date on their mortgage payments. They're also available to buy-to-let landlords whose tenants have been financially affected by the coronavirus. You can apply for a payment holiday at any time before this guidance is reviewed in three months.

Landlords who take payment holidays are expected to pass on this relief to their tenants. Homeowners who are in arrears on their mortgage should contact their lender, who will review any changes to their circumstances and discuss their options.

If you are experiencing or reasonably expect to experience payment difficulties because of circumstances related to coronavirus, for most mortgage lenders the quickest way to apply will be to complete an online form or telephone them.

Your lender will not require you to provide any documentation or undergo any affordability tests. Instead, homeowners will need to self-certify that their income has been directly or indirectly affected by the coronavirus. If you're a landlord, you'll need to self-certify that your tenant's income has been affected by the outbreak.

Due to the number of requests for payments holidays, in some instances it may take over a week to process them. Once your mortgage lender has applied the payment holiday to your account, they will write to you confirming when your payment holiday will start.





Q: WHERE CAN I FIND MY MORTGAGE ACCOUNT NUMBER?

A: Your account number can be located in a number of places, including:

- ▶ In your original mortgage offer letter
- ▶ Any mortgage payment notice from your mortgage lender
- ▶ Your annual mortgage statement

Q: SHOULD I CANCEL MY DIRECT DEBIT MANDATE?

A: No. It is only a payment holiday if it has been agreed with your lender. You should not cancel your direct debit without speaking to your mortgage lender first. Cancelling your direct debit is not a payment holiday, and these will be counted as missed payments. This could show up in your credit file and may impact your ability to remortgage at a future date.

Q: HOW WILL INTEREST ON MY MORTGAGE BE CALCULATED DURING THE PAYMENT HOLIDAY?

A: You will still be charged interest during the payment holiday, unless your lender has told you otherwise.

Interest will continue to build at your usual interest rate during the payment holiday, and the total amount of interest you pay over the term of the mortgage will increase. When your payments start again after the payment holiday, they'll be recalculated.

It's likely the mortgage lender will spread the outstanding payments over the outstanding term of your mortgage, so you will see an increase in your monthly mortgage payments. This will also result in a slightly higher mortgage balance than if you'd not taken out a mortgage holiday.

You will need to agree with your lender a manageable way to make up the missed payments given your circumstances. However, if you are still not able to make your full mortgage payments due to circumstances relating to coronavirus, then the lender may offer you a further payment holiday, or other arrangements if these are appropriate to your circumstances.

Q: WILL TAKING A PAYMENT HOLIDAY HAVE AN ADVERSE IMPACT ON MY CREDIT STATUS?

A: The Financial Conduct Authority's guidance to mortgage lenders has made it clear that they should ensure that taking a payment holiday will not have a negative impact on a borrower's credit file. Experian, Equifax and TransUnion have confirmed to protect the scores of those affected.

Q: IF I'M BEHIND WITH MY MORTGAGE PAYMENTS, CAN I STILL APPLY FOR A PAYMENT HOLIDAY?

A: Lenders are expected to offer payment holidays to borrowers who are experiencing or reasonably expect to experience payment difficulties because of circumstances related to the coronavirus, or another option better suited to your needs and in your best interest, whether or not you are already behind on your payments.

Q: WILL LENDERS STOP REPOSSESSION ACTION DURING THIS PERIOD?

A: At this time of unprecedented uncertainty and upheaval, lenders are expected to stop repossession action. This applies to all mortgage borrowers at risk of repossession, whether or not their incomes are affected by coronavirus. Many lenders have already committed to this.

Q: ARE THERE ALTERNATIVES TO TAKING A MORTGAGE PAYMENT HOLIDAY?

A: A payment holiday is one option that a mortgage lender can offer. You don't need to undergo an affordability assessment, but if you're willing to do so, then your mortgage lender may offer you more tailored support.

Some of the options available could include:

- ▶ To move your mortgage to interest-only payments for a period
- ▶ To defer your interest payments for a period
- ▶ To extend your mortgage term (reducing your monthly payments)
- ▶ To add the deferred payments to the overall amount you owe and spread this over the remaining mortgage term

PROTECTING RENTERS AFFECTED BY CORONAVIRUS (COVID-19)

NO RENTER IN EITHER SOCIAL OR PRIVATE ACCOMMODATION WILL BE FORCED OUT OF THEIR HOME

More than a fifth of UK households live in privately rented accommodation. The Government has introduced measures to protect renters affected by coronavirus (COVID-19). This radical package of measures protects renters and landlords affected by coronavirus – and with these in force, no renter in either social or private accommodation will be forced out of their home.



The Government has made £500 million available to fund households experiencing financial hardship. And as part of the workers' support package, the Chancellor, Rishi Sunak, announced the Government will pay up to 80% of a worker's wages, up to a total of £2,500 per month, where workers are placed on the Coronavirus Job Retention Scheme.

SERVING NOTICE TO END THE TENANCY

From 26 March 2020, landlords now have to give all renters three months' notice if they intend to seek possession, serving notice that they want to end the tenancy. This means the landlord can't apply to start the court process until after this period. This extended period will apply in law until 30 September 2020, and both the end point and the three-month notice period can be extended if needed.

This protection covers most tenants in the private and social rented sectors in England and Wales, and all grounds of evictions. This includes possession of tenancies in the Rent Act 1977, the Housing Act 1985, the Housing Act 1996 and the Housing Act 1988. After three months, if the tenant has not moved, a landlord needs to apply to court in order to proceed.

EVICTIONS DURING PERIOD OF NATIONAL CRISIS

Most renters in the UK are on what are known as 'assured shorthold tenancy agreements'. Assured shorthold tenants can usually be evicted at short notice. A landlord can serve a tenant with what's known as a 'section 8 eviction notice' as soon as they are eight weeks behind with rent. Normally, you will then have 14 days' notice.

A different kind of notice called a 'section 21' can also be served without giving a reason. The tenant usually has two months to leave the property, but the notice period can be longer. A landlord cannot

begin either of these types of eviction until the period of national crisis ends.

HOUSING POSSESSION ACTION SUSPENDED

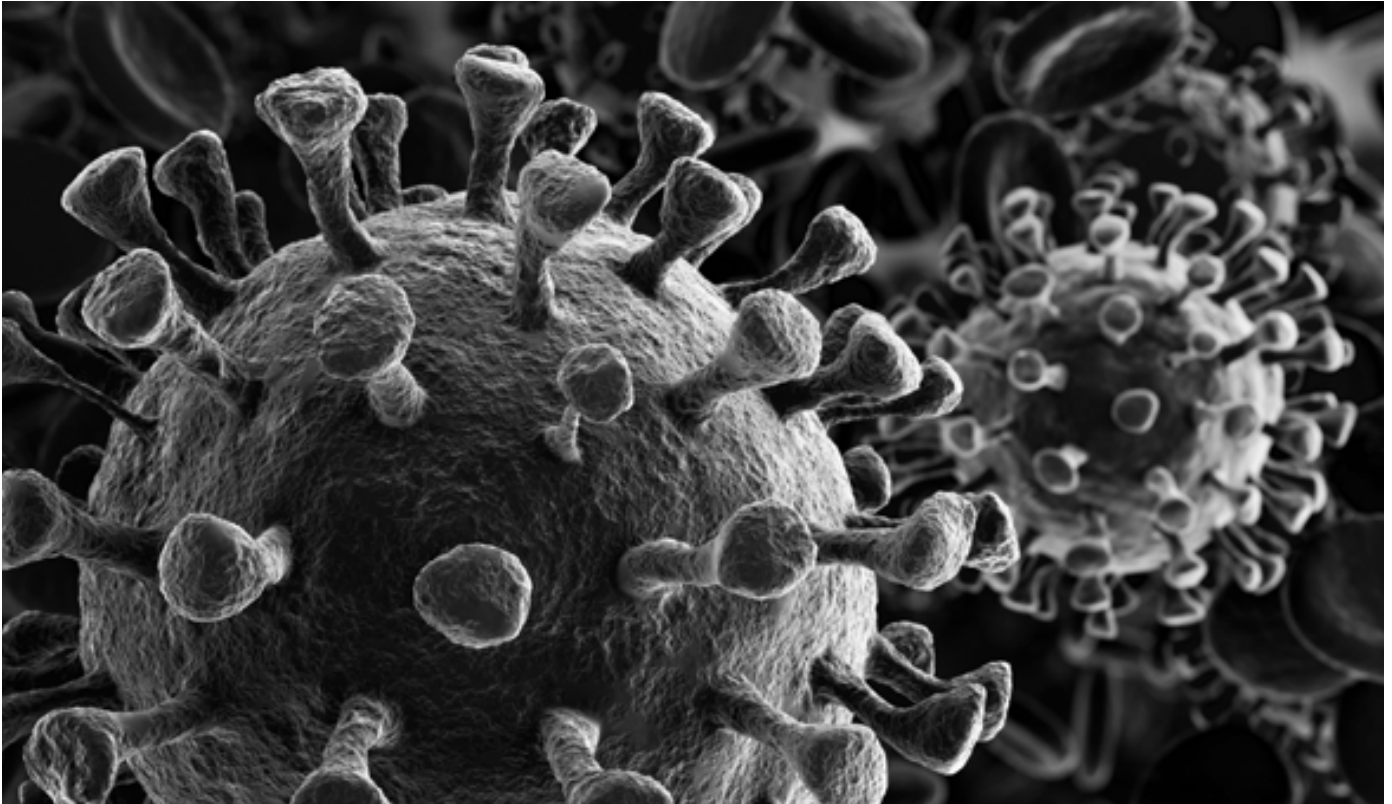
From 27 March 2020, the court service suspended all ongoing housing possession action – this means that neither cases currently in the system or any about to go into it can progress to the stage where someone could be evicted.

This suspension of housing possessions action will initially last for 90 days, but this can be extended if needed. This measure will protect all private and social renters, as well as those with mortgages and those with licenses covered by the Protection from Eviction Act 1977. This will apply to both England and Wales.

FACING FINANCIAL HARDSHIP AND STRUGGLING TO PAY

Tenants are still liable for their rent and should pay this as usual. If you are a tenant facing financial hardship and struggling to pay this, support is available. In the first instance, you should speak to your landlord if you think you will have difficulty meeting a rental payment.

Explain the situation and ask for more time to pay, or ask to catch up any missed payments by instalments, and discuss with them an option to put in place a rent payment scheme. Don't offer to pay more than you can realistically afford, as this could make the problem worse if you can't keep up with your payments.



**POSITIVE PARTNERSHIP
BETWEEN TENANTS AND LANDLORDS**

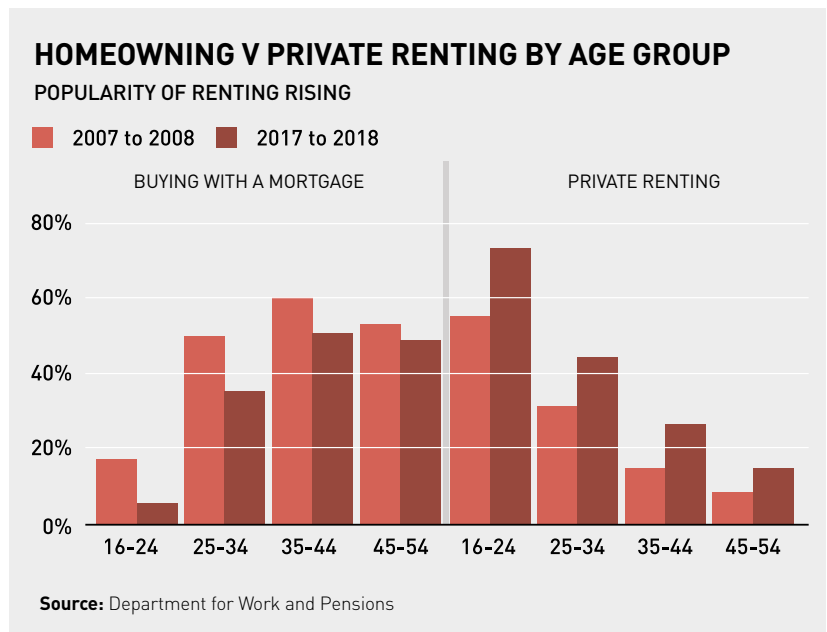
These government measures are aimed at alleviating the concerns of many landlords who might be worried about meeting mortgage payments, and should therefore mean no unnecessary pressure is put on their tenants. In addition, both Universal Credit and Housing Benefit increased from April, and Local Housing Allowance rates will now pay for at least 30% of market rents in each area.

To further support landlords, and to maintain the positive partnership between tenants and their landlords, the Government have agreed with lenders that they will ensure support is available where it is needed for landlords. Landlords will also be protected by a three-month mortgage payment holiday where they have a buy-to-let mortgage.

**URGENT, ESSENTIAL HEALTH
AND SAFETY REPAIRS TO BE MADE**

During the period of uncertainty, landlords still remain legally obligated to ensure properties meet the required standard – urgent, essential health and safety repairs should be made. An agreement for non-urgent repairs to be done later should be made between tenants and landlords.

The Government is expecting landlords and tenants to work together to establish affordable repayment plans after the crisis. The measures will give tenants and landlords much greater confidence that rents can be paid through the COVID-19 crisis. ■



COVID-19 EFFECT ON HOUSE PRICES

SECTOR SET TO MIRROR THE REST OF THE
ECONOMY OVER THE SPRING AND SUMMER



It's too early to get a clear picture of what will happen to UK property prices after the coronavirus (COVID-19) outbreak. The UK property market since December 2019 had been enjoying an upward trajectory following a post-election bounce. This year had started strongly for property, with prices increasing during January and February. However, this is likely change as the sector mirrors the rest of the economy over the spring and summer.



One assessment of the property market by Knight Frank forecasts that mainstream UK house prices are likely to fall 3% in 2020, but then bounce back by 5% in 2021. Behind the forecast is an assumption that the British economy will shrink by 4% in 2020 before growing by 4.5% next year as the pandemic recedes.

BUYERS AND RENTERS SHOULD DELAY MOVING

The Government's message to people is not to move property to try to limit the spread of coronavirus across the UK. Buyers and renters should delay moving while emergency stay-at-home measures are in place, it said.

Home buyers and renters should, where possible, delay moving to a new property while measures are in place to fight coronavirus. Government advice is that if you have already exchanged contracts and the property is currently occupied, then all parties should work together to agree a delay or another way to resolve this matter.

AMICABLE ARRANGEMENTS TO CHANGE MOVE DATES

In line with the Government's advice, anyone with symptoms, self-isolating or shielding from the virus should follow medical advice, which will mean not moving house for the time being, if at all possible. All parties should prioritise agreeing amicable arrangements to change move dates for individuals in this group, or where someone in a chain is in this group.

In the new emergency enforcement powers that the police have been given to respond to coronavirus, there is an exemption for critical home moves, in the event that a new date is unable to be agreed.

EXTENDING MORTGAGE OFFERS FOR UP TO THREE MONTHS

UK Finance has confirmed that, to support customers who have already exchanged contracts for house purchases and set dates for completion, all mortgage lenders are working to find ways to enable customers who have exchanged contracts to extend their mortgage offer for up to three months to enable them to move at a later date.

If a customer's circumstances change during this three-month period, or the terms of the house purchase change significantly and continuing with the mortgage would cause

house buyers to face financial hardship, lenders will work with customers to help them manage their finances as a matter of urgency.

GETTING YOUR PROPERTY ONTO THE MARKET

During this period, getting your property onto the market may be more difficult than usual. There should be no visitors to your home. You can speak to estate agents over the phone, and they will be able to give you general advice about the local property market and handle certain matters remotely, but they will not be able to start actively marketing your home in the usual manner.

If you are thinking about selling, you could use this time to start gathering together all of the information you will need to provide to potential purchasers. Advice for people to stay at home and away from others means you should not invite unnecessary visitors into your home, including property agents to carry out a market appraisal or take internal photographs prior to marketing your home, and Energy Performance Certificate assessors.

ADVERTISING IT AS BEING FOR SALE

If your property is already on the market, you can continue to advertise it as being for sale, but you should not allow people in to view your property. Some agents may offer the option of virtual viewings, or 360-degree viewings, or offer to show properties via video call or recorded film.

There should not be any visitors into your home, and you should therefore not let people visit your property for viewings. Your agent may be able to conduct virtual viewings, and you could speak to them about this possibility.

ACCEPTING OFFERS ON YOUR PROPERTY

The buying and selling process can continue during this period, but you should be aware that the process is likely to take longer than normal. You are free to continue to accept offers on your property. However, the selling process may take longer. Once you have exchanged contracts, you have entered into a legal agreement to purchase that home. If the property you are purchasing is unoccupied, you can continue with the transaction.

If the property you are purchasing is currently occupied, the Government is recommending that all parties should work to either delay the exchange of contracts until after the period where stay-at-home measures to fight coronavirus are in place, or include explicit contractual provisions to take account of the risks presented by the virus. ■

FORECAST FOR MAINSTREAM UK HOUSE PRICES

- ▶ Likely to fall 3% in 2020
- ▶ Bouncing back by 5% in 2021
- ▶ Assumption British economy will shrink by 4% in 2020, before growing by 4.5% next year as the pandemic recedes

Source: Knight Frank

Recognising that parties will need to alter the home-moving process, the Government have sought to ease this for all involved by:

- ▶ Issuing this guidance, developed with Public Health England, to home buyers and those involved in the selling and moving process
- ▶ Agreeing with banks that mortgage offers should be extended where delay to completions takes place in order to prioritise safety
- ▶ Working with conveyancers to develop a standard legal process for moving completion dates