

# WIRRAL COUNCIL

## CABINET

21 JULY 2011

<b>SUBJECT:</b>	MORTGAGE RESCUE SCHEME ELIGIBILITY CRITERIA AND PRIORITY GROUPS
<b>WARD/S AFFECTED:</b>	ALL
<b>REPORT OF:</b>	KEVIN ADDERLEY, INTERIM DIRECTOR OF CORPORATE SERVICES
<b>RESPONSIBLE PORTFOLIO HOLDER:</b>	CLLR GEORGE DAVIES
<b>KEY DECISION?</b>	NO

### EXECUTIVE SUMMARY

- 1.1 Wirral Council has been implementing the Government's Mortgage Rescue Scheme since December 2008, completing seven rescues in 2009-10, 18 in 2010/11 and 7 in 2011/12, a total of 32 cases.
- 1.2 The level of resource available from central government for the scheme in 2011/12 has been reduced and the purpose of this report is to seek Members' endorsement for the proposed extension to the eligibility criteria for households accessing the Mortgage Rescue Scheme.

### 2.0 RECOMMENDATION/S

- 2.1 It is recommended that the Cabinet approves the proposed extension to the Mortgage Rescue Scheme eligibility criteria as detailed below.
- 2.2 The existing eligibility criteria for the Mortgage Rescue Scheme as specified by central government are:
- 1) The applicant is threatened with, or in the process of possession proceedings on a home which they own, they wish to remain in, and is their only home.
  - 2) All parties on the Mortgage agree to pursue Mortgage Rescue.
  - 3) The applicant is eligible for assistance under Part 7 of the Housing Act 1996.
  - 4) The applicant has a priority need for accommodation within the meaning of Section 189 (1) (a)-(c) of the Housing Act 1996.
  - 5) The gross income of the applicant's household does not exceed £60,000.

- 6) An up to date valuation of the property shows that it does not exceed £135,000 (regional property cap level)
- 7) The loan to value ratio does not exceed 120% (i.e. there is no more than 20% negative equity).
- 8) Mortgage Rescue would provide a housing option for the applicant that is affordable and sustainable.

2.3 In addition to the existing criteria, it is recommended that all new referrals to Wirral Council Mortgage Rescue Scheme are subject to the following criteria:

- 9) There are no more than three charges secured against the property as recorded on an up to date Land Registry document (many of such cases also have more than 20% negative equity).
- 10) The number of bedrooms in the property does not exceed the number required by the household by more than one bedroom (exceptions can be made in the case of adapted properties or where overnight carers are required).
- 11) The household's housing or care and support needs will be difficult to meet if re-housing is sought through an alternative route for example
  - Households requiring a property with at least four bedrooms or
  - Cases where a member of the household has a disability where carers live close by
  - Properties that have been adapted to meet a specific need of the household
- 12) Households where repossession would lead to a specific difficulty (for example children in GCSE year)

2.4 Applicants who do not fall into one of these criteria will not be considered for Mortgage Rescue however they will be given advice and assistance and fast tracked to CAB for money and housing advice.

### **3.0 REASON/S FOR RECOMMENDATION/S**

3.1 New limits to the Mortgage Rescue Scheme were announced by the Mortgage Rescue Team at the Department for Communities and Local Government (CLG) in February following the Government Spending Review in October 2010, in which changes were made to the way in which the Mortgage Rescue Scheme operates nationally.

3.2 In order to manage demand on the Mortgage Rescue Scheme budget, CLG has moved away from funding an open-ended pipeline of applications. For 2011-12 budgets have been set for each provider and prioritisation of cases must now be agreed at the local level between authorities and providers. Providers are responsible for managing their budget against demand, and

local authorities have been given the flexibility to prioritise a limited number of households.

- 3.3 The provider for Merseyside is Plus Dane Group who cover the five Merseyside local authorities. Plus Dane Group has been given a budget to complete 40 Mortgage Rescue Scheme applications during the financial year 2011/12. This has resulted in each of the five local authorities being given an allocation of eight Mortgage Rescue Scheme completions for the financial year 2011/12 in addition to any started in 2010-11 and completed between April and June in 2011. It is not yet known what the allocation will be for the financial year 2012/13. The Mortgage Rescue Scheme is due to close nationally in March 2013. Wirral completed 18 mortgage rescues in 2010-11 with eight rolled over into 2011-12 and four cases are already being considered under the new criteria for 2011-12 and therefore the demand in 2011-12 is expected to outstrip the eight cases allocated.
- 3.4 The suggested criteria in Wirral have been chosen in order to make maximum use of the resources available for the most vulnerable households who would be the most difficult to rehouse should mortgage rescue not go-ahead and their properties be re-possessed. Specifically, cases where there are more than three charges on the property usually have a very high degree of negative equity (up to 60%) and can be considered to have an element of "intentionality" about their case. They also require a greater input of staff resources in negotiating with charge holders, where the refusal of just one to cooperate results in the collapse of the case. The greater number of charge holders, the greater the demand on the Council's limited discretionary Repossession Prevention Fund (in addition to the mortgage rescue finance drawn down by the rescuing Registered Social Landlord provider).
- 3.5 It is proposed that households who are under occupying by more than one bedroom should not be included in those considered for rescue in keeping with the Council's strategy to reduce under-occupation in social rented housing and because under welfare reform it is possible that housing benefit will not be payable in future for such properties and in these cases the rescue may not be sustainable.
- 3.6 Of the total of 32 cases rescued in Wirral to date, 14 would not have been rescued under the new criteria (including those criteria specified by central government). Thirteen had over 20% negative equity (and of these four also had more than three charges) and one was under occupied.
- 3.7 Since 1 March 2011 there have been 19 applications to the mortgage rescue scheme to which the new criteria have been applied and at the time of writing there are four households meeting the criteria being considered for the scheme by the RSL provider. Of the others, two were not priority need, three had over 20% negative equity, three cases are not yet threatened with repossession but if they are they will meet the criteria, one case was resolved through money advice through the CAB, three made no further contact and three are in the initial stages of assessment. This indicates that the new proposed criteria will allow the Council to use Mortgage Rescue in a more focussed way for those whose need is greatest.

#### 4.0 **BACKGROUND AND KEY ISSUES**

- 4.1 In November 2008 Wirral Council became a “fast track” local authority to deliver the Mortgage Rescue Scheme ahead of the formal implementation of the scheme nationally in January 2009. Since this date the increased skills and knowledge of the Housing Options Team staff and the excellent partnership working between Housing Options, CAB, Plus Dane and the Birkenhead Court Service, in combination with increased numbers of households facing mortgage repossession, has resulted in a steady increase in Mortgage Rescue Scheme enquiries.
- 4.2 Since the Mortgage Rescue Scheme started in December 2008, Wirral Council has assessed 194 enquiries to the Scheme. Households have been given advice and assistance on their housing options, and whenever necessary have been given a fast track referral to CAB for money advice. In the majority of cases this intervention, along with negotiations with lenders and in some cases a one off payment from the Repossession Prevention fund, has removed the threat of homelessness. It is proposed that this intervention continues for all households accessing Wirral Council Housing Options Team, regardless of whether they meet the revised eligibility criteria to be considered for the Mortgage Rescue Scheme. In addition to the cases being assessed under the mortgage rescue scheme, many others have sought assistance with dealing with mortgage arrears.
- 4.3 Wirral Council Housing Options Team completed seven Mortgage Rescues in 2009-10, 18 cases in 2010-11 and 7 cases rolled over from 2010-11 under the old criteria. A further case rolled over from 2010-11 may also complete under the old criteria.
- 4.4 As the mortgage rescue scheme grew the number of households accepted by the Council as unintentionally homeless and in priority need due to mortgage arrears fell from 25 in 2008-09 to nine in 2009-10 and 6 in 2010-11. This is against a backdrop of a high number of repossession orders being granted in Wirral. Ministry of Justice figures show that Birkenhead issued 415 possession orders in 2010-11, with research by Shelter showing that this placed Wirral in the highest quartile for the number of repossessions per 1000 private households. All households going through this process are offered assistance by the Housing Options Team.
- 4.5 As a direct result of the limited mortgage rescue allocation for Wirral in 2011-12 the Council needs to agree the most appropriate way of managing demand for the demand for the Mortgage Rescue Scheme which is very likely to outstrip the allocation of eight cases. Rather than referring households on a first come first served basis, it is recommended that the proposed eligibility criteria for accessing the scheme should be adopted to give priority to the households whose needs would be more difficult to meet should they not be rescued and should repossession take place.

## **5.0 RELEVANT RISKS**

- 5.1 There is an increased risk that some home owners will be repossessed as a result of the revised eligibility criteria for the Mortgage Rescue Scheme. This will lead to an increased demand for alternative homeless prevention options, and may lead to an increase in the number of statutory homelessness assessments and households requiring temporary accommodation.

## **6.0 OTHER OPTIONS CONSIDERED**

- 6.1 An alternative to the recommendation put forward to Cabinet is that households are offered Mortgage Rescue as a housing option on a first come first served basis. However this approach is not considered to be appropriate as it does not

- a) target the most vulnerable household groups who would then be at a greater risk of repossession whilst being more difficult to re-house nor
- b) make the best use of the limited MRS funds available.

## **7.0 CONSULTATION**

- 7.1 Wirral Council Housing Options Team staff attended a Mortgage Rescue Scheme delivery partner briefing in February 2011 held by the Homes and Communities Agency (HCA) in Manchester. At this briefing the changes to the Mortgage Rescue Scheme were outlined and the need for local authorities to prioritise cases discussed.
- 7.2 A meeting was also held between Plus Dane Group and the five Merseyside local authorities in March 2011, at which each authority was allocated eight Mortgage Rescue Scheme completions for 2011/12. It was decided that the eligibility criteria should be revised in light of budget restrictions, and that each individual local authority should set their own additional criteria.

## **8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS**

- 8.1 The revised eligibility criteria for the Mortgage Rescue Scheme will be made available to voluntary, community and faith groups advocating for and supporting households at threat of repossession.

## **9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS**

- 9.1 There are no additional IT implications although a potential increase in the number of statutory homeless acceptances could lead to an increase in the number of households in temporary accommodation. However because repossession takes time, it should be possible to avoid temporary accommodation for these households in most cases through other housing options.
- 9.2 The inclusion of no more than three secured charges against the property and enforcing the level of negative equity to a maximum of 20% will have positive implications on financial resources. Currently lenders are in a position to

request payments of up to £5,000 per household from the Repossession Prevention Fund to offset any shortfall against the debt. It is expected that the proposed changes will reduce the need for payments to be made from this fund.

- 9.3 There is currently one member of the Housing Options Team working solely on the Mortgage Rescue Scheme. As a result of these changes the emphasis of her work will change to finding alternative housing solutions for those cases who face repossession to ease the process for them as much as possible.

## **10.0 LEGAL IMPLICATIONS**

- 10.1 The Mortgage Rescue Scheme is a discretionary scheme and the local authority has no statutory obligation to offer it.

## **11.0 EQUALITIES IMPLICATIONS**

- 11.1 Wirral Council Housing Options Team provides a service for all members of the community regardless of age, gender, disability, ethnic background, faith or sexual orientation and monitors clients in these groups. The proposed Mortgage Rescue Scheme eligibility is based on non subjective criteria, and the proposed priority groups ensures that the scheme targets the most vulnerable households across Wirral.

- 11.2 Equality Impact Assessment (EIA) ?

(a) Is an EIA required? No – due to the very small numbers of households assisted through the scheme, the effect of the policy is not statistically significant

- (b) If 'yes', has one been completed?

## **12.0 CARBON REDUCTION IMPLICATIONS**

- 12.1 There are no carbon reduction implications.

## **13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS**

- 13.1 There are no planning and community safety implications.

**REPORT AUTHOR:** ***Jane Melling***  
*Deputy Manager – Housing Options Team*  
telephone: (0151) 666 4607  
email: [janemelling@wirral.gov.uk](mailto:janemelling@wirral.gov.uk)  
***Catherine Green***  
Rehousing Services Manager  
telephone: (0151) 691 8462  
email: [catherinegreen@wirral.gov.uk](mailto:catherinegreen@wirral.gov.uk)

## APPENDICES

N/A

## REFERENCE MATERIAL

*Changes to the Mortgage Rescue Scheme – delivery partner briefing. Mortgage Rescue Team, Department for Communities and Local Government, February 2011.*

## SUBJECT HISTORY (last 3 years)

<b>Council Meeting</b>	<b>Date</b>
<b>Cabinet meeting – Report of the Director of Regeneration : Mortgage Rescue</b>	<b>15<sup>th</sup> January 2009</b>