

MORTGAGE RESCUE SCHEME

1.0 EXECUTIVE SUMMARY

1.1 The purpose of this report is to seek Members endorsement for Wirral to become part of the Government's fast track approach to providing Mortgage Rescue to vulnerable households.

2.0 BACKGROUND

2.1 In late summer 2008, Housing Minister Caroline Flint announced a package of measures to respond to the current conditions in the housing market. This built on the previous announcements made by Government in the spring and early summer with the objectives of:

- Assisting first time buyers who are frozen out of current mortgage markets;
- Supporting vulnerable homeowners facing repossession, particularly those who the local authority would owe a duty under homeless legislation;
- Ensuring the Government and Local Authorities are as well placed as possible to meet housing needs, especially affordable housing in the short and long term.

2.2 Within this announcement, the Housing Minister set out the particular difficulties which existing homeowners are facing and acknowledged that global market turbulence has led to an increase in repossessions and that for those affected, being repossessed is a major life trauma. Repossessions change individuals' social status and identity; personal and family relationships; health and well being and quality of life. The Government has stated it is determined to help those who face these circumstances.

2.3 In the announcement on the 2 September 2008, Government set out a number of proposals in its housing package. These include improving the support offered through the benefit system to homeowners with mortgages who lose their jobs, at a cost of £100m over the next two years and a proposal to offer a £200m Mortgage Rescue scheme, which will help up to 6,000 of the most vulnerable households facing repossession over the next two years.

3.0 MORTGAGE RESCUE PACKAGE

3.1 The Minister was clear that the mortgage rescue package is a limited scheme which cannot help those who have borrowed excessively or acted recklessly. It is firmly targeted on those who are unable to pay rather than those who will not pay.

3.2 Local authorities are seen as critical partners in the mortgage rescue scheme as Councils are often the first port of call for households at risk of losing their home. All English councils have to by law give advice and information to any member of the public about homelessness and prevention of homelessness. Local authorities also have to provide assistance and accommodation to vulnerable households - with the main emphasis being prevention of homelessness.

- 3.3 Whilst the minister acknowledged many councils have already shown great innovation and proven success in preventing homelessness, she sees the introduction and availability of a rescue package as a tool which will complement their work. It is also seen as an opportunity to increase (through equity shares) low cost home ownership (LCHO) and social rented homes whilst saving the considerable Housing Benefit bills that are invariably associated with the repossession, and subsequent rehousing, of a vulnerable household.
- 3.4 Households in financial difficulty, at risk of repossession and threatened with homelessness should seek advice from their lender in the first instance. Further advice and support will be available from local housing authorities, local Citizens Advice Bureaux or other advice agencies. Referrals to a local housing authority may be made by advice agencies, courts or lenders. Households can also self-refer.
- 3.5 **What are the eligibility criteria?**

On referral to the local housing authority, an assessment of a household's eligibility will be made in the same way as for homelessness assistance. The household must include someone with priority needs as defined in the Housing Act 1996 (and Priority Needs Order 2001):

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

The following criteria will also apply:

- all owners of the property must agree to being considered for the mortgage rescue scheme
- equity owned in the property must be worth enough to cover priority debts and living in the property must be sustainable after mortgage rescue
- the household must have a clear need to stay in the area and it is not practical for them to trade down to another property in the area
- the property must be suitable for the needs of the household (e.g. it is not overcrowded)
- owners must have sought debt counselling and advice, agreed to debt rescheduling and discussed alternative options with mortgage lenders before admission to the scheme
- applicants must not have a second home (including abroad)
- caps will be set on the value of the property (at regional level) and on the household's income level. (The level for the North West Region is capped at £125,000).

3.6 Depending on individual specific circumstances, eligible homeowners will be offered one of two products. This follows an assessment of their case by their local authority and a referral to the Sub-Regional Home Zone Agent who is the partner in providing the rescue response and who handles the finance for the scheme (all of which is provided by Government). The two products are:-

1. shared equity – to help householders who have experienced payment shocks and need some help in paying their mortgage. A Registered Social Landlord (RSL) provides an equity loan enabling householders' mortgage repayments to be reduced.
2. Government Mortgage to Rent - to help the most vulnerable on low incomes with little chance of sustaining a mortgage. RSL clears the secured debt completely and the applicant pays rent to the RSL at a level they can afford.

4.0 WIRRAL'S POSITION

4.1 On 19th November 2008 Wirral was approached directly by Government Office North West with a request for Wirral to consider if they would be prepared to become a 'fast-track' local authority to deliver mortgage rescue with effect from 1st December 2008 ahead of the formal implementation of the national Mortgage Rescue scheme in January 2009. The timescale for a decision was short with a response required by GONW by 11am the following day.

4.2 Officers considered the potential for Wirral to respond and a positive response was given to GONW. This decision was made due to the fact that Officers felt arrangements were already in place to form the basis of the scheme as well as the Council having the knowledge and existing resources to respond positively. There is already a Service Level Agreement in place with the Wirral Citizens Advice Bureau (CAB) to provide debt advice and assistance in the Housing Market Renewal area. Also, contact with the local Court Service had taken place resulting in their support for Wirral's participation in the scheme.

4.3 Officers have been working in conjunction with the CAB service to ensure that Wirral is well placed to respond to this agenda from Central Government. The current Service Level Agreement with the CAB can be revised to incorporate the requirements of the Mortgage Rescue package and internal policies are currently being developed to take this scheme forward. All of this work is being undertaken within existing resources through the Housing Options Team as a means of homelessness prevention. This will be monitored regarding the capacity and impact once the Scheme has gained momentum, as at present the potential number of applicants likely to access this scheme is unknown. During the fast track period there have been no eligible applicants in Wirral who have been referred through for Mortgage Rescue.

5.0 FINANCIAL IMPLICATIONS

5.1 There are no financial implications arising directly from this report as the Government is providing the financial resources for the Mortgage Rescue Scheme.

6.0 STAFFING IMPLICATIONS

6.1 The initiative will be delivered through existing resources within the Housing Options Team as part of their housing advice and homeless prevention role.

7.0 EQUAL OPPORTUNITIES IMPLICATIONS

7.1 It is a key objective of the Mortgage Rescue Scheme to ensure that vulnerable people benefit from the funding available to help them sustain their current homes.

8.0 COMMUNITY SAFETY IMPLICATIONS

8.1 Mortgage Rescue aims to reduce the number of repossessions which in turn can have an impact upon local communities through subsequent vacant properties lying empty.

9.0 LOCAL AGENDA 21 IMPLICATIONS

9.1 There are no local Agenda 21 implications arising directly from this report.

10.0 PLANNING IMPLICATIONS

10.1 None

11.0 ANTI POVERTY IMPLICATIONS

11.1 Mortgage rescue aims to reduce poverty through provision of support to vulnerable households.

12.0 SOCIAL INCLUSION IMPLICATIONS

12.1 Mortgage rescue is aimed at assisting those vulnerable households who have exhausted all the current mortgage lender tools to prevent repossession from occurring. It is therefore targeting vulnerable households to prevent them from being repossessed, losing their home and potentially resulting in social exclusion.

13.0 LOCAL MEMBER SUPPORT IMPLICATIONS

13.1 Mortgage Rescue is targeted at those households in difficulty with a mortgage debt of no more than £125,000 but not targeted to any particular geographical area, therefore all wards in the borough could potentially be affected.

14.0 BACKGROUND PAPERS

14.1 Communities and Local Government (CLG) Housing Package (Mortgage Rescue) Regional Summits

15.0 RECOMMENDATION

15.1 That the proposal that Wirral assists appropriate vulnerable households through participating in the Government's Mortgage Rescue Package be endorsed.

Alan Stennard
Director of Regeneration

This report was prepared by Lisa Newman who can be contacted on 691-8197.