

ESTABLISHING A REPOSSESSION PREVENTION FUND

1.0 EXECUTIVE SUMMARY

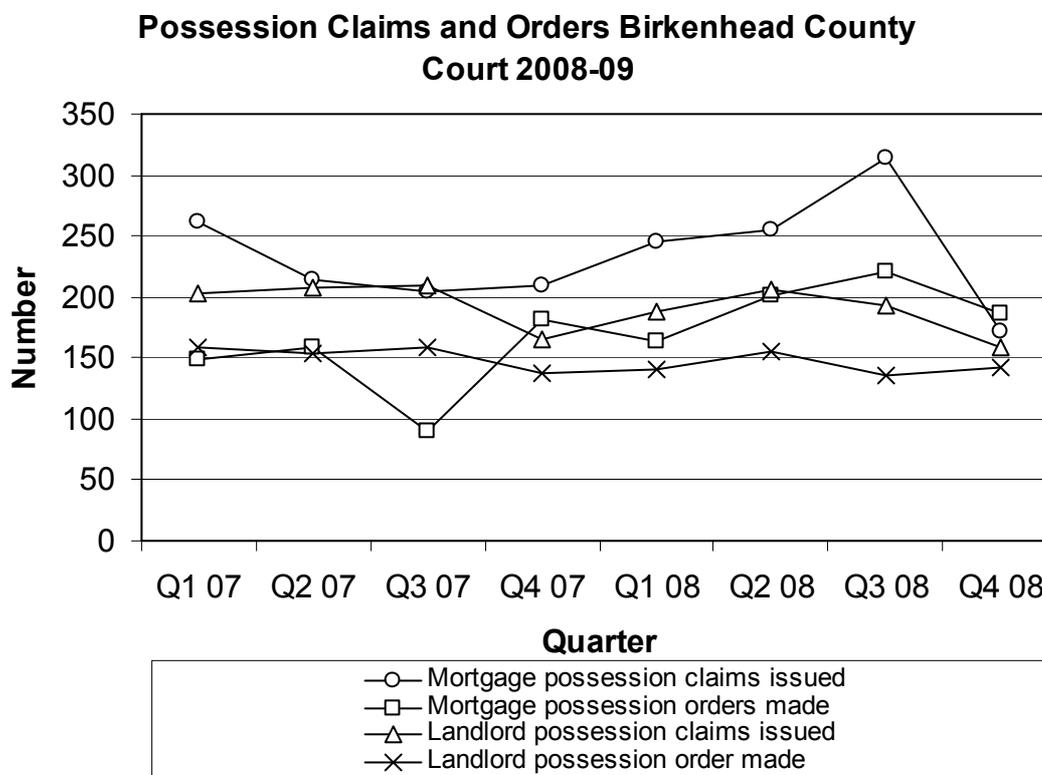
1.1 This report outlines the award of grant by the Department for Communities and Local Government (CLG) to the Council, to establish a Repossession Prevention Fund to enable the Housing Options Team to offer small loans (where possible) to households who are at risk of homelessness through repossession or eviction in order to enable them to remain in their home.

1.2 It is recommended that Cabinet agrees to the establishment of a Fund to be administered according to the guidance outlined by the CLG and approves that the grant awarded for the scheme is used for this purpose.

2.0 BACKGROUND

2.1 Possession Claims and Orders in Birkenhead County Court for the last 2 years show over 300 re-possession orders in total being made per month (Graph 1 below).

Graph 1: Possession Claims and Orders in Birkenhead

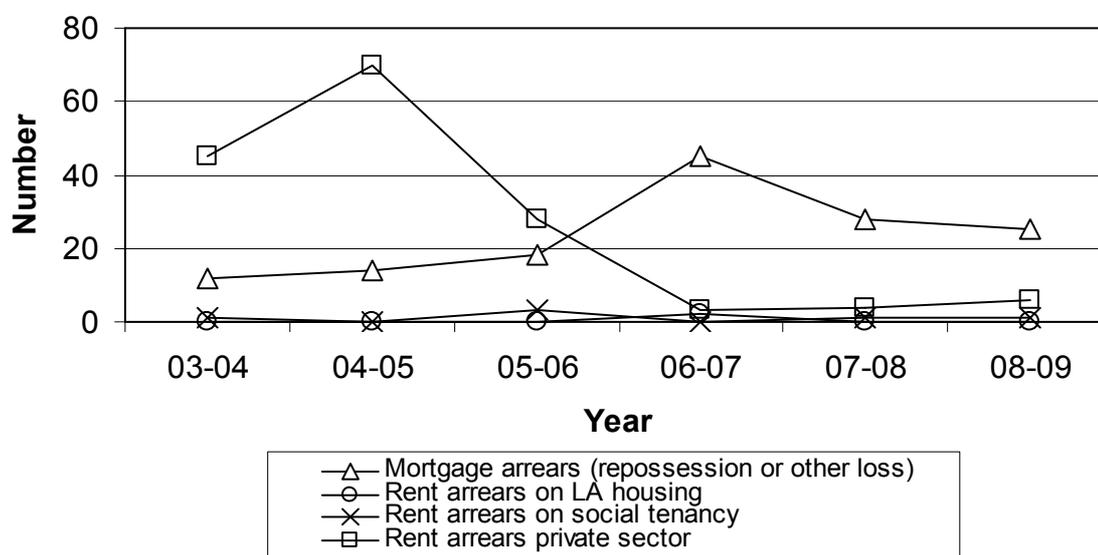


2.2 Only a minority of cases who are repossessed through the Birkenhead courts approach the Council for assistance. However, although overall homeless acceptances in Wirral have decreased significantly in the last year due to an emphasis on early intervention and prevention work, acceptances due to mortgage arrears have risen. Graph 2 shows

25 cases were accepted due to mortgage repossession in 2008-09. This represented 13% of all homeless acceptances in Wirral, compared with 6% the year before.

Graph 2: Homeless Acceptances for financial reasons Wirral 03-09

Homeless Acceptances through Financial Problems in Wirral 03-09



2.3 The Government has initiated a further scheme to help people at risk of repossession due to the changing economic climate and the impact this may have on homelessness. The Council of Mortgage Lenders has revised the projected number of repossession for 2009 downwards by 10,000 from earlier estimates of 75,000. The revised figures reflect the extensive government support in place as well as lenders' widespread use of forbearance, which together is expected to help some struggling homeowners. The Government's earlier schemes have included the following:

- Funding of debt advice services and protection through the courts by introducing a pre-action protocol in November 2008 to ensure that appropriate measures are taken by the lender before taking any Court action. The result of this, in reducing repossessions can be seen in the graph on page 1 as the number of mortgage possession claims and orders made both fell in quarter 4 after the protocol was introduced. However, recent economic forecasts are for mortgage repossessions to peak in 2 years time.
- Extra funding for the provision of the court duty scheme to assist unrepresented households being repossessed at court stage.
- Enhanced Support for Mortgage Interest (SMI) which meets some or all of the interest payments on a mortgage for those on Income Support, income-based Jobseekers Allowance, income-related Employment and Support Allowance or State Pension Credit. The waiting time has been reduced from 39 weeks to 13 weeks and the capital limit increased from £100,000 to £200,000. This scheme is administered by Job Centre Plus office.
- Homeowners Mortgage Support (HMS) which is aimed at people at risk of repossession because they may have recently experienced a drop in income through reduced hours, overtime curtailment, loss of one income. It is a last resort after people have explored all other options with their lender.

- The National Mortgage Rescue Scheme (MRS). A £285m package which offers two distinct products of a Mortgage to Rent Option or Shared Equity Option to prevent vulnerable households from becoming homeless. All referrals to the scheme must go through the Local Housing Authority. The scheme is then run in partnership with the local Citizens Advice Bureau (CAB) and Registered Social Landlord (RSL) Home Buy Agent who draws down the money.

2.4 In addition to the above the Government intends to legislate during 2009 to give tenants greater protection from their landlords when they are faced with eviction through mortgage arrears.

2.5 In December 2008, the Department for Communities and Local Government (CLG) asked Wirral to pilot the Mortgage Rescue Scheme (MRS) before it was nationally launched on 16th January 2009. By the end of May 2009, Wirral's Housing Options Team had received 57 approaches about the MRS with 28 being referred to the Citizens Advice Bureau (CAB) for money/debt advice and 4 cases proceeding with the MRS. In many of the cases, good debt and money advice has enabled households threatened with re-possession to re-order their finances and meet their mortgage payments.

2.6 In the 2009 Budget, the Chancellor announced a further £20 million Repossession Prevention Fund to enable local authorities to extend small loans to families at risk of homelessness through repossession or eviction. Wirral was recently informed by the CLG that it would be awarded £123,000 as a one off payment from this fund in addition to the existing Homelessness Programme Grant of £51,000.

3.0 **REPOSSESSION PREVENTION FUND SCHEME – GUIDANCE FROM CLG**

3.1 CLG has issued Guiding Principles for the use of the Fund. Financial assistance through small loans (where possible) will allow money to be recycled to help other households in the local authority area in the future. However, final decisions on efficient and equitable deployment of the funding rests with local authorities and should be based on individual local need and circumstances

3.2 The Fund is to be used for homeowners who are struggling with their mortgage costs and tenants in the social and private rented sector who are struggling to meet their rental payments, through no fault of their own, due to the results of the recession, due to loss of earnings or reduced earnings and are threatened with repossession or eviction and therefore at risk of becoming homeless.

3.3 The loans will normally be between £1,000 to £3,000 per household, with a maximum of £5000, and available at 0% interest. The payment will normally be made to a creditor on an applicant's behalf and will be repayable at an amount which is affordable and reasonable for the client to pay back over an agreed period of time.

3.4 The loans will only be available to clients who have received and agreed to act on debt or money advice to resolve the problem that has led to the arrears accumulating and is able to meet any existing or newly negotiated payments. Loans will not be made where there is another way to resolve the problem or where there is a history of rent or mortgage arrears.

3.5 The fund is not normally intended to be used to fully clear the mortgage or rent arrears but the loan will be made to 'recover' the position where all other options have failed.

3.6 Loans should be made on the basis of all parties being able to compromise on the debt owed to resolve the problem which is putting the householder at risk of repossession or eviction.

4.0 **REPOSSESSION PREVENTION FUND – WHAT CAN BE COVERED?**

4.1. CLG has issued a list of examples of where the fund can be used but stresses that this is not exhaustive. What they want to see is a reduction in re-possession. The following are included in their list.

- A loan to cover lender write down on Mortgage Rescue cases where the householder is in negative equity.
- A loan to reduce mortgage arrears where the lender cannot apply forbearance measures due to the level of arrears.
- A loan to reduce or part settle second charges on a property where they have been taken out as security.
- A loan for tenants in the private rented or social sector to reduce the level of rent arrears.
- A loan or one off payment to the lender or landlord for a household that is due to be evicted or repossessed but agreement has been reached, after the intervention of the Housing Options team, to a repayment schedule.
- A loan to householders threatened with imminent repossession with payment to the lender and could be secured against the property.
- A joint agreement made between landlord/lender, household and the Housing Options team to resolve arrears. This could be arranged that a third of the arrears could be paid through a hardship payment, a third through a loan from the fund, and a third written off by the landlord/lender.
- An emergency payment to lenders, social or private landlords at the point where a possession order is to be enforced but where it would be possible to hold off whilst further intervention from money/debt advice has a good prospect of resolving the overall problem. A short term guarantee could be made to cover payments whilst intervention is taking place.

5.0 **THE SCHEME IN WIRRAL**

5.1 In Wirral, subject to Members agreement, the Prevention Fund will be managed and administered by the Housing Options Team who are already working with CAB and the Welfare Rights Service on providing money and debt advice, and administering the Mortgage Rescue Scheme.

5.2 All the circumstances of applicants approaching the team for help with mortgage or repossession difficulties will be assessed on a case by case basis by a Housing Advisor and the suitability of the various schemes as outlined of this report will be considered. If the needs of the households can be most appropriately met by use of the Repossession Prevention Fund, the Housing Advisor will progress the use of the fund following the guiding principles provided by CLG.

5.3 The arrangements for a householder repaying the loan will be in accordance with the Council's current financial arrangements and procedures so as to maximise the use of the fund.

5.4 The Housing Options Manager will monitor the use of the fund and will be required to provide feedback to the CLG on the effectiveness of the fund via monthly statistical return.

5.5 Given the small proportion of households who are re-possessed that approach the Council for assistance, the Housing Options Team will also seek approval from CLG for a small proportion of the fund to be spent on publicity material. It may also be necessary to increase the capacity of CAB or Welfare Rights to provide specialist financial advice to clients and approval will be sought from CLG to use the fund for this purpose if required due to an increase in clients requiring assistance. As part of the Homeless Strategy Action Plan, the Housing Options Team is working with RSLs to prevent and alleviate homelessness. Wirral Partnership Homes has already indicated that it would be interested in jointly funding some debt advice.

6.0 **FINANCIAL IMPLICATIONS**

6.1 Wirral already receives £51,000 from the Homelessness Programme Grant. In line with good practice this is currently used to fund two Officers in the Housing Options team. In addition Wirral is to receive a one off payment of £123,000 as part of a £20 million government package to use as a Repossession Prevention Fund.

6.2 The fund will be carefully managed and monitored by the Housing Options team to ensure that it is used according to the guidance issued by CLG and to the best purposes for the prevention of repossessions and evictions. This in turn will reduce the Council's expenditure on statutory homeless duties to households who would otherwise become homeless.

7.0 **STAFFING IMPLICATIONS**

7.1 There are no additional staffing implications for the Council as the existing Housing Advisors will implement the fund.

7.2 There may be a need to increase the capacity of the CAB or welfare rights to provide specialist financial advice but this will be funded from the money allocated by CLG subject to their approval.

8.0 **EQUAL OPPORTUNITIES IMPLICATIONS**

8.1 The establishment of a Repossession Prevention Fund will provide a service for all members of the community regardless of age, gender, disability, ethnic background, faith or sexual orientation and will monitor clients in these groups.

9.0 **COMMUNITY SAFETY IMPLICATIONS**

9.1 The Repossessions Prevention Fund will contribute to sustainable communities through retaining people in their existing home, thereby reducing turnover and disruption to all family members and ensuring commitment to their property and area.

10.0 **LOCAL AGENDA 21 IMPLICATIONS**

10.1 This report has no Local Agenda 21 implications.

11.0 **PLANNING IMPLICATIONS**

11.1 This report has no Planning implications.

12.0 ANTI-POVERTY IMPLICATIONS

12.1 The fund will assist with tackling the effects of the present financial and economic climate on households within the borough.

13.0 SOCIAL INCLUSION IMPLICATIONS

13.1 The recession and economic downturn has an impact on all types of householders on the Wirral; and this fund can be used to help all these type of households.

14.0 LOCAL MEMBER SUPPORT IMPLICATIONS

14.1 This report will be of interest to all Members of the Council.

15.0 BACKGROUND PAPERS

15.1 CLG Guidance on the Preventing Repossession Fund June 2009.
Mortgage Rescue Scheme LA Guidance May 2009.

16.0 RECOMMENDATIONS

16.1 That Members agree that the grant of £123,000 awarded to the Council by CLG be used to establish a Repossessions Prevention Fund and that this will be managed and administered by the Housing Options team within the Regeneration Department.

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