



Belfast City Council

Report to:	Strategic Policy & Resources Committee
Subject:	CONSULTATION – Proposed Mortgage Rescue Scheme for Northern Ireland
Date:	Friday 21 st November 2008
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Relevant Background Information

Purpose

To bring to the attention of the Strategic Policy & Resources Committee a short suggested response to the Department for Social Development's Proposed Mortgage Rescue Scheme for Northern Ireland and to bring to the attention of Members details of the Department's proposals to establish a Mortgage Rescue Scheme for Northern Ireland. Whilst the document was not sent to Local Councils it was sent to NILGA and all Northern Ireland political parties and MLAs. The closing date for responses is Friday 21st November, so if the Committee is minded to put comments forward, these will be submitted subject to ratification by the Council.

Background

Since 2004/05 there have been at least 500 mortgage repossessions each year in Northern Ireland. This peaked during the 2006-2007 financial year when 933 orders for repossessions were granted. In Great Britain, the Council of Mortgage Lenders expects repossessions to rise by 65 per cent. If this increase is seen here, 800 homeowners could be repossessed this year.

Repossession results in increased pressure on social housing. Most importantly, repossession, or the threat of it, can be immensely stressful for the individuals and families involved. The Mortgage Rescue Scheme is aimed at saving as many homeowners as possible from having their home repossessed.

Summary of the Consultation

Proposal

The Mortgage Rescue Scheme is aimed at saving as many homeowners as possible from having their homes repossessed. The proposed scheme intends to help people who have been unable to keep up payments on their homes to stay in them; it will also help people who think that they will be unlikely to be able to make mortgage payments. It will do this through both preventative measures as well as some direct intervention. It is an administrative and discretionary, rather than a statutory scheme

It is proposed to provide more emergency advice. Those who feel they may get into arrears should contact an advice agency to see what steps can be taken to help them and keep them from getting further into debt. This will help people who are struggling explore the options open to them, for example refinancing to more affordable rates. The centrepiece of the measure would let the Department for Social Development through Housing Associations support people who cannot cover their mortgage. This may be done in two ways; Flexible Tenure and Mortgage to Rent.

Shape of the Mortgage Rescue Scheme

Element 1 – The Advice Service

Critical to the success of the scheme is a frontline advice and guidance service. It would have a number of objectives:

- Preventing the problem reaching the stage where repossession is the only option
- Preventing households from getting deeper into debt
- Dealing with cases, where people have been in mortgage arrears for some time
- Making a comprehensive assessment of all the available debt solutions and housing options open to a client; and
- Working with the client, his lender and housing bodies to reach a solution suitable to the applicant's specific circumstances

Element 2 – Mortgage Buy-Out

This discretionary element of the Scheme would only be open to people facing imminent repossession for whom lower repayments; a longer repayment period; or finance restructuring are not possible. This may be done in two ways; Flexible Tenure and Mortgage to Rent.

- Flexible Tenure – in order to be eligible an applicant must be able to finance a percentage share of their existing property, either through a mortgage or equity, examples within the document suggest 25% or 50%. The remaining share would then be purchased by the participating Housing Association, which would charge an affordable rent on its share of the house. DSD have not arrived at a firm view on whether a minimum equity level should apply, and the consultation document asks:
 - Should a minimum equity level be applied?
 - How should that minimum level be determined?
- Mortgage to rent – this would be available for applicants who could not afford to retain the minimum agreed equity in their home

Proposed Council Response

The Council welcomes this opportunity to comment upon The Proposed Mortgage Rescue Scheme. Due to the specific nature of the consultation questions and the fact that the Council has no functional responsibility for this issue we do not feel it is appropriate to give a detailed response. However, we are committed to improving the quality of life of all who live in, work in, invest in and visit Belfast. We aim to do this by ensuring that the services we provide are the best they can be and by working with other organisations and communities in the city to address the things that matter most to people in their day-to-day lives. In light of this the Council is supportive of this initiative which is intended to alleviate hardship for those in need. It also supports the aim of the scheme to save as many homeowners as possible from having their homes repossessed and to enable people to remain in their homes.

Resource Implications

n/a

Recommendations

Members are asked to approve the draft response from Belfast City Council and agree its submission Department for Social Development