

Copeland Repossession Prevention Fund

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Summary and Recommendation

The Department of Communities and Local Government allocated Copeland Borough Council £30,000 in 2013 to prevent repossessions. This is to be used to assist homeowners at risk of repossession. The attached toolkit describes how the Repossession Fund will be allocated.

It has been recommended by the Strategic Housing Panel that the attached toolkit is agreed by Members of the Executive.

1. INTRODUCTION

- 1.1 The Repossession Prevention Fund will provide Copeland with a new resource to tackle repossessions in the Borough. It will be used to make small, interest free loans available to homeowners who are at risk of repossession (e.g. where a lender has confirmed they are taking possession).
- 1.2 The policy sets out the actions that will be taken in Copeland to help to reduce mortgage arrears or reduce second charge loans to help address immediate short term financial difficulties.
- 1.3 Prioritising the prevention of homelessness is one of the actions in the Homelessness Strategy agreed by Full Council in 2013.
- 1.4 The housing options team receive notification from lenders when repossession is being sought. A letter is immediately sent to the homeowner by the Council offering advice and assistance. During the last 18 months there have been over 100 such letters sent out. The response rate is very low at approximately 3% and in these cases families have been helped using the homeless prevention fund to pay a deposit on a private rented property, access social housing and in one case negotiate with the mortgage lender to ensure the family could remain in their home. Best practice has shown that when Local Authorities have a specific prevention fund for owner occupiers, such as the one proposed in this report, the response rate increases.

2.0 Aims of the Repossession Prevention Fund

2.1 The primary aim of the fund will be to ensure that homeowners at risk of repossession have access to funding to avoid repossession.

Examples of how the fund could stabilise a household's financial situation include:

- Interest free loans to pay off additional secured loans
- Loans to reduce arrears in exchange for lenders writing down debt to a more manageable level
- Brokering a three way agreement between borrower (hardship payment), lender (writing off debt) and Local Authority (interest free loan)

2.2 Loans will be conditional on the borrower acting on independent debt advice and will only be awarded where to do so would make the household's position recoverable thereby avoiding moral hazard.

2.3 Loans should not be made where there is another way to resolve the problem

3.0 Applications for Assistance

3.1 Applications for assistance will be prioritised by giving preference to those households which, if they became homeless, would be vulnerable as described in the Housing Act 1996, part 7 section 189(1) and also the Homelessness (Priority need for accommodation)(England) Order 2002 (Appendix 2).

3.2 Loans will range from a minimum of £1000 to a maximum of £5000 at 0% interest. Given that the loan is fee and interest free and/or otherwise secured by a charge it will not be caught for Consumer Credit Act purposes.

3.3 A key feature of the fund is its recyclable nature which will enable the local authority to develop sustainable support over a long period of time. A Registered Charge will be made against the property and the total value of the loan will be recovered at the point when the dwelling is eventually sold or re-mortgaged unless during a review of circumstances after 3 years the recipient is able to repay the loan earlier.

3.4 Funds will be allocated on a first come first served basis and if funds run out the scheme will be on hold until funds have been recycled back into it.

4. Conclusion

4.1 The Strategic Housing Panel in considering the proposal is keen to ensure the Repossession Prevention Fund is used to support the maximum number of households in need of financial assistance, enabling them to stay in their own homes.

4.3 By adopting this Repossession Prevention Fund toolkit Copeland Council is purposefully making a commitment to achieve the ambitions made by the UK to Government prevent homelessness.

5. Statutory Officer Comments

5.1 MO Comments: This report requires approval by Executive after consideration by Strategic Housing Panel

5.2 S151 Officer Comments: The authority is in receipt of the funding to enable it to offer this assistance without the use of its own funding. However the administration of logging the charge and 3 year review will involve costs – though minimal and within current budgets. The opportunity to recycle the funds will be limited as this is dependent upon a property being sold (timing) and sufficient equity being available (value) or a successful outcome at the 3 year review. The loan offer would need to stipulate the terms under which monies would become repayable after a 3 year review and how this will be enforced.

5.3 EIA Comment: No Comment

5.4 Policy Framework Comment: No Comment

List of Appendices

Appendix A - Toolkit

Repossessions Prevention Toolkit

Repossessions Prevention Fund

Copeland Borough Council has established a £30,000 Repossessions Prevention Fund to assist homeowners at risk of repossession. This has been funded through a Preventing Repossessions Grant from the Department of Communities and Local Government.

The Repossessions Prevention Fund will provide the local authority with a new resource to tackle repossessions in the Borough. It will be used to make small, interest free loans available to homeowners who are at risk of repossession (e.g. where their lender has confirmed they are taking possession action). Lenders will sometimes commence possession action on very small amounts of arrears where they cannot see evidence that the borrower will be able to address their financial situation. In many cases it is secondary borrowing that prevents them from meeting their payments.

The Council's intention is for these loans to be used to reduce mortgage arrears or reduce second charge loans to help address immediate short term financial difficulties. In return, the lender would halt possession action. This can allow the homeowner some 'breathing space' which can be used to enable them to benefit from independent debt advice to help get their finances back on track. Ultimately, the fund is designed to avoid repossession and subsequent homelessness.

Examples of how the Repossessions Prevention Fund could stabilise a household's financial situation include:

- Interest free loans to pay off additional secured loans;
- Loans to reduce arrears in exchange for lenders writing down debt to a more manageable level;

- Brokering a three-way agreement between borrower (hardship payment), lender (writing off debt) and Local Authority (interest free loan).

Loans will be conditional on the borrower acting on independent debt advice and will only be awarded where to do so would make the household's position recoverable thereby avoiding moral hazard.

Applications for assistance will be prioritised by giving preference to those households which, if they became homeless, would be vulnerable as described in Housing Act 1996, Part 7, section 189 (1) and also the Homelessness (Priority Need for Accommodation) (England) Order 2002. However, unlike formal homeless applications, there is no requirement to prove vulnerability since it can be assumed that all households facing repossession are more vulnerable than those with secure housing and the intention of this initiative is to prevent homelessness.

Loans will range from a minimum of £1,000 to a maximum of £5,000 available at 0% interest.

A key feature of the Repossession Prevention Fund is its recyclable nature which will enable the local authority to develop sustainable support over a longer period than one financial year. A Registered Charge will be made against the property and the total value of the loan will be recovered at the point when the dwelling is eventually sold or re-mortgaged unless during a three year review of circumstances the recipient is able to repay the loan earlier. Funds will be allocated on a first-come first-served basis and if funds run out the scheme will be on hold until funds have been recycled back into it.

The Repossessions Prevention Fund is not intended to be used to fully clear mortgage arrears. A loan could be made to 'recover' the position where all other options have failed. Where possible, loans should be made on the basis of all parties

being prepared to compromise on the debt owed in order to resolve a problem that is putting a household at risk of repossession. For example, a small loan could be made to clear a proportion of arrears, combined with a loan to further reduce the arrears; however the loan might only be agreed by the local authority if a second charger is prepared to write down or write off the remaining arrears owed.

Loans should not be made where there is another way to resolve the problem.

The local authority is keen to ensure the Repossessions Prevention Fund is used to support the maximum number of households in need of financial assistance, enabling them to stay in their homes. Final decisions on efficient and equitable deployment of this fund rest with the local authority's housing services manager and will be based on individual need and circumstances, however applicants will be able to appeal decisions made in writing to *the head of Regeneration and Communities* who will respond in writing within *21 days*. The local authority has considered current arrears and repossession trends suggested by the Ministry of Justice and the Council of Mortgage Lenders when developing this policy.

How could the Preventing Repossessions Fund be used?

The following list of examples demonstrates what loans may be used for, however it is not meant to be exhaustive.

In each example the intention is for the local authority to make a loan on the basis of the lender being prepared to negotiate the debt in return for part-payment which in turn will result in the threat of repossession being removed (providing all parties meet their obligations).

- a) Small loans to reduce mortgage arrears where lenders cannot apply forbearance measures due to the level of arrears. This would normally require action from a lender to write down (adding the amount to the total mortgage amount) or write off a similar level of debt. The principle would be that these loans are not made

unless the homeowner had acted on independent money advice and is able to meet any existing or newly negotiated monthly payments.

- b) Small loans to reduce, or part settle, second charge actions where that charge had been taken out against the property for security. This would normally require action from a second charge lender to write down or write off the level of debt. The principle would be that these loans are not made unless the homeowner had acted on independent money advice and was able to meet any existing or newly negotiated monthly payments.
- c) Small loans to reduce the level of debt for those who are in arrears due to income shocks as a result of loss of earnings (redundancy or reduced hours), sickness or bereavement, and where there is no previous history of significant arrears.
- d) A loan payable to the lender from a household that is due to be imminently repossessed. The household may then be given a 'last chance' by their lender after the direct intervention of the local authority. The lender will expect the homeowner to agree to keep to a revised repayment schedule which will need to be agreed by independent money advisors. The loan could be paid in instalments to the lender on behalf of the household by the authority. Eligible applicants could receive an interest free loan of up to £5,000, secured against the property.
- e) Making a joint agreement with a lender and household to resolve arrears. For example, a third of the arrears could be paid by off through a hardship payment, a third through a loan from the Repossessions Prevention Fund, and a third written off by the lender.
- f) 'Last chance' or emergency payment to lenders. This can be made at the point where a possession order is about to be enforced but where it is possible to hold the position to allow further intervention from debt and money advice where it has been assessed that there is a good prospect of resolving the overall problem.

A short-term guarantee could be made to cover mortgage payments from that date whilst targeted intervention is taken to resolve the problem

- g) To facilitate a sale if this will not result in the applicant becoming homeless, for example if a survey had been carried out on the property and the sale is conditional on works being undertaken.

Repossessions Prevention Fund Procedure

Stage 1 – Application

Applicants will be seen by the Housing Options Team in the first instance to receive housing advice and complete a Homelessness Preventions Fund Application Form.

Stage 2 – Independent Debt Advice

To be eligible applicants need to have sought independent money advice (a list of independent providers is available from the housing options team) and provide consent to data sharing with the Housing Options Team. The Housing Options Team must receive a copy of the independent money advice provider's financial assessment and a recommendation about whether an interest-free loan of £1k-£5k will enable the household to meet their mortgage/loan payment terms in the foreseeable future.

Stage 3 – Housing Options Team Assessment

The Housing Options Team will evaluate the Repossessions Fund Application Form using the Repossessions Fund Checklist to ensure that:

- the applicant/s are eligible and
- that an interest-free loan will successfully address the financial issues and halt repossessions action for the foreseeable future

If the applicant/s are eligible and an interest-free loan is deemed an appropriate course of action, the Housing Options Team will arrange a follow up appointment with the applicant/s at a mutually convenient time. This will be confirmed in writing along with any requests for proofs or other supporting documentation that have been identified from the Repossessions Fund Checklist.

Stage 4 – Negotiations with Lenders

The Housing Options Team will then commence negotiations with lenders to agree a way forward that halts repossession action and is acceptable to all parties, being

mindful that the local authority is only able to fund loans of £1-£5k when there are no other options available. This will form the basis of a 3-way (or multi-way) agreement that needs to be signed by all parties to trigger payment. It is the responsibility of the independent money advice provider and the Housing Options Team to consider all other options with lenders prior to agreeing an interest-free loan from the Preventing Repossessions Fund.

Stage 5 - Release of Funds

The 3-way (or multi-way) agreement and Registered Charge will be drawn up by the legal department.

Stage 6 – Follow Up

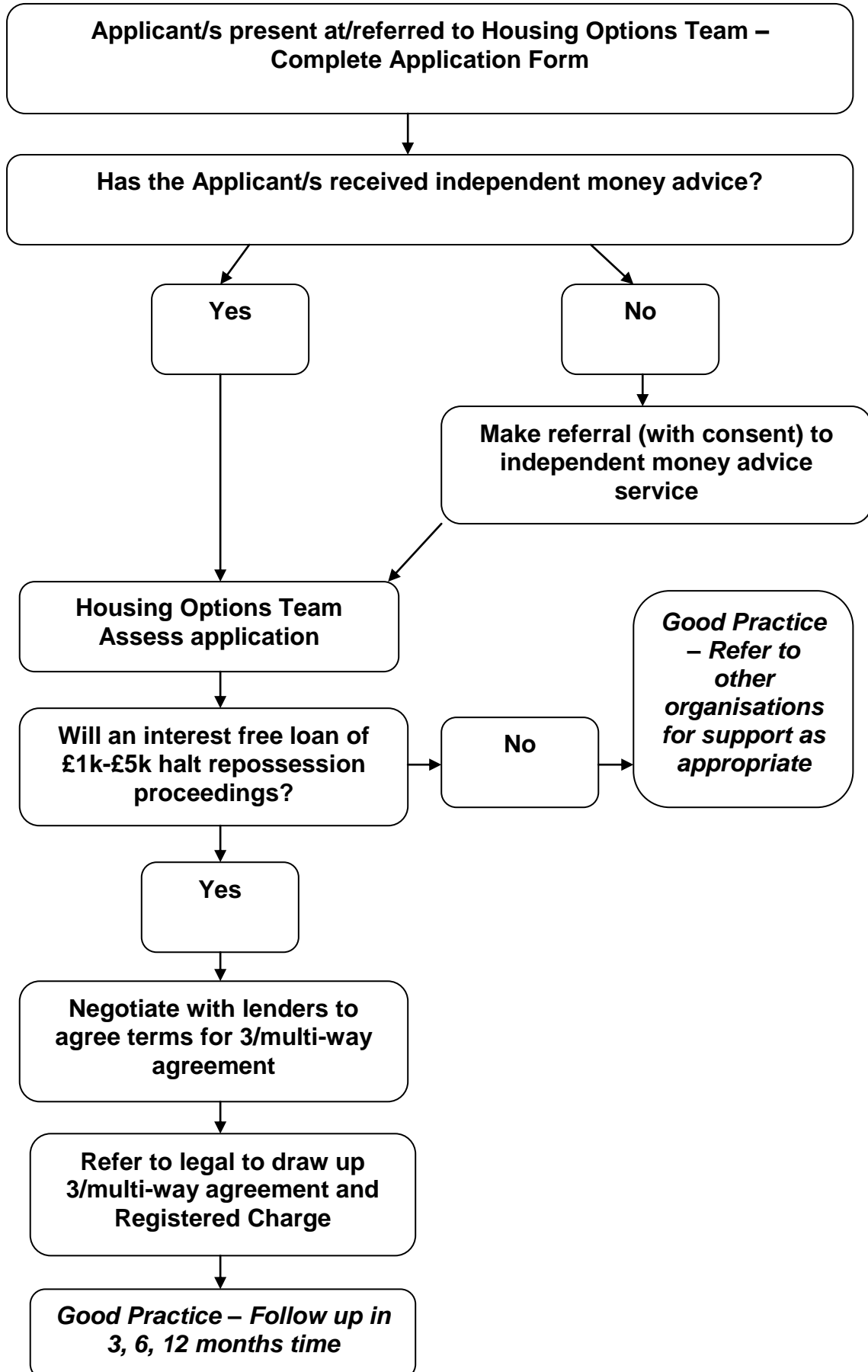
As a measure of good practise, the Housing Options Team will make follow up contact at 3 months, 6 months and 12 months to ensure that the household is not at risk of homelessness and to evaluate the success of the loan.

Note: Standard Housing Options Team practises will apply in relation to applicants with English as an additional language, complaints and equal opportunities.

Good Practise: If an interest free loan will not halt repossession action the Housing Options Team should continue to provide the applicant/s with comprehensive housing advice (including advice on temporary and emergency accommodation) and with the applicant's consent either/and/or:

- *Refer the applicant/s to organisations that can provide them with additional support and assistance as appropriate, for example floating support*
- *Liaise with existing support workers identified on the Repossessions Fund Application Form to devise a support plan that best meets their needs*

Repossessions Fund Process Chart



Priority Need Categories

Section 189(1) of the Housing Act 1996 and the Homelessness (Priority Need for Accommodation) (England) Order 2002 provide that the following categories of applicant have a priority need for accommodation:

- i) a pregnant woman or a person with whom she resides or might reasonably be expected to reside
- ii) a person with whom dependent children reside or might reasonably be expected to reside
- iii) a person who is vulnerable as a result of old age, mental illness or handicap or physical disability or other special reason, or with whom such a person resides or might reasonably be expected to reside
- iv) a person aged 16 or 17 who is not a 'relevant child' or a child in need to whom a local authority owes a duty under section 20 of the *Children Act 1989*
- v) a person under 21 who was (but is no longer) looked after, accommodated or fostered between the ages of 16 and 18 (except a person who is a 'relevant student')
- vi) a person aged 21 or more who is vulnerable as a result of having been looked after, accommodated or fostered (except a person who is a 'relevant student')
- vii) a person who is vulnerable as a result of having been a member of Her Majesty's regular naval, military or air forces
- viii) a person who is vulnerable as a result of:

- (a) having served a custodial sentence,
 - (b) having been committed for contempt of court or any other kindred offence, or
 - (c) having been remanded in custody;
- ix) a person who is vulnerable as a result of ceasing to occupy accommodation because of violence from another person or threats of violence from another person which are likely to be carried out
- x) a person who is vulnerable for any other special reason, or with whom such a person resides or might reasonably be expected to reside, for example (this list is not intended to be exhaustive)
- (a) Chronically sick people, including people with AIDS and HIV-related illnesses
 - (b) Young people
 - (c) People fleeing harassment.
 - (d) Former asylum seekers
- xi) a person who is homeless, or threatened with homelessness, as a result of an emergency such as flood, fire or other disaster

Application Form

Name of Applicant 1:

(NB: Must be all people that are on the mortgage/deeds)

Date of Birth:

NI Number:

Telephone Number:

Home

Mobile

Work

Email

Name of Applicant 2:

(NB: Must be all people that are on the mortgage/deeds)

Date of Birth:

NI Number:

Telephone Number:

Home

Mobile

Work

Email

Address of Property:

Names & dates of birth of other people living at the address:

(NB: please include EDD for any pregnant women & provide MATB1 if 24+ weeks pregnant)

Is this your only or main home? Yes /No *(please circle)*

Has the household received independent debt advice? Yes /No *(please circle)*

NB: If the answer is no refer them to the CAB on the same day appointment agreement

What is your household income? *(Earnings; Benefits; Other e.g. pensions)*

Name & Address of Mortgage Provider:

Account Number and Arrears *(£ = to ? payments):*

Telephone Number:

Email:

Is there a named case officer? Yes /No *(please circle)*

NB: If yes, please provide name and contact details

What stage are you at? *(please circle one of the following)*

- Letter received stating that repossession proceedings are underway
- Court Date (Do they have legal representations? If not refer to Cumbria Law Centre)
- Post-Court: adjournment or suspended possession order
- Post-Court: bailiffs

Name & Address of Secondary Lender:

NB: continue on additional sheets if necessary

Account Number (*£ = to ? payments*):

Telephone Number:

Email:

Is there a named case officer? Yes /No (*please circle*)

NB: If yes, please provide name and contact details

What stage are you at? (please circle one of the following)

Letter from creditor stating 'if we obtain a charging order we will apply for an order for the sale of your house'

Court proceedings for the sale of your house (Do they have legal representation? If not refer to Cumbria Law Centre)

Do you or any member of your household have any additional support needs or professional support workers? Yes /No (*please circle*)

NB: If no, consider referring them to other agencies with their consent

Name	Support Worker	Contact Details

Any other comments:

I _____ [insert name of Applicant 1] consent to Copeland Borough Council holding and processing personal information that I have provided to perform the functions of the Housing Options Team.

I _____ [insert name of Applicant 2] consent to Copeland Borough Council holding and processing personal information that I have provided to perform the functions of the Housing Options Team.

Please note that we need this consent before we can proceed with your application.

Signed/Dated:

Applicant 1

Applicant 2

Housing Options Team

For office use only

- *Have you seen and copied proofs of ID (and MATB1 if applicable)?*

- *Have you seen and copied proofs of income (earnings and benefits)?*
- *Have you seen and copied letters from lenders?*

Repossessions Fund Checklist

Check	Action Required
<p>Has the application been signed by all people that are on the mortgage/secured loan? <i>If no, application is void</i></p>	
<p>Is the property the applicant/s only or main home? <i>If no, application is ineligible</i></p>	
<p>Has the applicant/s received independent debt advice? What were the recommendations? <i>Applicant/s must receive independent debt advice to be eligible and provide consent to share information</i></p>	
<p>Have you received 2 proofs of ID + proof of repossession action? <i>Requirement</i></p>	
<p>If the applicant/s became homeless would they be in priority need?</p>	

<p>Would an interest-free loan of £1k-£5k halt repossession action? <i>If no, application is ineligible</i></p>	
<p>Are there any other courses of action available to the Applicant/s? <i>Do not progress interest-free loan if there are other options</i></p>	