



Staying in, taking control

Fact Sheet 5:

Homeowners Mortgage Support case studies



Homeowners Mortgage Support (HMS) is for people who are having short-term financial difficulties but are likely to get their finances back on track. Use these case studies to help you consider whether you are eligible for HMS and get an idea of how it could help you.

Homeowners Mortgage Support - eligibility case studies

The following examples show people in different situations who are having trouble meeting their mortgage repayments and whether they are eligible for help from HMS.

Pritesh and Radhika

Pritesh and Radhika have a mortgage of £395,000 on a property they bought in summer 2008. Pritesh has recently been made redundant. He hadn't been with the firm long, so his redundancy package was quite small. However, Pritesh is confident that he will find work at a similar level before the end of the year. Radhika also works but her pay doesn't cover all of the mortgage as well as the bills. They may be eligible for HMS.

Ashley and Jackie

Ashley and Jackie have a mortgage of £95,000 on their home, which they have owned for five years. Ashley's wages have dropped because the firm he works for has cut its working week back to three days. Ashley and Jackie are finding it hard to pay their mortgage on this lower income, which means they may be eligible for HMS.

Peter

Peter is no longer able to work after a car accident. He isn't eligible for HMS because his loss of income is likely to be permanent.

Jack

Jack is a builder and finding it hard to get full-time work at the moment. However, by working with a money adviser, Jack has found that he can cut his spending and arrange a repayment plan for his credit card debt. Jack doesn't need to apply for HMS.

How Homeowners Mortgage Support can help

HMS helps by temporarily reducing the amount of mortgage interest you have to repay each month. When your financial situation improves, you have to pay back what you have put off, plus interest. The following examples show how people in different situations manage their mortgage after getting help from HMS.

John and Elizabeth

John and Elizabeth own a flat in London. John is a consultant and Elizabeth looks after their young child. John was working on a long-term project before his hours got cut back.

They had an interest-only mortgage with £285,000 left to pay on it. They were repaying £1,188 a month at an interest rate of 5 per cent when they applied for HMS. With their money adviser, they worked out a budget and decided they could pay about half of the interest due, which was £594.

Two years later, John has found full-time work again and Elizabeth has also gone back to work part time. They return to normal repayments having put off £14,999.

They need to pay back this money, so they decide to extend their mortgage by a further year. They are now paying £1,980 a month on a 'capital repayment mortgage', which means they pay off the interest and part of the main loan.

Matt and Michelle

Matt and Michelle own an apartment in Hartlepool. Matt works in construction and Michelle has a job in a local call centre. They were relying on Matt's overtime to help them make their monthly repayments, but Matt was getting less work. They were both working part time when they applied for HMS.

Matt and Michelle had £80,000 on an interest-only mortgage, which had an interest rate of 6 per cent. They also had another loan of £20,000 taken out against their home with another lender, which had an interest rate of 10 per cent. In total, they were repaying £593 a month over 20 years.

After discussing their situation with both lenders, they agreed to repay half of the interest due on each loan every month. They paid £200 on their mortgage and £83 on their other loan each month.

After a year, Michelle has been promoted and is now working full-time. They have put off £2,477 on their mortgage and £1,053 on their loan. They decide to make larger payments each month to avoid adding more time to their mortgage. Their total repayments will now be £619 each month. They are still on an interest-only mortgage and will need to set up a repayment plan to pay off the rest of their mortgage.

For more advice about your housing situation or debt please refer to the Useful Contacts sheet