

Applying for a three-month mortgage payment holiday

Easing the stress some borrowers will be facing during the pandemic outbreak

Mortgage borrowers that have been adversely affected financially by coronavirus (COVID-19) may want to consider requesting to take a mortgage payment holiday on their residential or buy-to-let mortgage for up to three months to help their financial situation. The Government's policy is aimed at easing the stress some borrowers will be facing during the pandemic outbreak.

It also provides some flexibility at a time when many workers are facing lower or no incomes. As mortgage payments are usually a household's largest outgoing, pausing payments may help to take some of the pressure off. However, an alternative some mortgage borrowers may want to consider is the option to reduce payments instead of delaying the debt.

When the three-month mortgage payment holiday policy was announced, understandably some mortgage borrowers were concerned about the effect a payment holiday would have on their credit report. The three credit reference agencies Experian, Equifax and TransUnion have now agreed to protect the scores of those affected by utilising this mortgage payment deferral option.

YOURS QUESTIONS ANSWERED

Q: What is a mortgage payment holiday?

A: A mortgage payment holiday means you agree with your lender that you will not have to make contractual mortgage payments for a set amount of time. Payment holidays are designed to help you when you may experience payment difficulties – in this case, because of the coronavirus situation. Under the Government's new policy, you can apply for a payment holiday of up to three months.

It's important to remember that a mortgage holiday is a temporary break from your mortgage

payments, to help you through these uncertain times. You still owe the amounts that you don't pay as a result of the payment holiday, and interest continues to be charged on the amount you owe. This means that, at the end of the payment holiday, you'll be required to make up the missed mortgage payments.

There will be various options for doing this, for example, by increasing your monthly payments slightly, or by adding a short extension to your term. Your lender will be able to explain to you what options it offers.

Q: Should I apply for a mortgage payment holiday?

A: The majority of the main mortgage lenders have committed to this and are offering payment holidays to borrowers who are experiencing or reasonably expect to experience payment difficulties because of coronavirus.

Some lenders may consider that another option is more appropriate for the borrower's circumstances, and where it is in their interest. This can be discussed with the lender.

You should not apply for a mortgage payment holiday if you are not experiencing or do not reasonably expect to experience payment difficulties.

Q: How do I apply for a mortgage payment holiday?

A: Mortgage payment holidays of up to three months are available to all homeowners who are up to date on their mortgage payments. They're also available to buy-to-let landlords whose tenants have been financially affected by the coronavirus. You can apply for a payment holiday at any time before this guidance is reviewed in three months.

Landlords who take payment holidays are expected to pass on this relief to their tenants. Homeowners who are in arrears on their mortgage should contact their lender, who will review any changes to their circumstances and discuss their options.

If you are experiencing or reasonably expect to experience payment difficulties because of circumstances related to coronavirus, for most mortgage lenders the quickest way to apply will be to complete an online form or telephone them.

Your lender will not require you to provide any documentation or undergo any affordability tests. Instead, homeowners will need to self-certify that their income has been directly or indirectly affected by the coronavirus. If you're a landlord, you'll need to self-certify that your tenant's income has been affected by the outbreak.

Due to the number of requests for payment holidays, in some instances it may take over a week to process them. Once your mortgage lender has applied the payment holiday to your account, they will write to you confirming when your payment holiday will start.

Q: Where can I find my mortgage account number?

A: Your account number can be located in a number of places, including:

- In your original mortgage offer letter
- Any mortgage payment notice from your mortgage lender
- Your annual mortgage statement

Q: Should I cancel my direct debit mandate?

A: No. It is only a payment holiday if it has been agreed with your lender. You should not cancel your direct debit without speaking to your mortgage lender first. Cancelling your direct debit is not a payment holiday, and these will be counted as missed payments. This could show up in your credit file and may impact your ability to remortgage at a future date.

Q: How will interest on my mortgage be calculated during the payment holiday?

A: You will still be charged interest during the payment holiday, unless your lender has told you otherwise.

Interest will continue to build at your usual interest rate during the payment holiday, and the total amount of interest you pay over the

term of the mortgage will increase. When your payments start again after the payment holiday, they'll be recalculated.

It's likely the mortgage lender will spread the outstanding payments over the outstanding term of your mortgage, so you will see an increase in your monthly mortgage payments. This will also result in a slightly higher mortgage balance than if you'd not taken out a mortgage holiday.

You will need to agree with your lender a manageable way to make up the missed payments given your circumstances. However, if you are still not able to make your full mortgage payments due to circumstances relating to coronavirus, then the lender may offer you a further payment holiday, or other arrangements if these are appropriate to your circumstances.

Q: Will taking a payment holiday have an adverse impact on my credit status?

A: The Financial Conduct Authority's guidance to mortgage lenders has made it clear that they should ensure that taking a payment holiday will not have a negative impact on a borrower's credit file. Experian, Equifax and TransUnion have confirmed to protect the scores of those affected.

Q: If I'm behind with my mortgage payments, can I still apply for a payment holiday?

A: Lenders are expected to offer payment holidays to borrowers who are experiencing or reasonably expect to experience payment difficulties because of circumstances related to the coronavirus, or another option better suited to their needs and in their best interest, whether or not they are already behind on their payments.

Q: Will lenders stop repossession action during this period?

A: At this time of unprecedented uncertainty and upheaval, lenders are expected to stop

repossession action. This applies to all mortgage borrowers at risk of repossession, whether or not their incomes are affected by coronavirus. Many lenders have already committed to this.

Q: Are there alternatives to taking a mortgage payment holiday?

A: A payment holiday is one option that a mortgage lender can offer. You don't need to undergo an affordability assessment, but if you're willing to do so, then your mortgage lender may offer you more tailored support.

Some of the options available could include:

- To move your mortgage to interest-only payments for a period
- To defer your interest payments for a period
- To extend your mortgage term (reducing your monthly payments)
- To add the deferred payments to the overall amount you owe and spread this over the remaining mortgage term

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