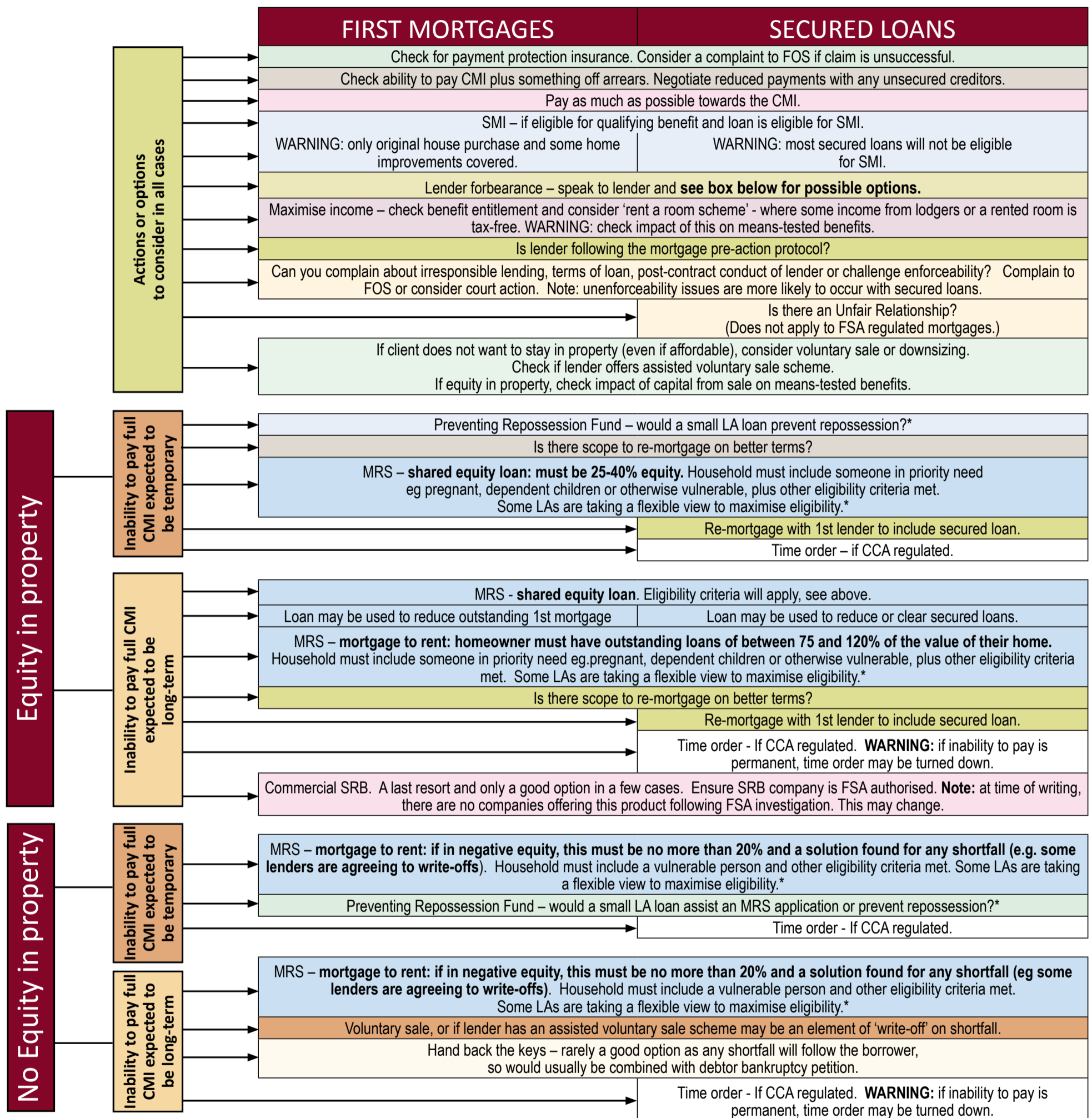


Strategies when Mortgages are Unaffordable

This chart illustrates options when there is not enough money to pay the mortgage. Many of these options can be used in a combined approach to tackle mortgage debt. It is a basic guide and more detailed references should always be checked.

Abbreviations: CCA – Consumer Credit Act, CMI – current monthly instalment, FOS – Financial Ombudsman Service, FSA – Financial Services Authority, LA – Local Authority, MRS – Mortgage Rescue Scheme, SMI – Support for Mortgage Interest, SRB – sale and rent back.



*MRS applies to England only; Wales and Scotland have similar mortgage rescue schemes; Preventing Repossession Fund is England only.

LENDER FORBEARANCE – some examples

Note: if arrangement in place, check that all arrears, default and late payment penalties have stopped. Consider complaint to FOS if lender continues to charge.

Payment of CMI plus regular amount for arrears.	Reduce arrears charges.	Payment holiday.
Short-term reduction in payments.	Allow time to sell.	Lengthen term (possibly capitalising arrears).
Convert to interest-only repayments.	Formal loan modification (usually temporary).	Check with lender for their own in-house forbearance schemes

This chart was compiled by Deborah Shields and Rosie Thompson from the information team at the Money Advice Trust. Updated Dec 2012