

# Local Authority Home Loan Mortgage Payment Break

## Frequently Asked Questions

To assist local authority home loan borrowers who may experience a reduction in their income arising from COVID-19 and may not be able to make repayments on their loans, Mortgage Payment Breaks of up to six months will be made available to those who need it.

### 1. What is a Local Authority Home Loan Mortgage Payment Break?

A local authority home loan Mortgage Payment Break means that no repayments are made to your home loan account for the Mortgage Payment Break period. Your home loan account is paused.

- No interest is charged during the Mortgage Payment Break period.
- The term of your home loan remains unchanged (i.e. if the original term/maturity date is July 2035 – this will remain at July 2035).
- Your home loan repayments recommence after the Mortgage Payment Break period at a higher amount than before the Mortgage Payment Break. This is necessary to ensure that your home loan will be repaid in full within its original term.
- Mortgage Protection Insurance Payments will need to be maintained and arrangements for same must be agreed directly with your local authority.

### 2. Am I eligible for a Mortgage Payment Break?

You are eligible for a Mortgage Payment Break on your local authority home loan if you have had a reduction in your income arising from COVID-19 or are anticipating one and you are unable to make repayments on your home loan.

This mortgage payment break is also open to local authority borrowers who are currently in arrears and further impacted by Covid-19. In this case you must be currently engaging with your local authority in relation to your arrears and complying with relevant conditions set by them.

However, it is recognised that some borrowers may have already entered into arrears arising out of the COVID-19 emergency and not yet entered into a repayment plan. If you have entered into arrears from March 2020 you are considered eligible to apply for a mortgage payment break.

You should only apply for a mortgage payment break if you consider that you need it. Free, independent and confidential financial advice is available through the State's Money Advice and Budgetary Service (MABS). Please see [www.mabs.ie](http://www.mabs.ie) to find details of your local office.

### 3. Can I apply for a Mortgage Payment Break if I am currently in arrears?

The mortgage payment break is also open to local authority borrowers who are currently in arrears and have suffered (or are likely to suffer) a Covid-19 related income loss. However, you must be currently engaging with your local authority in relation to your arrears and complying with relevant conditions set by your authority, or, have only entered into arrears from March 2020. Please see answer to Q2 also.

### 4. Can I apply for a Mortgage Payment Break if I have already missed a repayment because of Covid-19?

Yes. You may apply for a Mortgage Payment Break if you have missed a repayment from March 2020 because of a loss of income due to Covid-19. However, you will need to discuss with your local

authority how the missed repayment will be treated as the Mortgage Payment Break cannot be backdated.

#### **5. Is there a closing date for applying for a Mortgage Payment Break?**

The closing date for applying for your first Mortgage Payment Break is 30 September 2020.

#### **6. How long does a Mortgage Payment Break last?**

From 26 June 2020, an initial mortgage payment break is available for 3 months. If your financial situation is still impacted by COVID-19 on expiry of the initial 3-month payment break, you may apply for an extension to the payment break for a further 3 months.

#### **7. How do I apply for a Mortgage Payment Break?**

To apply for a Mortgage Payment Break, you can download the application form from your local authority website. Alternatively, you can request an application form to be posted to you – please call your local authority to arrange this. **The application form must be completed in full.** If your form is incomplete, your local authority will notify you as quickly as possible. The Mortgage Payment Break cannot be processed without receipt of a completed application form. While a Mortgage Payment Break of up to 6 months is available in total, applicants must apply twice; initially for 3 months and then, if required, an additional period of 3 months may be applied for, bringing it to a maximum of a 6 months mortgage payment break period in total.

#### **8. How do I return my application?**

You can return your application form for the initial or extended mortgage payment break period by email, by post or by hand to your local authority, subject to HSE guidance. Further details are contained within the application form. It should be noted that for the duration of Government COVID-19 guidelines, public offices may be closed. This may cause a delay to those applications submitted by post or by hand to local authorities.

#### **9. Can I stop my monthly repayment now?**

No. You must continue to make your home loan mortgage repayments in full until you receive notification that your Mortgage Payment Break application has been approved.

#### **10. How will I know if I have been approved for a Mortgage Payment Break?**

For both the initial and extended mortgage payment break, your local authority will send you a Notification of Approval by email within five working days of receiving your completed application form. The Notification of Approval will include the following details:

- Confirmation of approval;
- Your Mortgage Payment Break period;
- The revised/higher amount of your repayments after the Mortgage Payment Break period;
- Confirmation of your home loan term/maturity date;
- Indicative saving (based on full repayment as demanded by your local authority).
- Declaration and Acceptance Form

You **must** return the signed Declaration and Acceptance Form **within 15 working days of date of issue.** After this period the approval is no longer valid for the Mortgage Payment Break.

If your form is incomplete, your local authority will notify you as quickly as possible.

**11. How long do I have to decide after receiving the Notification of Approval?**

You must return the signed Declaration and Acceptance Form within 15 working days of the date of issue. If the local authority has not received your signed Declaration and Acceptance Form within 15 working days of sending it the Notification of Approval letter is no longer valid. The local authority will write to you advising that your Notification of Approval has been withdrawn.

**12. Can I apply for a Mortgage Payment Break if I have already missed a repayment because of Covid-19?**

If you currently pay your mortgage repayment by Direct Debit your local authority will stop requesting the mortgage element of the payment from your bank for the duration of the Mortgage Payment Break. Equivalent arrangements will apply were payment is not made by Direct Debit. For the majority of borrowers, the monthly loan repayment also includes an amount for Mortgage Protection Insurance; You must maintain your Mortgage Protection Insurance - please see information question 13.

**13. What happens my Mortgage Protection Insurance?**

Borrowers who applied for their initial 3 month mortgage payment break or those who applied for an extension to their mortgage payment break up to 6 months after 26 June 2020, will be required to maintain their MPI payments during these mortgage payment break periods.

Borrowers who applied for their initial 3 month mortgage payment break prior to 26 June 2020 may have chosen to pause MPI payments and your local authority should have contacted you with repayment options for the relevant amounts. If payment is not made to your local authority as agreed your insurance may be invalidated. In the interim, your MPI premium will continue to be paid on your behalf by your local authority and your insurance cover will remain in place for the duration of the Mortgage Payment Break. For information, the MPI premium is generally a small proportion of your monthly repayment, the large majority of which is the mortgage repayment.

If you applied for a payment break prior to 26 June 2020 and chose to stop your MPI repayments for the initial period of the payment break then you will be required to repay the outstanding MPI premium amount by 18 December 2020, which would make the amount of the repayment (for 2020 only) higher than the figure shown below:

#### 14. What is the financial impact of a Mortgage Payment Break?

The table below sets out, **for illustrative and indicative purposes only**, the financial impact of a three-month Mortgage Payment Break on a home loan with a balance of €100,000 owing with a remaining term of 15 years, at an indicative interest rate of 2.30%.

Notes:

<b>Table 1 – Indicative Example</b>	<b>3 Month Break</b>	<b>6 Month Break</b>
Home Loan Balance	€100,000	€100,000
Term End Date	30/04/2035	30/04/2035
Current Mortgage Repayment Amount	€657	€657
Mortgage Payment Break Start Date	01/05/2020	01/05/2020
Mortgage Payment Break End Date	31/07/2020	31/10/2020
Repayment Restart Date	01/08/2020	01/11/2020
Home Loan Balance after Mortgage Payment Break	€100,000	€100,000
Term End Date after Mortgage Payment Break	30/04/2035	30/04/2035
Repayment Amount after Mortgage Payment Break	€667	€676
Total Amount Repayable over Term - Before Break	€118,335	€118,335
Total Amount Repayable over Term - After Break	€118,015	€117,695

- For a 3 month mortgage payment break, your repayments increase from €657 to €667 – or by €10 per month. Because you repay your home loan balance over a shorter term (i.e. over 14 years and 9 months instead of over 15 years) you pay less interest and thereby save a total amount of €320 in this example. Saving is based on full repayment of your home loan.
- For a 6 month mortgage payment break, your repayments increase from €657 to €676 – or by €19 per month. Because you repay your home loan balance over a shorter term (i.e. over 14 years and 6 months instead of over 15 years) you pay less interest and thereby save a total amount of €640 in this example. Saving is based on full repayment of your home loan.
- These indicative calculations are based on an interest rate of 2.30% for the remaining term of the home loan. Variable interest rates are subject to change.
- These indicative calculations do not include Mortgage Protection Insurance (MPI) premia.
- These indicative calculations do not take into account Tax Relief at Source (TRS).

#### 15. What will happen to my home loan balance during a Mortgage Payment Break?

Your home loan balance will not increase over the period of the Mortgage Payment Break.

#### 16. What happens to my monthly repayments at the end of a Mortgage Payment Break?

At the end of the initial 3 month Mortgage Payment Break period, you can either:

- Recommence your full home loan monthly repayments, which will be at a higher rate than before the break; or

- Extend your mortgage payment by 3 months up to a maximum of 6 months. If you wish to extend you must apply to your local authority.

If you recommence your full home loan monthly repayments after either the 3 or 6 month mortgage payment break period, your full home loan monthly repayments will recommence at a higher amount than before the Mortgage Payment Break.

At the end of the 6 month Mortgage Payment Break period, you **must** recommence your full home loan monthly repayments. Your monthly repayments will increase. This is necessary to ensure that your home loan will be repaid in full within its original term. Your Notification of Approval will include the revised/higher amount of your repayments after the Mortgage Payment Break period.

If your financial circumstances have not improved after the 6 Month Mortgage Payment Break and you are unable to recommence your full monthly repayments, you should contact your local authority as soon as possible who will discuss an alternative payment arrangement with you. Please see question 31 re Mortgage Arrears Resolution Process.

#### **17. Will my home loan interest rate change if I take a Mortgage Payment Break?**

If you are on a fixed rate home interest loan, your home loan interest rate will not change because you take a Mortgage Payment Break. However, if you have a variable interest rate home loan and there is a rate change during your Mortgage Payment Break period, your home loan variable rate will change to the new rate.

#### **18. Will a Mortgage Payment Break affect my credit record?**

A Mortgage Payment Break will not adversely impact on your credit record. However, if you are already in arrears before the Mortgage Payment Break it may affect your credit record.

#### **19. Can I extend my initial 3 month Mortgage Payment Break if I need to?**

Yes. If your financial circumstances have not improved and you wish to extend the payment break period, during the 3rd month of your mortgage payment break, you should contact the LA to discuss this option. If your additional 3 month mortgage payment break is approved, your local authority will send you a revised Notification of Approval which will include the revised/higher amount of your repayments after the extended Mortgage Payment Break. You will be required to sign and return an updated Declaration and Acceptance Form within 15 working days.

#### **20. How do I extend my Mortgage Payment Break?**

You can avail of two 3 month Mortgage Payment Breaks up to a maximum of 6 months. If your financial circumstances haven't improved, after the initial 3 month mortgage payment break you may apply for a 3 month extension to your Mortgage Payment Break.

#### **21. Is there any difference between payment breaks of 3 months and 6 months?**

The main difference between these two payment breaks is that your monthly repayments will be higher after a 6 month break than after a 3 month break.

If you were on a mortgage payment break prior to 26 June 2020, you may have also taken a break from paying your MPI, which had to be repaid prior to 18 December 2020. If you apply for an extended payment break you must resume paying your MPI through the extended mortgage payment break period.

#### **22. In the future, can I revert to my original monthly repayment amount?**

No. When you take a Mortgage Payment Break a new monthly repayment is calculated and you cannot revert to the repayment amount you had before.

**23. Can a customer apply for more than one Mortgage Payment Break but stay within the 6-month maximum period e.g. for May only and then later for June?**

Yes. A customer may apply for a total of 2 mortgage payment breaks with the combined duration of the two breaks not exceeding 6 months. However, you cannot apply for 6 months from the outset. You cannot apply for more than 2 mortgage payment breaks.

**24. How long can a Mortgage Payment Break last?**

Your two Mortgage Payment Breaks can last up to a maximum of 6 months. However, you cannot apply for 6 months in one go. From 26 June 2020 you may apply for a maximum of two Mortgage Payment Breaks of 3 months each up to a total of 6 months.

**25. Is there an end date for the Mortgage Payment Break?**

You must apply for your first mortgage payment break on or before 30 September 2020. If you already have a payment break in place by this date, you can apply for an additional 3 months after this date, however there can be no break between payment breaks after this date, they must be continuous.

**26. What happens after 30 September 2020?**

You must have applied for your initial mortgage payment break before this 30 September 2020. Applications for a mortgage payment break after this date will not be accepted. You can extend an existing payment break after this date, however, it must be back to back with the previous one.

**27. Do all borrowers on the loan have to sign the Mortgage Payment Break documentation?**

Yes, all borrowers named on the loan must sign the relevant documentation, namely, the declaration and acceptance form agreeing to the revised terms of the mortgage.

**28. What happens if I don't make full repayments after the Mortgage Payment Breaks?**

It is important that you recommence your full repayments after your approved Mortgage Payment Break. If you do not recommence your full monthly repayments [as outlined in the Notification of Approval letter] after your approved [3 month or 6 month] Mortgage Payment Break your loan could be classified as in 'arrears' which means that your income and expenditure will need to be assessed by your local authority to determine how much you can pay towards your loan and for how long an alternative repayment arrangement should be in place. Your local authority will work with you on a range of solutions that will help you get back on track if this is the case. Your credit record being impacted – local authorities are required by law to report all outstanding loans to the Central Credit Register (CCR). Some local authorities also report outstanding loans to the Irish Credit Bureau (ICB). A poor record on either register may impact your ability to get approval for credit in the future.

**29. What happens if I am unable to recommence my full monthly repayments after the Mortgage Payment Break?**

If your financial circumstances have not improved and you are unable to recommence paying your full monthly repayments you should contact your local authority as soon as possible who will discuss alternative payment arrangements with you under the Mortgage Arrears Resolution Process [MARF]

**30. What is the Mortgage Arrears Resolution Process [MARF]?**

The Mortgage Arrears Resolution Process [MARF] is for borrowers who are experiencing financial distress and are having difficulties in meeting their mortgage repayments. Further information on this process will be discussed by the LA with you.

**STATUTORY WARNINGS AND OTHER INFORMATION**

**Warning:** If you do not meet the repayments on your home loan, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit in the future.

**Warning:** If you do not keep up your home loan repayments you may lose your home.

**Warning:** You may have to pay charges if you pay off a fixed rate home loan early.