

# Local Authority Home Loan Mortgage Payment Break

## Frequently Asked Questions

### 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 duration of the Mortgage Payment Break. No interest is charged during the Mortgage Payment Break.

- 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 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.
- The total duration of the three mortgage payment breaks is nine months; comprising three mortgage payment breaks each lasting 3 months. You cannot apply for a single mortgage payment break of more than three months.

### 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, which could include a repayment plan. Borrowers in arrears who are not complying with conditions as set out by their local authority should not be eligible for a mortgage payment break.

However, it is recognised that some borrowers may have already entered into arrears arising out of the COVID-19 emergency and not yet engaged with their local authority. 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 (which could include a repayment plan - borrowers in arrears who are not complying with conditions as set out by their local authority should not be eligible for a mortgage payment break), or, have only entered into arrears from March 2020. Please see answer to question 2 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, before having the opportunity to arrange a mortgage payment break, because of a loss of income due to Covid-19. However, you will need to engage with the local authority as quickly as possible.

#### **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 up to and including 31 December 2020.

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

Each Mortgage Payment Break is now of three months duration. You can take a maximum of three mortgage payment breaks. You cannot apply for a single mortgage payment break of more than three months. The combined duration of the three mortgage payment breaks is up to a maximum of 9 months.

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

To apply for your first Mortgage Payment Break (or for your second or third mortgage payment break), you can download the relevant 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 three combined Mortgage Payment Breaks totalling up to 9 months is available, you must apply three times. You must initially apply for 3 months and then, if required, a second mortgage payment break may be applied for, and then, if required, a third mortgage payment break may be applied for. Therefore, the total duration of the three mortgage payment breaks is 9 months.

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

You can return your application form for each of the three mortgage payment breaks by email, by post or by hand to your local authority, subject to HSE COVID-19 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 each of the three mortgage payment breaks, 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
- The revised/higher amount of your repayments after the Mortgage Payment Break;
- 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. What happens to my monthly repayments during a Mortgage Payment Break?**

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 where 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?**

Applications received after 26 June 2020, will be required to maintain their MPI payments during their three mortgage payment breaks.

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 mortgage payment break prior to 26 June 2020 and chose to stop your MPI repayments for the first mortgage 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 overleaf.

#### 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, six and nine-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%. These calculations are based on Mortgage Payment Breaks running back to back.

Notes:

<b>Table 1 – Indicative Example</b>	<b>1<sup>st</sup> Mortgage Payment Break</b>	<b>2<sup>nd</sup> Mortgage Payment Break</b>	<b>3<sup>rd</sup> Mortgage Payment Break</b>
Home Loan Balance	€100,000	€100,000	€100,000
Term End Date	30/04/2035	30/04/2035	30/04/2035
Current Mortgage Repayment Amount	€657	€657	€657
Mortgage Payment Break Start Date	01/05/2020	01/05/2020	01/05/2020
Mortgage Payment Break End Date	31/07/2020	31/10/2020	31/01/2021
Repayment Restart Date	01/08/2020	01/11/2020	01/02/2021
Home Loan Balance after Mortgage Payment Break	€100,000	€100,000	€100,000
Term End Date after Mortgage Payment Break	30/04/2035	30/04/2035	30/04/2035
Repayment Amount after Mortgage Payment Break	€667	€676	€686
Total Amount Repayable over Term - Before Break	€118,335	€118,335	€118,335
Total Amount Repayable over Term - After Break	€118,015	€117,695	€117,376

- 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).
- For a second 3 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).
- For a third 3 month mortgage payment break, your repayments increase from €657 to €686 – or by €29 per month - because you repay your home loan balance over a shorter term (i.e. over 14 years and 3 months instead of over 15 years).
- 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 the Mortgage Payment Break?**

Your home loan balance will not increase over the Mortgage Payment Breaks.

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

Three mortgage payment breaks each of 3 months duration are permitted bringing the combined total of the three mortgage payment breaks up to a maximum of 9 months. At the end of the first 3 month Mortgage Payment Break, you can either:

- Recommence your full home loan monthly repayments, which will be marginally higher than before the break; or
- Apply for a second mortgage payment break. You must apply to your local authority for your second mortgage payment break.

At the end of the second Mortgage Payment Break, you can either

- Recommence your full home loan monthly repayments, which will be marginally higher than before the break; or
- Apply for a third mortgage payment break, bringing the total combined duration of the three Mortgage Payment Breaks up to a maximum of 9 months. You must apply to your local authority if you wish to avail of a third mortgage payment break.

If you decide to apply for a third Mortgage Payment Break, your local authority will contact you during the third mortgage payment break to discuss and assess your financial arrangements for when the Mortgage Payment Break ends.

At the end of your third Mortgage Payment Break, 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(s) will include the revised/higher amount of your repayments after the Mortgage Payment Break(s).

As soon as you realise that your financial circumstances have not improved and you may be unable to recommence paying your full monthly repayments, you should notify your local authority immediately who will discuss alternative payment arrangements with you. Please see question 33 re Mortgage Arrears Resolution Process [MARP].

**17. What happens during the third Mortgage Payment Break?**

During the third Mortgage Payment Break, your local authority will contact you to discuss and assess your financial circumstances.

**18. 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 Mortgage Payment Break(s). However, if you have a variable interest rate home loan and there is a rate change during your Mortgage Payment Break(s), your home loan variable rate will change to the new rate.

**19. 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.

**20. Can I extend my first or second Mortgage Payment Break if I need to?**

Yes. If your financial circumstances have not improved and you wish to apply for a second or third mortgage payment break, you may do so. You may apply for a total of three mortgage payment breaks, each lasting three months, which would bring the total duration of the three mortgage payment breaks up to a maximum of 9 months. You should contact your local authority during your first or second mortgage payment break if you wish to apply for a second or third mortgage payment break.

**21. How do I extend my Mortgage Payment Break?**

You can avail of three Mortgage Payment Breaks each of 3 months duration. The total combined duration of the three Mortgage Payment Breaks is up to a maximum of 9 months. If your financial circumstances haven't improved, after the first mortgage payment break you may apply for a second Mortgage Payment Break. If after your second mortgage payment break your financial circumstances haven't improved, you may apply for a further 3<sup>rd</sup> Mortgage Payment Break. This will bring the total duration of the three Mortgage Payment Breaks up to a maximum of 9 months. If your 2<sup>nd</sup> or 3<sup>rd</sup> 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 second/third Mortgage Payment Breaks. You will be required to sign and return an updated Declaration and Acceptance Form within 15 working days.

## **22. Is there any difference between the first, second and third mortgage payment breaks?**

The main difference between these three mortgage payment breaks is that your monthly repayments will be marginally higher after the second mortgage payment break than after the first month break. Similarly, your monthly repayments will be marginally higher after the third mortgage payment break than after a second mortgage payment break. See question 14.

In addition, during the 3<sup>rd</sup> mortgage payment break your local authority will contact you to discuss and assess your financial situation in order to determine whether alternative payment arrangements may be necessary for when the three mortgage payment breaks expire.

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 a second or third mortgage payment break you must resume paying your MPI through the second and third mortgage payment breaks.

## **23. 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.

## **24. Can there be gaps between mortgage payment breaks?**

Yes, up to 31 December 2020. During 2020 only, having regard to the possibility of ongoing COVID-19 restrictions and/or further economic difficulties, if you have completed your first or second mortgage payment break you may access a second/third mortgage payment break if you are in need of one.

Up until 31 December 2020, these mortgage payment breaks do not need to be back to back, i.e. you may apply in May and then again in November 2020. After 31 December 2020, all mortgage payment breaks, must be back to back. All Mortgage Payment Breaks must be completed by 30 September 2021.

## **25. How long can a Mortgage Payment Break last?**

Each Mortgage Payment Break is of 3 months duration. You may apply for a maximum of 3 Mortgage Payment Breaks. Depending on whether you apply for 1, 2 or 3 Mortgage Payment Breaks, the total duration of Mortgage Payment Breaks can last up to a maximum of three, 6 or 9 months. However, you cannot apply for more than three months in one go.

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

You must apply for your first mortgage payment break on or before 31 December 2020. If you already have your first mortgage payment break in place by this date, you can apply for up to 2 additional Mortgage Payment Breaks each of 3 months duration [in two 3 monthly increments] after this date. There can be no break between mortgage payment breaks after 31 December 2020, they must be continuous.

All Mortgage Payment Breaks **must** be completed by 30 September 2021.

**27. What happens after 31 December 2020?**

You must have applied for your first mortgage payment break before or on 31 December 2020. Applications for a first mortgage payment break after this date will not be eligible. After 31 December 2020, you can apply for a second / third mortgage payment break, however, it must be back to back with the previous one.

**28. 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.

**29. 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(s). Please see question 16.

If you do not recommence your full monthly repayments [as outlined in the Notification of Approval letter(s)] after your approved [1<sup>st</sup>, 2<sup>nd</sup> or 3<sup>rd</sup>] 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.

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

During the 3<sup>rd</sup> mortgage payment break your local authority will contact you to discuss and assess your financial arrangements for when the three Mortgage Payment Breaks end.

As soon as you realise that your financial circumstances have not improved and you may be unable to recommence paying your full monthly repayments, you should notify your local authority immediately who will discuss alternative payment arrangements with you under the Mortgage Arrears Resolution Process [MARP]. Please see question 33 re Mortgage Arrears Resolution Process [MARP].

**31. If I am on my third mortgage payment break, when will my local authority engage with me?**

Your local authority will contact you during your third Mortgage Payment Break.



### **32. What happens when my local authority contacts me during the third Mortgage Payment Break?**

Some borrowers may be unable to return to repaying their mortgage in full at the end of their mortgage payment break(s). Therefore, your local authority will engage with you during your third mortgage payment break in order to support borrower awareness and to mitigate potential delays relating to the repayment of mortgages. The purpose of this contact by your local authority is to determine when the mortgage payment breaks end whether it is likely that you will still be experiencing longer term financial difficulties and could face difficulties meeting your mortgage repayments. Your local authority will advise you of supports available and potential options for when your mortgage payment break is completed if you are not in a position to meet your mortgage repayments, such as the Mortgage Arrears Resolution Process (MARP).

### **33. What is the Mortgage Arrears Resolution Process [MARP]?**

The Mortgage Arrears Resolution Process [MARP] 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. A guide on MARP can be accessed through your local authority.

## **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.