



**Institute of
Money Advisers®**

Assuring quality in the money advice profession

Mortgages – The Basics



Welcome!

Interacting with us

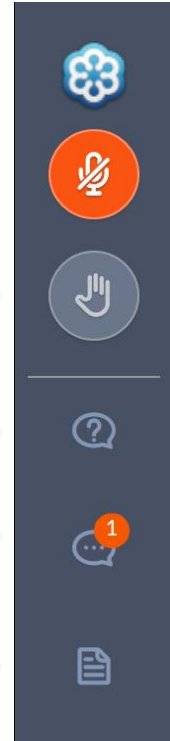


Raise your hand

Submit a written question

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Webinar objectives



- Outline what a mortgage is.
- Explain how a mortgage works, and
- what the differences are between them.
- Consider options for clients in difficulties
- Describe the responsibilities of MCOB

What is a mortgage?



- A legal arrangement where an asset is used as security for a loan.

How does a mortgage work?



- The loan is “secured” on a property, usually a house but not always.
- “Secured” means there is a legal agreement giving the lender certain rights over the property until the loan is fully repaid.
- The agreement is called a “legal charge”. The charge is registered with the Land registry.
- The security offered means that lenders are prepared to offer large loans at lower rates than in unsecured lending, because they have some protection against default.



□ a few minutes max

How many mortgage repayment methods are there?... Poll

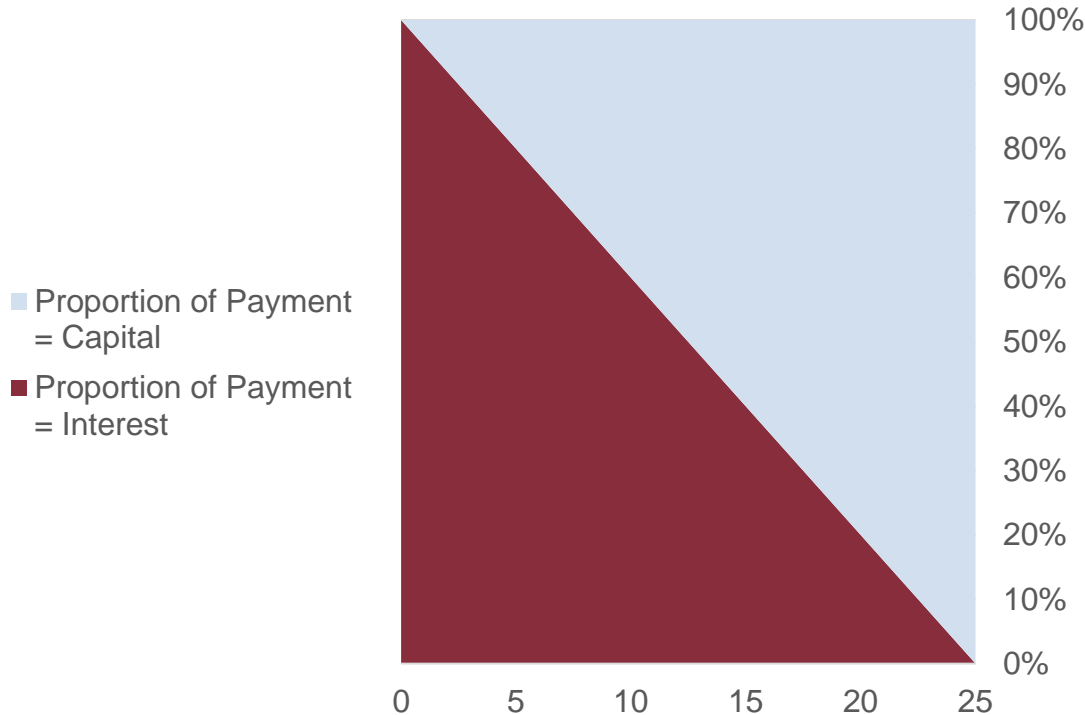
- 1. Two
- 2. Five
- 3. Ten
- 4. Too many to mention!

Two types of mortgage repayment methods



- Don't get confused with the various mortgage products; there are only 2 main types of mortgage:
 - 1. Capital Repayment
(also known as capital & Interest)
 - 2. Interest-Only

Capital Repayment Mortgage



Each monthly payment consists of two parts; capital and interest.

At first, almost all of the monthly payment represents interest. As time goes by the amount owed in capital decreases and interest reduces. The mortgage is guaranteed to be repaid at the end of the mortgage term, provided all payments have been met.

Interest-only mortgages



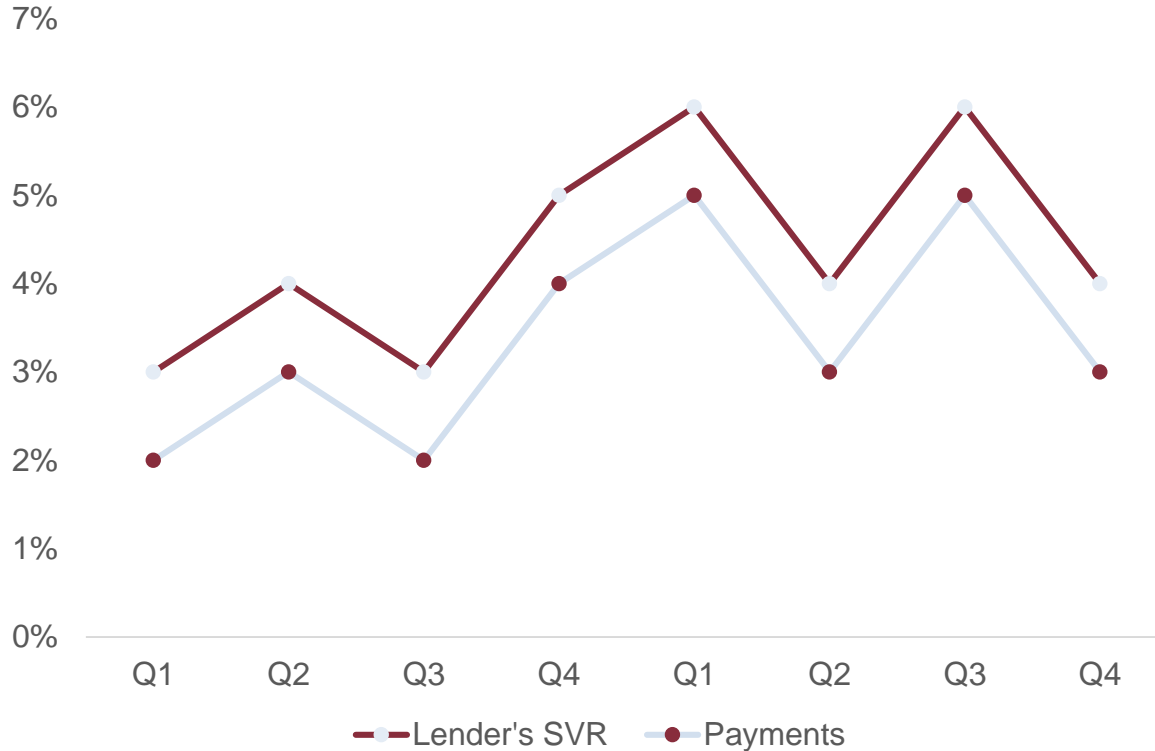
- Only monthly interest payments are paid throughout the term of the mortgage, so the capital borrowed never decreases.
- The capital is paid off in one lump sum at the end of the mortgage term.
- Payments may be* lower for these mortgages than for capital repayment; **HOWEVER**
- A repayment vehicle needs to be in place to pay off the capital – usually an investment is used.
- There is **NO** guarantee that the mortgage will be paid at the end of the mortgage term.

Tell me...

Can you name any mortgage products?

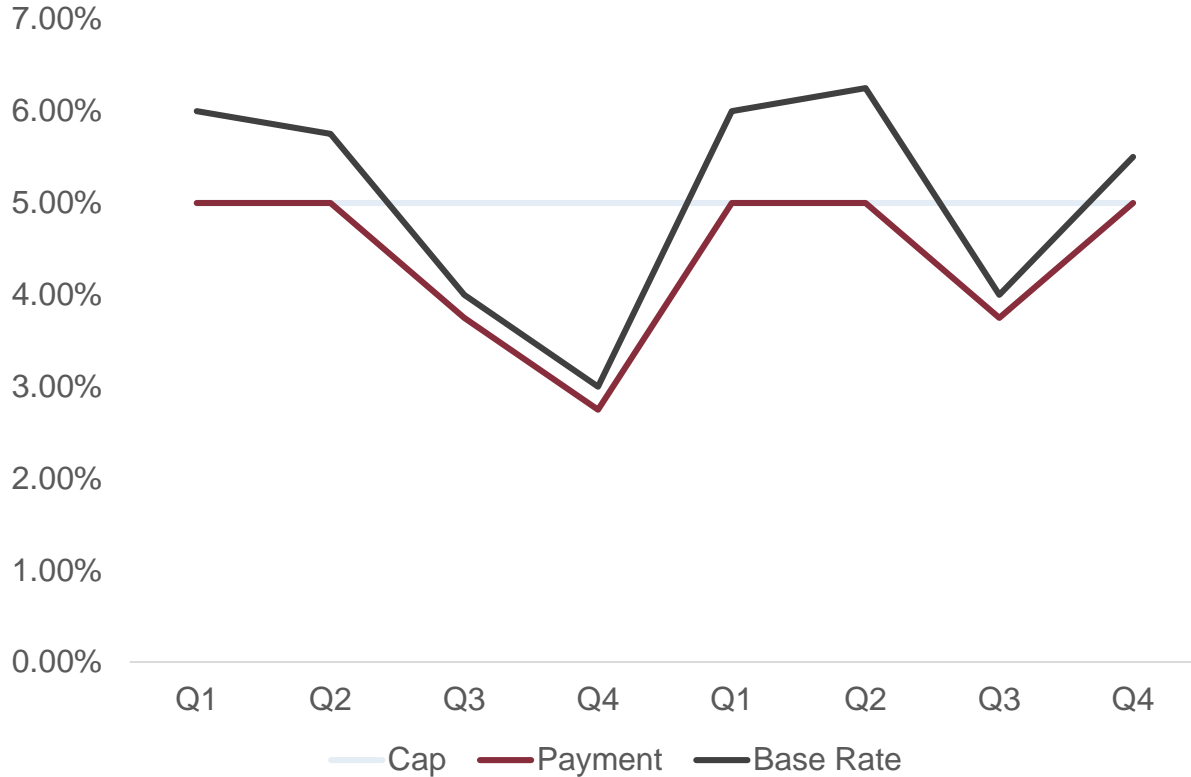


Discounted Mortgage



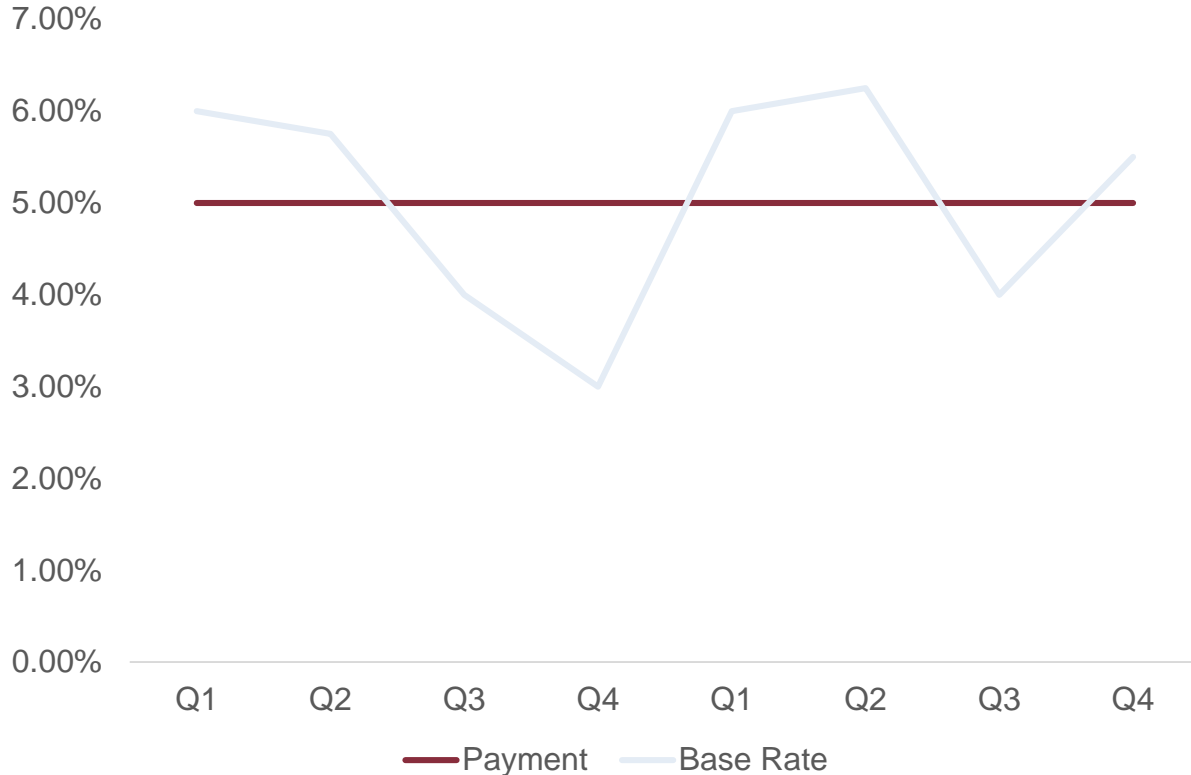
This product offers a discount from the lenders standard variable rate

Capped Mortgage



The payment made is capped so that it does not increase higher than the Bank of England base rate

Fixed Rate



The rate of interest on the loan is fixed for a period and remains the same whether the Bank of England rate rises or falls

Tracker Mortgage



The payment “tracks” the Bank of England Base Rate at a percentage above or below the base rate.

Protecting the client's income



- A good mortgage broker will ensure that any client that enters into a mortgage can afford it, and will be protected during any “life events”
- Could the client manage if they were off work due to accident or illness? MPPI will cover for accident, sickness and redundancy.
- Income Protection Insurance is longer term cover for accident and illness, and will pay up to 60% of a persons monthly income if they are unable to work.

Protecting the client's home



- Life or Critical Illness cover

Should a client be unable to work due to a serious or terminal illness, this cover will pay a lump sum. This is usually used to pay off a mortgage.



What are the main difficulties you have when dealing with a client with mortgage difficulties?

Mortgages and payment difficulties



- Mortgages are regulated by the Financial Conduct Authority.
- The regulations relating to mortgages are found in the FCA handbook
- Mortgages and Home Finance: Conduct of Business Sourcebook (MCOB)
- The MCOB area relating to mortgage arrears and possession is Chapter 13.

Information to be provided



The lender should write to the borrower within 15 days of arrears and include:

- MAPs information sheet “Problems paying your Mortgage”
- List of payments due and total arrears
- Nature and level of likely charges
- Total mortgage outstanding

Lender procedure 13.3.2A



- Reasonable efforts to seek agreement
- Liaise
- Reasonable time
- Flexibility - Allow changes
- Option to effect sale
- Possession – sanction of last resort.

Take Care!



- As a debt adviser you can explain all that we have previously discussed with a client
- You should recommend that a client speak to their lender and / or broker
- You can liaise with the lender and the client's broker
- You cannot make recommendations on mortgage products

Options: Support for Mortgage Interest



- The benefit covers the interest on mortgages up to £200,000. No payment for capital
- Not payable on arrears or on any arrears that accrue during the waiting period
- Normal waiting period 39 weeks
- Payments are a loan secured by a second charge

Other options



- Rescheduling

<https://www.bailii.org/ew/cases/EWCA/Civ/1995/11.html>

- Full or partial suspension of payments
- Interest only payments
- Extend the term
- Capitalising arrears
- Downsize

Possession



- Mortgage pre action protocol -
http://www.justice.gov.uk/courts/procedure-rules/civil/protocol/prot_mha
- Shelter Specialist Debt Advice Service
https://england.shelter.org.uk/professional_resources/debt_advice/submit_an_enquiry

Need more info?



I am happy to take further questions or provide more information:

Chauntelle 07814 518 498



Thank you!
**Please complete our feedback
request**