

A sustainable option?

Home ownership and mortgage possession actions in Wales

Summary of the report

A sustainable option examines the increase in mortgage possession actions and the experiences of a sample of households from across Wales. Commissioned by the Welsh Assembly, the report provides evidence of the reasons for possession action and makes recommendations to address key areas of concern.

The research was designed to:

- gain a better understanding of the experiences of households in arrears, facing repossession or that have lost their homes and to further explore the reasons behind the trend in possession actions
- explore if, when and how households access advice and assistance
- identify practices and practicable changes that could reduce repossessions.

The researchers used a questionnaire to interview 30 households facing repossession action across Wales and explored data on cases appearing in Wrexham County Court during a 6 month period in 2006-07. The research also involved circulating questionnaires to a sample of mortgage lenders and consulting the Council of Mortgage Lenders.

There are three main sections to the report. The first contextualises the issues; the second outlines the main findings of the research survey and court data; the third outlines conclusions and key recommendations.

Recommendations

Affordable housing

There are several factors that drive the policy of home ownership. However, buying on the open market is difficult for many people and more resources need to be made available to provide suitable affordable housing.

1. *The Welsh Assembly Government and partners should invest in the supply of social rented housing.*
2. *In addition to current commitments, the Welsh Assembly Government should increase the resources available to develop a range of low cost home ownership options.*

Regulation

3. *Effective regulation and better implementation*

This could be particularly relevant with regard to sub-prime and self-certification mortgages i.e. on the advice given, the assessment of affordability and risk, and the approach to households experiencing repayment problems.

Improving legal procedures

4. *Mortgage Arrears Protocol*

The Welsh Assembly Government should explore the development of a protocol that would require a court to be satisfied that lenders and borrowers had taken the relevant steps before possession was awarded. This agreement would cover the steps that lenders and borrowers should take from initial contact, negotiating affordable repayment, making agreements to pay etc and would act as record that reasonable steps had been taken in each case.

Pre-purchase assistance

5. *Advice and risk assessment*

The advice and assistance given to borrowers by lenders and intermediaries should take account of affordability, attitudes to risk and implications of changes in circumstances.

Financial inclusion and capability

6. *Improve the promotion of learning materials and their use with schools and further education colleges*

It is important that materials give a clear message and, in relation to housing costs such as mortgages, improved joint working between the education establishment and housing organisations in terms of the available materials and how these should be presented is required.

7. *Awareness raising and tackling over-indebtedness*

Ensure that the Welsh Unit for Financial Education works with advice agencies to promote the availability of services and of educational material.

The safety net and mortgage protection

Existing research has identified possibilities for improving the mortgage insurance products available.

8. *Reform Income Support Mortgage Insurance (ISMI)*

Currently there is a delay before households are eligible for ISMI and reforming this process would be one way of improving the insurance safety net. ISMI could be made available immediately a household defaults on their mortgage payments and a charge would be put on the property so that the financial assistance is recouped later or upon sale.

9. *A single scheme, which integrates the state and private assistance for borrowers, and to which borrowers, lenders and the government would contribute.*

This sustainable home ownership partnership (SHOP) would involve borrowers contributing half the costs, through a monthly levy, while lenders and the government paid a quarter each.

10. *Improve consumer understanding of the costs and risks of mortgages and home ownership.*

Improve advice provision and, in the long-term, work through the new school curriculum and the use of learning materials to improve financial capability..

11. *Advice and assistance*

Improve the promotion of, and access to, advice and advocacy services for home owners who experience repayment difficulties. This includes organisations re-assessing service promotion. Lenders should actively promote the availability of independent advice to consumers and work with advice agencies to do this.

12. *Advice at court*

The development of a more extensive duty adviser schemes.

13. *Communication*

Lenders, Financial Services Authority (FSA) and advice providers should continue to promote the importance of early communication with lenders to households.

14. *Information to borrowers*

Ensure that customers know the procedures that companies will follow for borrowers in arrears, and that this is available in a customer-orientated format.

15. *Charges*

Lenders should re-consider the charges made for services, particularly debt counselling, and make more effective use of independent debt specialists.

16. *Private sale and leaseback schemes*

Further investigation is required into the practices of companies that offer sale and leaseback schemes. FSA regulation of this practice should be explored.

17. Lender-Local Authority Protocol & invest to save

Develop a protocol under which lenders (with the householder's permission) would notify the relevant local authority homelessness prevention team that possession could occur. In-line with the principles of invest to save, Local Authorities could proactively explore using homelessness prevention funds to assist households threatened with repossession.

18. Mortgage rescue scheme

The Welsh Assembly Government should establish a central fund to support with funding mortgage rescue. This fund would be available to assist in undertaking mortgage rescue and be sufficiently flexible to enable providers, following an individual assessment, to allow any level of loan that would assist the household.

12. Flexible tenure

The Welsh Assembly Government and housing providers should further investigate the use of "staircasing".

Further information

The full report: **A sustainable option? Home ownership and mortgage possession actions in Wales** by John Pritchard is available to download free on the Shelter Cymru website.

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