

Mortgage payment holidays what you need to know

We live in unprecedented times and at the turn of the year no one would have expected that we would have been talking about, mortgage payment holidays on such a mass scale. If you're struggling financially the chancellor has indicated that mortgage lenders in many cases, would be willing to grant a payment holiday to their borrowers to stem of a tide of potential mortgage arrears.

The mortgage payment holiday will provide flexibility in repaying your mortgage by allowing you to stop or reduce your monthly payments for up to three months. This won't be suitable for everyone but could provide much needed help if you need it, but this won't be free money.

The first step will be to contact your lender and not everyone will be granted a payment holiday. There will be a fast track approval process in place, so you should get a quick decision although any unpaid interest will still need to be paid back, individual credit ratings should not be affected but you should check with the lender, that this is a true payment holiday and not an arrangement that could affect your credit file.

It's likely the lender will spread your outstanding payments over the outstanding term of your mortgage, so you will see an increase in your monthly mortgage payments. The shorter the term left on your mortgage, the larger the increase in your monthly payments, once the mortgage payment holiday is over. You should consider the impact this will have on your future financial commitments before agreeing to take a payment holiday.

If you wanted to speak to one of our mortgage advisers free of charge to discuss your options then telephone **Freephone on 08005677482**

What is a mortgage payment holiday?

A mortgage payment holiday is an agreement you might be able to make with your lender allowing you temporarily to stop or reduce your monthly mortgage repayments.

For example, depending on your circumstances and previous payment history, you might be able to take a break for usually up to three months:

Not all mortgages offer the option of a mortgage payment holiday – it depends on your mortgage product's terms and conditions.

Eligibility for a mortgage payment holiday

Whether you are eligible to take a payment holiday, for how long, and the conditions you must meet first will depend on: Your lender, the mortgage contract, and your financial circumstances

Normally in order to qualify for a payment holiday, you'll need to have previously overpaid on your mortgage however due the current situation lenders have indicated that this will not be the case.

If you're in mortgage arrears you won't normally be eligible for a mortgage payment holiday but this may depend on the severity of the arrears and it is still worth calling your lender to discuss your individual circumstances.

Buy to Let Mortgages

Normally Buy to let mortgages, would not be eligible for payment holidays, as in these cases the rent that the tenant pays supports the mortgage payments. Lenders however have indicated that as many tenants, may be in the position of not being able to pay their rent. Then they are prepared to look at payment holidays, in the hope that the landlord will pass some benefit on to the tenant.

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Pros of a mortgage holiday

The biggest positive about a payment holiday is that it relieves some pressure for a while on the household finances.

Cons of a mortgage holiday

While a mortgage holiday can be a useful short-term solution, it is not suitable if you can't afford your mortgage payments because your household income has reduced permanently.

There are several important things to bear in mind:

- While you are not making mortgage payments, you're still racking up interest on your remaining mortgage balance.
- When the payment holiday comes to an end, your outstanding mortgage balance and mortgage payments will be higher than they were before the holiday.
- Check with the lender that this is a true payment holiday and not an arrangement that may affect your credit file.
- Your mortgage payments could increase at the end of the payment holiday and you should check this with the lender before proceeding.

Other matters:

It is at times like these that we look at our outgoings and where savings could be made. Many people are paying the lenders standard variable rate, when they could be transferring to a new lender on better terms.

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