

## **The Society's approach to supporting those experiencing financial difficulties, due to the impact of Coronavirus (COVID-19):**

The Society will treat all cases of financial distress sympathetically. In a period of great uncertainty and what can only be described as extraordinary circumstances, we accept that there will be an increased number of borrowers who will find it difficult to maintain their monthly mortgage repayments.

Should you find yourself in this situation, please do contact us at the earliest opportunity.

When contacting the Society, please be mindful that we *may* ourselves have reduced numbers of personnel and getting to speak with a member of the mortgage department, might take a little longer than usual.

You can contact us in a number of ways:

- by phone 01768 863675 (option 1);
- via secure messaging through your @PBS login;
- by email to [support@penrithbs.co.uk](mailto:support@penrithbs.co.uk); or
- via Facebook Messenger.

Please note, we will not share any account information with you through email or Facebook Messenger – but you can certainly send us a summary of your requirements and request a call back.

In accordance with guidance issued by the government and Public Health England, we are presently limiting the number of face to face meetings we are holding, so please **do not** attempt to visit our branch office. We are committed to keeping our members, employees and the wider public as safe as possible at this difficult time.

## **BACKGROUND**

On the 17<sup>th</sup> March 2020 at 5pm, the Chancellor of the Exchequer issued a statement detailing some of the financial support to be offered to those impacted by COVID-19:

*“Mortgage lenders will support customers that are experiencing issues with their finances as a result of COVID-19, including, for example, with payment holidays (deferrals) for a period of 3 months.*

*“Monthly mortgage payments tend to be the largest outgoing for the vast majority of households and lenders are keen to reassure homeowners that the industry is working hard to put measures in place to support them during these uncertain times.*

*“Customers who are concerned about their current financial situation should get in touch with their lender at the earliest possible opportunity to discuss if this is a suitable option for them.”*

Since that time, the Financial Conduct Authority (FCA) have reviewed the guidance. On the 17<sup>th</sup> November, they issued their latest guidance in relation to Mortgage Payment Deferrals. This document has been updated to reflect this.

## **WHAT IS A 'FULL / PARTIAL MORTGAGE PAYMENT DEFERRAL'?**

A mortgage payment deferral is an agreement you might be able to make with your mortgage lender allowing you temporarily to stop (a full deferral) or reduce (a partial deferral) your monthly mortgage repayments.

Mortgage payment deferrals are designed to help you if you're temporarily finding it hard to make payments – in this case because of coronavirus.

However, it's important to remember that:

- when your payment deferral ends, you'll still have to pay back what you owe
- interest will continue to build – so your repayments may increase after the deferral
- if you take a payment deferral, you will likely end up paying more in the long term

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

During the COVID-19 outbreak, many lenders have adjusted the terms and conditions on mortgage products in order to offer such facilities.

**YOU SHOULD ONLY TAKE A MORTGAGE PAYMENT DEFERRAL OR A PARTIAL MORTGAGE PAYMENT DEFERRAL IF YOU REALLY NEED ONE.**

**IF YOU CAN AFFORD TO PAY YOUR MORTGAGE, YOU SHOULD.**

#### **WHAT TO DO WITH DIRECT DEBITS**

It is only a payment deferral if it has been agreed in advance with the Society.

You should not cancel your direct debit without speaking with us first. Cancelling your direct debit is not a payment deferral and will be counted as a missed payment. This will show up in your credit file and may impact your ability to remortgage or obtain other credit in the future.

#### **HOW DO 'PAYMENT DEFERRALS' WORK?**

The mortgage repayment is deferred for a period. The monthly payment changes to zero, and interest accrues for the period. This may be particularly appropriate where there is a temporary shortfall of income.

In real terms, this means that the interest that would have been due for the month, will be added to the mortgage balance at the end of the month, therefore increasing the capital balance.

CALCULATION OF INTEREST (Example):

Mortgage interest is charged on a daily basis and capitalised monthly. An example is shown below.

Example Scenario	Example Calculation – Month 1 (Jan 20)
Term: 25 Years	Balance as at 01/01/2020: £100,000.00
Amount Borrowed: £100,000.00	Interest for Jan 20: (01/01/20 – 31/01/20)
Date Borrowed: 1st January 2020	$£100,000.00 \times 4.75\% / 365 \times 31 = £403.42$
Interest Rate: 4.75%	Revised Balance @ 31/01/20 = £100,403.42

In the example above, the interest charged in the next month (February 2020) would be calculated upon the revised capital balance of £100,403.42. This means that the interest charged in February 2020, would be greater than January 2020 and so on.

Mortgage payment deferrals are not a solution where there is likely to be a permanent reduction in income, a borrower is unable to afford anywhere near the full mortgage repayments or there is little prospect of an improvement in the situation in the foreseeable future.

Where repayments are deferred for a time, you will need to make up these repayments in the future, which could be over the remaining term or a term extension could be considered.

### **ELIGIBILITY FOR A 'MORTGAGE PAYMENT DEFERRAL'**

A payment deferral is one of a number of options that we can offer.

Under FCA rules, Penrith Building Society must ensure that any forbearance offered enables recovery through full repayment of arrears, minimises the long-term impact of arrears, and that the mortgage remains affordable and sustainable. Overall, forbearance needs to minimise the risk of possession. **This is why payment deferrals are generally short-term.**

With many lenders, in order to qualify for a payment deferral, you'll need to have previously overpaid on your mortgage. That means paying more than your agreed monthly payments until you have built up sufficient credit to take a break from payments, if you require a payment deferral due to circumstances relating to the COVID-19 virus, this is not the case with Penrith Building Society.

Historically the Society has not permitted payment deferrals, however, we have temporarily relaxed our policy in this area. We will consider a request from you to reduce or suspend mortgage payments if you're temporarily struggling to meet the monthly cost due to circumstances related to coronavirus.

You should not apply for a mortgage payment deferral if you are not experiencing or do not reasonably expect to experience payment difficulties. **IF YOU CAN AFFORD TO PAY YOUR MORTGAGE, YOU SHOULD.**

If you're currently in mortgage arrears, please contact us to discuss the options that are available to you.

For borrowers who are already in arrears or in financial difficulty, we will consider the full suite of forbearance options that are ordinarily available to borrowers. We will look at members' individual circumstances and offer support on a case-by-case basis. We encourage borrowers to speak with us at the earliest possible opportunity to discuss the options available to them.

### **HOW WILL THIS AFFECT MY CREDIT SCORE?**

Lenders have different approaches for reporting mortgage account performance to credit reference agencies (CRA). Arrears that are accrued on mortgage accounts held with the Society are usually reported to our CRA.

The Society's position is that during an agreed payment deferral, we will not report this as a missed payment or an arrears balance to our CRA.

However, you should remember that credit files aren't the only source of information that lenders can use in lending decisions.

Factors other than payment history may also be relevant. For example, lenders may consider your bank account information, your use of credit products, or how much you are in debt, when making a lending decision.

Where your account is already in mortgage arrears, this position will essentially be frozen in terms of CRA reporting. Any existing arrears will continue to be reported, but, where a payment deferral has been granted, we will not show the account to be in a deteriorating position.

### **WILL ALL CUSTOMERS RECEIVE AN AUTOMATIC THREE-MONTH PAYMENT DEFERRAL?**

No.

The Society will apply a flexible approach, but we are committed to offering the right support for our borrowing members. An automatic payment deferral may not always be the most suitable approach and may not be required by all borrowers.

We will want to obtain some further details from you to find out how we can tailor the best option for you. Please see 'How do I apply...' located on page 4.

### **WHAT IF I OWN A BUY TO LET PROPERTY INSTEAD?**

If your tenants are paying their rent, you should ensure that your mortgage payments are maintained. The Society has the ability to appoint a 'Receiver of Rent' if you fail to pass this payment on, to meet your obligations. Any costs associated with appointing a Receiver will be added to the mortgage account.

When assessing Buy to Let mortgage applications, the Society will have required you to have a minimum level of personal income. We required this at the time of approving your application, to ensure that if there were a rental void, you could meet some or all of the contractual mortgage payment yourself. Think about the level of disposable income you may have, could you use any of this to support the mortgage payment at this time? Do you have personal savings you could utilise in the short term?

If you are a landlord and are up to date with your mortgage payments and your tenants are unable to pay their rent, due to loss of income because of the impact of COVID-19 and you do not have the means to meet the contractual mortgage payments yourself – either through disposable income or personal savings - you should contact us as soon as possible to discuss the options that may be open to you.

If the Society grants you a payment deferral, in your capacity as a landlord, it will be granted on the basis that, you pass on this temporary relief to your tenants for the duration of the payment deferral granted. At the end of the payment deferral period, it is expected that you will then work with your tenants to reach a mutually agreeable resolution.

### **WHAT IF I OWN A HOLIDAY LET PROPERTY INSTEAD?**

When assessing Holiday Let mortgage applications, the Society will have required you to have a minimum level of personal income. We required this at the time of approving your application, to ensure that if there were a holiday rental void, you could meet some or all of the contractual mortgage payment yourself. Think about levels of disposable income you have, could you use any of this to support the mortgage payment at this time? Do you have personal savings you could utilise in the short term?

If you are a holiday let landlord, your bookings have reduced and you do not have the means to meet the contractual mortgage payments yourself – either through disposable income or personal savings - you should contact us as soon as possible to discuss the options that may be open to you.

### **HOW DO I APPLY FOR A FULL OR PARTIAL PAYMENT DEFERRAL?**

We recognise that these are unprecedented and difficult times for our members. This is why we are offering customers impacted by COVID-19 the ability to self-certify if they need help. Under usual circumstances, we would have to assess your finances and consider what forbearance options may be the most suitable. This requirement is being waived to allow us to implement a more straightforward process in an otherwise stressful time.

You can request a payment deferral of up to 6 months in total, but we can only agree a payment deferral of up to 3 months at a time. We can then review your circumstances and if appropriate, agree to renew your payment deferral after the first 3 months, as long as this doesn't take you over the 6-month limit.

You need to apply by 31 March 2021 and all payment deferrals must end by 31 July 2021. **Remember, carefully consider if you need a payment deferral – and make payments if you can.**

- If you are newly affected by coronavirus, and you want to benefit from the full 6 months available, you should apply in good time before your February 2021 payment is due. Your payment deferral will then run between February and July.
- If you've already taken payment deferral of less than 6 months, you have until 31 March 2021 to apply for another payment deferral.

After 31 March 2021, you can extend an existing payment deferral up until the 31 July 2021, as long as:

- it doesn't go over the 6-month payment deferral limit
- there are no breaks in the support

You won't be eligible to apply if you've already had payment deferrals of 6 months overall. Instead, you can ask for tailored support from us as your lender.

The Society will require that you complete our Mortgage Payment Deferral Form. This form can also be downloaded from our website. Ideally, your completed form should be returned by email to [support@penrithbs.co.uk](mailto:support@penrithbs.co.uk). You can of course return this to us by post.

#### **CONTACTING PENRITH BUILDING SOCIETY AT THIS TIME**

We are committed to responding as quickly as possible, but due to high levels of demand and staff having to work from home, service levels might be slower than usual.

You should speak to us in good time before the next payment is due.

Before calling:

- Ask yourself: Do I need to speak to my mortgage lender today?
- Consider: Can I do this through email instead?
- Review: Is the answer already on the Society's website?

#### **IS A MORTGAGE PAYMENT DEFERRAL THE BEST OPTION FOR ME?**

Think carefully about whether a mortgage payment deferral is the best solution for your needs.

Whilst it seems like an easy solution, when you think about your financial position, you might have some savings or a (slightly) reduced level of income that you could use towards continuing to meet some of your monthly mortgage payments. We are happy to discuss with you the options available and what route is most appropriate for your circumstances.

#### **WHEN THE MORTGAGE PAYMENT DEFERRAL ENDS, WHAT ABOUT BORROWERS WHO MAY BE LIKELY TO NEED SUPPORT LONGER TERM OR HELP TO RECOVER TO THEIR PREVIOUS POSITION AFTER THE PAYMENT DEFERRAL EXPIRES?**

If you are seeking to take a full deferral, please be aware that, whilst the payment deferral is in effect, the capital sum of the loan remains as is, and the interest that would have been paid in the period accrues. At the end of the payment deferral period, the rules will re-apply.

If you are taking a partial payment deferral, the capital sum *may* reduce. This will depend upon how much the partial payment is each month as to the amount paid towards the interest and the capital balance. If the payment you are making is insufficient to cover the interest, the balance of the interest that would have been paid in the period accrues. At the end of the payment deferral period, the rules will re-apply.

At the end of the agreed payment deferral, you will resume making your regular full contractual monthly mortgage payment. And you will need to agree with us a manageable way to make up the missed payments given your circumstances.

We will get in touch with you to assess your circumstances, potentially requiring the completion of an income and expenditure exercise and seek to come to an arrangement with you to enable recovery and the full repayment of the arrears.

If you remain in financial difficulty, we will present to you the options available and attempt to come to an arrangement to help you get into a sustainable position on the mortgage. Any forbearance arrangements will aim to minimise the risk of possession.

### **WHERE ELSE CAN I GET FINANCIAL GUIDANCE?**

The FCA has issued information for consumers. Further guidance on mortgage payment deferral can be found here:

<https://www.fca.org.uk/consumers/mortgages-coronavirus-consumers>

<https://www.moneyadviceservice.org.uk/en/articles/coronavirus-what-it-means-for-you>

<https://www.fca.org.uk/consumers/dealing-financial-difficulties-coronavirus>

Your mortgage may not be your only debt. It is essential that you liaise with all of the organisations you owe money to, during a time of financial difficulty.

There are many free, charitable organisations that can help and support you. They will help you plan your finances, identifying priority and non-priority debts.

Useful organisations are:

- The Money Advice Service – <https://www.moneyadviceservice.org.uk/en>
- The Money Advice Service - <https://www.moneyadviceservice.org.uk/en/tools/money-navigator-tool?>
- NationalDebtline – <https://www.nationaldebtline.org/>
- Stepchange – <https://www.stepchange.org/>