



Circular 9 /2020

10 April 2020

COVID-19 – Mortgage Payment Break for local authority borrowers

I am directed by the Minister for Housing, Planning and Local Government, Mr. Eoghan Murphy, T.D., to inform you of arrangements to be put in place to support local authority borrowers who are experiencing financial distress arising out of the COVID-19 emergency.

Local authorities are also requested to defer court actions during the period of the COVID-19 emergency.

Operation of Mortgage Payment Break for local authority borrowers affected by Covid-19 emergency

It has been decided to offer local authority borrowers who consider themselves to be in need of the financial support, related to the COVID-19 situation, the option of a mortgage payment break for up to three months.

A mortgage payment break means that the borrower will make no mortgage payments for up to three months. Additional interest will NOT accrue to the borrowers account during the period of the payment break ensuring that no increased cost will arise. The monthly repayment following the break will be increased to facilitate the repayment of the loan over the remainder of the existing term of the loan. This facility applies to all local authority home loan products.

At the end of the mortgage payment break repayments will resume at a marginally higher level (exclusive of MPI) for the borrower so that the original home loan will be repaid in full within its original term (original amount calculated over the remaining term minus length of the payment break).





Illustrative examples of the financial implications of a mortgage payment break have been provided as part of the Frequently Asked Questions attached. The application process will inform the borrower of the specific details in relation to their loan account, and a Mortgage Payment Break Summary will be provided to the applicant to ensure informed consent.

Application Process for a Mortgage Payment Break

The approach set out below has been developed having regard to the need to develop an approach that is appropriate for local authority borrowers and to ensure that the approach can be rolled out as quickly as possible with minimal administrative burden for local authorities. It is also essential to have regard to HSE guidelines on social distancing and to ensure that an application form for a mortgage payment break can be accessed easily by local authority borrowers, and to ensure that all local authority borrowers are treated consistently across authorities.

- The option of a mortgage payment break will be open to any local authority borrower who has experienced a reduction of income arising out of COVID-19, or who considers that they will experience such an income reduction and wishes to avail of the option as a precautionary measure.
- The mortgage payment break is also open to local authority borrowers who are currently in arrears and further impacted by Covid-19, however the borrower must be currently engaging with their local authority in relation to their arrears and complying with relevant conditions set by the authority.
- It is recognised that some borrowers may have already entered into arrears arising out of COVID-19 and not yet entered into a repayment plan. Therefore, those borrowers who have entered into arrears from March 2020 are considered eligible to apply for a mortgage payment break.
- The payment break is being offered for a period of up to three months.
- To apply for a mortgage payment break, a simplified application form has been developed by the Housing Agency which each local authority must make available on their website in an easily accessible manner.
- Applicants must return a completed application form to their local authority that they are in need of the payment break. The process will not involve provision of specific financial/income data.



- On receipt of a completed form, a local authority will issue a notification to the applicant within five working days which will include details of the payment break and the implication for future repayments, and for the maintenance of mortgage protection insurance.
- Applicants must return the completed and signed declaration and acceptance form provided with the notification letter to commence the mortgage payment break.
- An application form; a template notification letter from the local authority to the applicant, and a list of Frequently Asked Questions have been prepared and are attached in the appendices to this Circular to be made available on each local authority's website.

Housing Finance Agency (HFA) support

It is acknowledged that the provision of a mortgage payment break by local authorities will have implications for an authority's cash flow, and that it is essential that local authorities are supported in continuing to deliver key services, particularly during the COVID-19 period.

The HFA have been consulted and are willing to support local authorities. While the details of the support are still being developed, it is envisaged there will be the provision of an equivalent payment break with interest forbearance for local authorities in relation to home loan repayments to the HFA where the borrower has availed of the repayment break.

For those authorities who may wish to avail of this option, they should contact the HFA directly. Each application for an equivalent payment break should be based on up to date data in relation to the financial implications for that authority of the provision and uptake of a mortgage payment break by their borrowers.

Mortgage Protection Insurance

It is essential that all local authority borrowers' mortgage protection insurance (MPI) is maintained, including those borrowers who avail of a mortgage payment break. It is a condition of loan contract that a borrower has mortgage protection insurance. In



addition, it is in the borrower's interest and benefit to maintain these payments as it provides valuable disability and death cover to them and their family.

It is recognised that local authorities typically pay the MPI premium in advance to the insurer for all borrowers at the start of the year and then recoup it from the borrower throughout the year. This ensures that there will be no break in payment for each borrower, and the borrower can make a single monthly payment to the authority comprising of capital, interest and MPI as appropriate.

In the case of a borrower availing of a payment break, local authorities will be required to recoup MPI payments due for the period of the payment break from the borrower. Borrowers availing of a mortgage payment break will be informed that the MPI premium for the duration of their payment break will need to be paid to their local authority. Local authorities may determine the best approach to recouping MPI payments from each borrower as necessary. Possible options are;

- the borrower continuing paying the MPI premium separately through the Mortgage Payment Break period;
- pausing payments and adding the missed premium payments to the remaining mortgage payments in 2020; and
- any other payment method offered by the local authority such as a one off payment to pay the missed premium payments.

The LGMA have sought written confirmation from the insurance provider as an additional assurance that a borrower's mortgage protection insurance will not be adversely affected by a payment break, particularly in the event of a future claim. This confirmation has been provided, as long as payment of MPI is covered by local authorities therefore, it is the responsibility of all local authorities to ensure that their MPI payments due to the insurance provider are continually kept up to date for each borrower.

Credit reporting

The Central Bank has advised that it is essential that any borrower who avails of a mortgage payment break does not have any adverse impact on their credit record arising out of that payment break.



As local authorities are aware, the **Central Credit Register** (CCR) is a secure system for collecting personal and credit information on loans of €500 or more and is operated by the Central Bank of Ireland under the Credit Reporting Act 2013. The Act obliges all lenders, including local authorities, to submit personal and credit information on those loans to the CCR to be recorded on a monthly basis for credit reporting.

The Central Bank has confirmed that mortgage payment breaks agreed between a lender and a borrower as a response to COVID-19 will not be identified specifically on the credit report.

In the Central Bank's statement which has already been issued to mortgage lenders and local authorities the Central Bank provides the following advice to borrowers *"if you agree a payment break with your lender as a response to COVID-19 it is not identified specifically on your credit report. If your lender agrees to a payment break with no payments at all, then no "missed payments" will be recorded on the register during this period. The outstanding balance will not decrease during the period of the payment break and may increase to take account of the payments not made during the payment break period. You may also wish to place an explanatory statement on your credit report to explain your current circumstances where your loans are concerned."* This ensures no adverse credit reporting impact for the borrower. This statement has been provided to local authorities by the Central Bank and a copy of the statement is available at <https://centralbank.ie/consumer-hub/covid-19/consumers> .

If any local authority experiences any difficulty in managing credit reporting for borrowers who avail of a mortgage payment break they should contact cipsupport@centralcreditregister.ie as early as possible.

Irish Credit Bureau reporting should follow the advices as issued by the bureau to all members on 24 March 2020 – a copy of which can be found in the Housing Manual.

Implications for existing RIHL applicants

It is also recognised that current applicants for an RIHL home loan may be experiencing difficulties arising out of COVID-19 restrictions, for example accessing financial documents; property visits and valuations; solicitors visits etc.



Therefore, local authorities are also being asked to show flexibility when dealing with applicants at all stages of the Rebuilding Ireland Home Loan process from application and approval, to drawdown and appeal and should extend the time periods as necessary to accommodate those who may be experiencing difficulties arising out of COVID 19 restrictions.

Local authorities are also advised to ensure that final loan offers, which are legally binding, are made based on up to date financial and employment data from applicants as appropriate, having regard to the implications that COVID-19 has had for many businesses and employers.

Reporting by local authorities

Local authorities will be required to keep up to date records for those borrowers who are availing of a mortgage payment break. The Department will issue a revised request for data in relation to local authorities shortly to accommodate this category of borrower.

It is the responsibility of each local authority to ensure that their website is updated to support the application process for a mortgage payment break and to keep proper records.

The Housing Manual will be updated at www.housingmanual.ie to also provide key documents.

Please bring this circular to the attention of all staff working in the Housing and Finance areas.

Any queries related to the mortgage payment break policy may be made to rebuildingirelandhomeloan@housing.gov.ie



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A handwritten signature in black ink, which appears to read 'Paul Lemass'. The signature is fluid and cursive, with a large initial 'P'.

Paul Lemass
Assistant Secretary
Housing Policy and Legislation

Encl:

- Appendix 1 Application form
- Appendix 2 Template letter for local authorities to issue to applicants
- Appendix 3 Frequently Asked Questions