



Circular 18/2020

26 June 2020

COVID-19 – Additional 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 further additional arrangements to be put in place to support local authority borrowers who are experiencing financial distress arising out of the continuing COVID-19 emergency.

This Circular should be read in conjunction with Circular 9/2020 which issued on 10th April 2020 and provides for:

- A further mortgage payment break for local authority borrowers from 3 to 6 months;
- introduction of a 15 working day decision period to accept mortgage payment break;
- closing date of 30 September 2020 for applying for an initial mortgage payment break.

PROVISION OF AN ADDITIONAL MORTGAGE BREAK

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

As set out in Circular 9/2020, a mortgage payment break means that the borrower will make no mortgage payments for 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. This approach will





continue for the provision of a further mortgage break of three months to a maximum of 6 months in total. Further details on the operation of the additional mortgage payment break are set out below.

The additional mortgage payment break has been developed based on the same principles as the initial mortgage payment break, namely to:

- align the duration of the mortgage payment break period for local authority borrowers with that of the commercial mortgage lenders;
- ensure that there is no increased cost to the borrower over the life of the loan;
- ensure that the option provided can be rolled out as quickly as possible with as little administrative burden for local authorities and borrowers as possible;
- ensure that it can be accessed easily by local authority borrowers while using technology to its full advantage to comply with HSE guidelines on social distancing;
- ensure consistent treatment for all local authority borrowers;
- Applying a difference in approach between the original payment break and the extension in the removal of the option of deferring Mortgage Protection Insurance (MPI) during the payment break. This is described below.

For those local authority borrowers who have already availed of a mortgage payment break:

- At the end of the initial mortgage payment break those borrowers who have already availed of a mortgage payment break will have two options to either:
 - Return to repaying their mortgage; or
 - Extend their COVID-19 payment break to a maximum of 6 months in total.
- For those borrowers who may have exercised caution for their first mortgage payment break by not availing of the full three month payment break, they may now avail of more than three months for their second payment break to bring their total break **to six months** if appropriate. This is to ensure consistent treatment for all borrowers.



- A local authority borrower may only apply for a maximum of two mortgage payment breaks; and may not apply for a single break of up to six months.
- Mortgage payment breaks must be back-to-back after the closing date for application of 30 September 2020, i.e. the second break must directly follow the first after this date. Local authorities should notify eligible recipients of a mortgage payment break that they can apply for a second mortgage break in advance of the expiry of their first mortgage payment break.

For those local authority borrowers who are applying for their first mortgage payment break

- For those borrowers who are applying for their first mortgage break with effect from the date of this Circular, they may now only apply for a break of three months;
- At the end of their first mortgage break period they will be given the option to extend their payment break by **another three months**, or to resume repayment of their mortgage;
- A local authority borrower applying for their first mortgage payment break may only apply for a maximum of two mortgage payment breaks of three months each; and may not apply for a single break of up to six months.
- Mortgage payment breaks must be back-to-back, i.e. the second break must directly follow the first, after the closing date of 30 September 2020.

MORTGAGE PROTECTION INSURANCE (MPI)

Circular 9/2020 allowed borrowers to defer their MPI premia for 3 months and arrange repayment to the local authority before the end of 2020. It is recognised that to extend this approach for the rest of 2020, particularly given the possibility of an extended payment break of up to six months, raises difficulties in particular regarding potential affordability issues for the applicant, and in ensuring that the local authority has received full payment by the end of 2020.



The ability to defer MPI payment for borrowers who apply for an extension of an existing mortgage break; and for those who are applying for their first payment break, is now removed with effect from the date of this circular.

This will mean that:

- Under Circular 9/2020, applicants who availed of a mortgage payment break were offered flexibility to pay the MPI due to the local authority during 2020; this will remain the case for all mortgage payment break currently in operation or already applied for.
- For those applicants who already have a payment break in place (or have applied for one) and, if they avail of an additional mortgage payment break they must pay the MPI for those months during the period of the mortgage break.
- New applicants who are applying for a mortgage payment break after the date of this circular will NOT have the option of any deferment of MPI payment for either a first mortgage payment break or for a second mortgage payment break.

It remains 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, and for each mortgage payment break to ensure continuing cover.

APPLICATION PROCESS FOR AN ADDITIONAL PAYMENT BREAK AND COMMUNICATION WITH BORROWERS ON A BREAK

As set out in Circular 9/2020, to be eligible for a payment break a local authority borrower will have to confirm that their request for a break is a precaution as they have or will experience a reduction in income as a result of the COVID-19 crisis. The same approach applies to the application for an additional mortgage payment break.

The application process for an additional mortgage payment break will be through an additional new application form for a second mortgage payment break which will be available online from each local authority website, a copy of which is enclosed with this Circular. On receipt of a completed form, a local authority will issue a notification by email which will include details of each payment break and the implication for future repayments. Where it is the application form for an additional payment break, a



revised notification letter with revised financial information in relation to future repayments should be issued from the local authority to the applicant, and a signed Declaration and Acceptance Form for the additional Mortgage Payment Break must be returned for each payment break.

For clarity, it is the responsibility of borrowers to apply to their local authority for an additional payment break beyond their first break. If they do not apply for an additional break, the default is that they resume the rescheduled repayments agreed as part of their application for the payment break. Nevertheless, in order to increase borrower awareness, local authorities should;

- Notify all borrowers currently availing of a mortgage break of the option of a further mortgage break as set out in this Circular, and how to apply for such an additional break;
- Inform all borrowers currently availing of a mortgage break that they are to resume their rescheduled payments unless they formally apply for a further payment break;
- Advise new applicants (i.e. those applying for their first payment break after the date of this Circular) for a mortgage payment break of the potential to apply for a further payment break of up to three months, and of the requirement to engage with the local authority in advance if they wish to avail of this option.

Illustrative examples of the financial implications of a mortgage payment break have been provided as part of the revised Frequently Asked Questions attached, and are updated to reflect the financial implications of a payment break of up to six months.

As before, 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 as part of their Notification of Approval to ensure informed consent for each payment break.

An updated application form for a first mortgage payment break and an additional mortgage payment break; a notification of approval letter including a Declaration and Acceptance Form; and a revised and consolidated Frequently Asked Questions are attached with this Circular.



Local authorities should note that the updated application form for a first payment break attached to this circular should replace the existing application form on their websites, as the new form reflects that MPI must be paid during the payment break and also notes the 15 working day deadline for applicants to confirm acceptance of the payment break.

ADDITIONAL PROVISIONS TO APPLY TO ALL APPLICATIONS FOR A PAYMENT BREAK

Final Application Date

It has been decided that the option to apply for a first mortgage payment break shall cease with effect from **close of business on Thursday 30 September 2020**. Any application form for a first payment break received by the local authority on or prior to this date will be eligible to apply for a payment break.

For all applications for a mortgage payment break, regardless of whether it is a first or second application, each notification letter must now provide for the inclusion of a **decision period of 15 working days** after which the Notification of Approval letter is determined invalid. Where the local authority has not received the signed Declaration and Acceptance Form within 15 working days of sending it to the applicant the Notification of Approval letter is no longer valid and should be formally withdrawn in writing to the applicant(s). This is to ensure that there is certainty about when the granting of payment breaks will cease.

LOCAL AUTHORITY ENGAGEMENT WITH APPLICANTS COMING TO END OF PAYMENT BREAKS

It is likely that some borrowers will be unable to return to repaying their mortgage in full at the end of their payment break(s). Therefore, local authorities should proactively engage with borrowers on mortgage payment breaks in order to support borrower awareness and to mitigate potential delays relating to the repayment of mortgages.

For those borrowers who are resuming repayment of the mortgage, the local authority should engage in advance of the first repayment date where possible to ensure that the borrower has undertaken the necessary steps to resume the revised repayments.

If a borrower confirms that they are no longer in a position to manage these repayments, this should facilitate prompt and proactive action by the authority to



engage with the borrower and identify all options including the mortgage arrears resolution process (MARP) to support the resumption of mortgage repayments, in line with the guidance for local authorities on dealing with mortgage arrears in line with “Dealing with Mortgage Arrears: A Guide for Local Authorities” and the MARP Toolkit. Local authorities should also ensure that they have appropriate resources to deal with any increased arrears.

HOUSING FINANCE AGENCY SUPPORT (HFA)

The HFA will continue to support local authorities through 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. Each application for an equivalent payment break is to be made directly to the HFA and must 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.

Documents Attached to this Circular

1. Updated Application Form for First Payment Break (this must replace existing form on local authority websites)
2. Updated Notification of Approval Letter for First Payment Break
3. Application Form for Additional Payment Break (to go on local authority website)
4. Notification of Approval Letter for Additional Payment Break
5. Updated FAQ for borrowers re payment break (taking account of additional payment break)
6. Updated FAQ for local authority usage including non-standard loan types (original issued by email on 28 April 2020)

Local authorities are reminded that the remaining provisions in Circular 9/2020 continue to apply; in particular in relation to credit reporting; and reporting of data to the Department. The Housing Manual will be updated at www.housingmanual.ie to provide updated 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 cursive script, which appears to read "Michael Hough". The signature is written in black ink on a light blue horizontal line.

Michael Hough