

Chorley Council

Chorley Repossession & Eviction Prevention Fund

Chorley Borough Council



Chorley Borough Council Repossessions Prevention Fund **Loans to Prevent Repossessions & Evictions**

The Repossessions Prevention Fund was created by government in the 2009 Budget. The aim of this fund is to enable Local Authorities to extend small loans to families at risk of homelessness through repossession or eviction. Chorley Borough Councils share of this national fund was £38,000.

The Council has previously provided funding through the Homelessness Grant to operate a Homelessness Prevention Fund. Criterion and procedure for the use of the Homeless Prevention Fund should be seen as **separate** to the procedure for administering the Repossessions Prevention Fund.

The Homelessness Repossessions Prevention Fund will be used to provide loans or grants of between £1,000 and £3,000 and up to a maximum of £5,000 per household. The primary aim will be preventing repossessions or evictions where households are struggling to pay their mortgage or rent due to the current climate and through no fault of their own.

This guidance sets out the eligibility criteria and procedure for administering the Homelessness Repossessions Prevention Fund.

Nature of Payments from the Fund

In the guidance accompanying the Repossessions Prevention Fund the CLG refer to using the money to provide loans where possible because this will allow for money to be recycled to help other households in the Local Authority area in the future. The guidance does however go on to state that “final decisions on efficient and equitable deployment of this additional funding rest with Local Authorities and should be based on individual local need and circumstances”.

The Council recognises the advantages of using loans rather than grants but at the same time noted concerns about the administrative costs of collecting relatively small amounts of money from people already in difficult financial circumstances, therefore Chorley Council would aim to make payments on a loan basis but would have the freedom to make grant payments where the likelihood or cost of achieving repayment was disproportionate.

In light of this recommendation each household making an application to the fund will be assessed according to the circumstances of their individual case and a recommendation will be made by the prevention officer to the Homelessness and Housing Advice Manager who will make a final decision on the nature of the payment to be made (i.e. whether it will be on a loan or grant basis).

Criteria for use of the Fund

Based on the CLG Guidance and local discussion the Repossessions Prevention Fund should only be administered to those households who meet the following criteria:

- Households who genuinely cannot pay their rent or mortgage (and not those who choose not to). For example assistance could be provided to a tenant who had accumulated rent arrears as a result of loss of earnings or reduced hours and who has no history of high arrears. Supporting information would be required as evidence that households were experiencing genuine difficulties in paying their rent or mortgage payments (this could include payslips, proof of benefit, confirmation from employers, rent account information, bank statements etc)
- A payment should only be made to those households who are willing to act on money and debt advice from either the Specialist Housing Advisor or the Councils CAB in order to resolve the problems that have led to their financial difficulties
- A payment should only be made in circumstances where households can demonstrate (with the aid of money advice) that their rent or mortgage repayments will be affordable following the receipt of a payment from the fund – i.e. that their situation will be sustainable in the longer term
- Payments are not intended to completely clear arrears but to recover the situation where all other options have failed
- Where possible payments should be made based on the fact that all parties are prepared to compromise on the debt in order to avoid repossession or eviction. For example a loan could be provided to clear a proportion of rent arrears, however the loan might only be agreed by the Council if a social or private sector landlord is prepared to write down or write off the remaining arrears owed.
- A payment should not be made where there is another way to resolve the problem. For example where arrears can be cleared by backdating a Housing Benefit Claim.
- In cases of Housing Associations, tenants with arrears should pursue other options considered by landlords through their existing rent recovery process before a payment is made through the Repossessions Prevention Fund.
- Where a payment is agreed households should be asked to agree that a payment is made directly to a creditor on their behalf. No cash payments will be made.
- Only one payment can be made per household
- The maximum payment permitted through the fund is £5,000

Prevention Options that may be considered

The primary objective of the Repossessions Prevention Fund is to prevent homelessness arising from repossessions and evictions across all tenures. The fund should be used as a tool for working with the lender or landlord in order to remove the risk of repossession or eviction by making a payment which they are prepared to accept in return for compromising the overall debt owed by the household.

Situations in which this may apply include:

- To support possible mortgage rescue applications - small payments to, when necessary, 'top up' lender write down on Mortgage Rescue cases where the household is in negative equity (where their mortgage and secured loans are greater than the value of their home). In these cases the emphasis is on the lender to write down any negative equity. Lenders will be willing to do this on a flexible case by case basis and can do so in a number of ways:
 - by writing down the loan(s); or
 - by allowing any debt to remain as an unsecured debt which would be treated as a normal loan; or
 - by allowing the debt to remain and charge the customer a nominal charge (e.g. £5 or £10 a month).

In those cases where lenders are unwilling to take any of these measures, or their write down is insufficient to keep the household in the scheme then a small payment from the fund could be issued to 'top up' and rescue the households

- To reduce mortgage arrears in cases where the level of arrears are too high for lenders to apply forbearance measures - This would normally require action from a lender to write down the level of debt. The principle would be that these loans are not made unless the homeowner had acted on money advice and is able to meet any existing or newly negotiated monthly payments (i.e. the situation is affordable for the household in the longer term).
- To reduce, or part settle, second charge actions where that charge had been taken out against the property for security - This would normally require action from a second charge lender to write down or write off the level of debt. The principle would be that payments from the fund are not made unless the homeowner has acted on money advice and is able to meet any existing or newly negotiated monthly payments (i.e. the situation is affordable for the household in the longer term).
- To reduce the level of debt for tenants in the private rented or social sectors who are in rent arrears – This would only apply in cases where rent arrears had been caused by income shocks as a result of loss of earnings, or reduced hours, and where there was no previous history of significant rent arrears. In these instances, the household may be unaware of entitlement to housing benefit support and back payment of a legitimate claim may not be possible (where applicants are entitled to back pay this option should be explored in the first instance and instead of any payment being made from the repossessions prevention fund).

- To prevent eviction for a household which is due to be imminently evicted or repossessed - A loan or guarantee up to a capped level payable to the lender or landlord could be made in order for the household to be given a 'last chance' by their landlord or lender. The tenant / owner would need to agree to keep to a repayment schedule and be able to meet any existing or newly negotiated monthly payments (i.e. the situation is affordable for the household in the longer term).
- To assist householders threatened with imminent repossession to remain in their homes - A payment from the fund could be made and paid in instalments to the lender on behalf of the household. Eligible applicants could receive an interest free loan of up to £5,000, secured against the property. At the end of the interest free period, the loan is repayable, and if not repaid in full, interest is chargeable.
- Making a joint agreement with a lender, landlord and household to resolve arrears - For example, a third of the arrears could be paid by off through a hardship payment, a third through a payment from the Fund, and a third written off by the landlord or lender.
- 'Last chance' or emergency payment to lenders, social landlords or private sector landlords to enable further intervention that may prevent eviction –
An emergency payment can be made at the point where a possession order is about to be enforced but where it is possible to hold the position to allow further intervention from debt and money advice where it has been assessed that there is a good prospect of resolving the overall problem. A short term guarantee could be made to cover rental or mortgage payments from that date whilst targeted intervention is taken to resolve the problem.

This list is not exhaustive. The fund should be used in any cases where prevention officers feel that they could negotiate with the landlord or lender to keep the household in their current home and prevent repossession or eviction. Each case will be considered on its own merits and a final decision will be made by the Housing Advice and Homelessness Manager.

Procedure for Accessing the Fund

- I. The household is referred from a partner organisation or self refers and highlights problems paying their rent or mortgage. They are asked to attend a housing options interview where a prevention officer will interview them, assess their circumstances and discuss the options available to them.
- II. As part of the options interview the prevention officer should establish whether the household could afford to stay in the existing property in the long term if the rent / mortgage arrears were reduced or repayment plans were agreed. Evidence should be requested to support any applications to the Repossessions Prevention Fund. This should include:
 - Written confirmation of the arrears that are owed
 - Proof of earnings (and proof to demonstrate any temporary income shocks) – wage slips, bank statements, benefit details, correspondence from employer etc
 - Financial statement detailing all income and out-goings (including details of all outstanding debt and repayment agreements)

- III. The household should be referred to money advice (either the Specialist Housing Officer or the local CAB) for further advice and support on managing their debts and budgeting, to draw up a financial statement (where they do not already have one) and to look at affordability of mortgage / rent payments in the longer term. The prevention officer should maintain close contact with the designated money advice officer throughout the application process in order to share information and agree on the final recommendation.
- IV. The prevention officer should contact the landlord or lender to confirm the level of arrears, the circumstances reported by the applicant and to establish whether they would be willing to negotiate with Chorley Borough Council to prevent eviction or repossession.
- V. Where the landlord / lender is willing to negotiate the full range of options should be discussed with both them and the applicant. When an option is agreed by all parties the prevention officer should obtain written confirmation from the landlord/lender setting out the level of arrears owed by the household and the fact that they are willing to freeze all action and pursue the chosen option.
- VI. This information should also be summarised for the applicant to sign and authorise. At the same time applicants should be asked to confirm that they are happy to continue to work with money advice in order to resolve the problem that has led to the accumulation of arrears / financial difficulties and they should also be asked to confirm that the payment can be made directly to their lender or landlord.
- VII. Based on discussion with and evidence received from the lender / landlord and the applicant and bearing in mind feedback received from money advice regarding the applicant's ability to repay a loan the prevention officer will assess whether the payment should be provided as a grant or a loan.
- VIII. The prevention officer in partnership with money advice should continue to monitor the level of arrears during the application process in order to make sure that the arrears do not continue to grow.
- IX. The prevention officer should provide a brief written report of the background circumstances and details of the discussions with the applicant and lender / landlord, which has, lead them to make a recommendation for payment under the fund. As part of this report the officer should set out the reasons they believe that the applicant will be able to meet payments and maintain their existing accommodation once the one-off payment has been made.
- X. The report should also make a recommendation as to whether the payment should be a one-off grant payment or a loan and the amount that would be required. The prevention officer should explain their recommendation with reference to the details of the case and any relevant supporting evidence.
- XI. The report, along with a copy of the housing options interview form and all relevant supporting information should be passed to the Homelessness and Housing Manager with a formal request for the agreed amount.

- XII. The Homelessness and Housing Advice Manager will assess the application and make a decision. If a negative decision is made recommendations will be made on alternative housing options and further options and prevention work will need to be carried out with the household.
- XIII. Once the funding is approved a letter should be sent to both the landlord / lender and the applicant. The letter should confirm the amount that has been paid, the agreement that has been reached and any arrangements for further payments. Where the payment was made as a loan to the applicant their letter should include details of the repayment schedule and any other relevant information.
- XIV. The prevention officer should continue to monitor the application until payment has been made to the lender / landlord. They should also check that the applicant / household has taken up the support offered through money advice and is receiving on-going support to ensure that they do not get into a similar situation again. All stages of the process (including any conversations with the applicant, lender or landlord) should be recorded on the case file and on the Homeless database (Peter Lally).
- XV. Where a loan payment has been agreed Chorley Borough Council will make arrangements to collect regular payments from the applicant by creating a sundry debtor account. In the event of non-payment of the loan the debt will be chased through 2 reminder letters before being referred back to the homelessness prevention team to follow up. If the household is unwilling to engage and regular payments are still not being made after this point a recommendation will be made to the Head of Finance that the debt be written off.

Monitoring & Evaluation

Information on the use of the Repossessions Prevention Fund will be reported to the CLG as part of the mortgage rescue monitoring returns on a monthly basis.

Procedure for Accessing the Repossessions Prevention Fund (RPF)

1. General Principles

- 1.1 A request for assistance from the Repossession Prevention Fund in all cases. All payments must be approved by the Homelessness and Housing Advice Manager. Where they are not available, or for payments over £1000, approval must be sought from the Director of Partnerships, Planning & Policy.
- 1.2 A detailed financial statement must be completed by either the CAB or the Specialist Housing Advisor in ALL cases. Based on the information in the financial statement the money adviser should make a recommendation as to whether a grant or a loan should be provided. This assessment should be based on whether or not the client can afford to make regular repayments.
- 1.3 The client must engage with money and debt advice services in order to be eligible for a payment from the RPF.
- 1.4 Where a loan is provided a credit agreement to repay the loan is to be completed and signed by applicant.
- 1.5 Copies of all paperwork must be held on the applicant's individual file.
- 1.6 Copies of the following must be given to applicant:
 - Completed request for assistance from the RPF form
 - Financial statement and debt management plan
 - Where a loan has been provided the applicant should receive a copy of the credit agreement
- 1.7 Where loans are provide the repayment period will be dependent on the total amount and its purpose as well as on the client's individual circumstances.
- 1.8 The repayment period and schedule of payments must be agreed before any loan is made.
- 1.9 All payments (grants or loans) should be made directly to creditors (with agreement from the applicant). No cash payments will be made.

2. Role of the Specialist Housing Advisor

- 2.1 At the initial enquiry stage and during the housing options interview consideration must be given as to whether the applicants needs can be met through the Fund.

The Specialist Housing Advisor must: -

- Determine if the applicant is homeless or threatened with homelessness.
- Determine if the applicant is in Priority Need
- Complete RPF application form.
- Consider whether use of the fund can be made in maintaining the applicants existing accommodation;
- Verify all information provided by the applicant;
- Establish whether use of the Fund is appropriate or whether there is another way to resolve the problem;
- Establish whether use of the fund is the most suitable option for the applicant or whether another prevention initiative would better suit their needs;
- Where applicants are tenants appropriate obtain a written undertaking from the landlord that the applicant can remain for 6 months;
- Refer applicants to money advice to obtain a financial statement and liaise with the money advisor regarding whether the payment should be made as a grant or a loan.

2.2 The application must then be discussed with the Homelessness and Housing Advice Manager. Where approved, the application form must be signed by the Homelessness and Housing Advice Manager or the Director of Partnership, Planning & Policy in their absence.

2.3 **Payment Approved**

The Specialist Housing Advisor will: -

- a. Inform the applicant and any other parties involved, i.e. landlords.
- b. Complete 2 x loan agreement form. An original is to be given to the applicant, the other is to be passed to the Homelessness Prevention Officer, and a photocopy placed on the applicants file.
- c. Arrange for payment to be made.
- d. Raise a sundry debtor invoice.
- e. Monitor repayments.
- f. Where the household doesn't engage with repayments, the Homelessness and Housing Advice Manager will make a recommendation that the debt be written off.

2.4 **Payment not approved**

The Specialist Housing Advisor will: -

- a. Advise the applicant and other interested parties of the decision and the reasons for it in writing. Copies of all correspondence to be passed to the Homelessness Prevention Officer with a copy retained on the applicants file.
- b. Pass the original Request for Assistance form to the Homelessness and Housing Manager and place a copy on the applicants file.

2.5 **Monitoring**

The Specialist Housing Advisor will: -

- a. Monitor progress of the applicant's housing situation on a quarterly basis and will re-establish contact where informed by the finance team that they have missed loan repayments. Any further information or action will be noted on the applicants file and a written report provided.
- b. Where the applicant has failed to make agreed repayments and the Specialist Housing Advisor is unable to work with them to provide further advice and support a recommendation will be made to finance for the debt to be written off and a written report will be added to the applicants file and passed to the Homeless Prevention Team leader to be placed in the central log.

The Specialist Housing Advisor will: -

- a. Liaise with the finance team to monitor repayment schedules of individuals to ensure that the agreement is being maintained.
- b. Liaise with the finance team regarding default of payments and record any action taken on the applicant's monitoring sheet.
- c. Liaise with the Specialist Housing Advisor on progress of individual cases regarding their housing situation.
- d. Provide quarterly progress reports to the Housing Aid and Homelessness Manager or as requested on the overall budget and operation of the scheme.

The Housing Advice and Homelessness Manager will: -

- a. Carry out the duties of the Specialist Housing Advisor when they are not available or on leave.
- b. Carry out quarterly file checks in order to ensure that the procedure is being followed correctly. The file checks will be carried out for

10% of the cases where an application has been made to the RPF during the quarter.

**REQUEST FOR ASSISTANCE FROM THE REPOSSESSIONS
PREVENTION FUND**

FOR COMPLETION BY SPECIALIST HOUSING ADVISOR:

Applicants Name _____

Address _____

Date of Birth _____ Case / Ref Number _____

Family Details _____

Case Officer _____

Is applicant Homeless or threatened with homelessness? Yes/No

If yes please give brief details including date will be homeless

Is applicant in priority Need? Yes/No If yes give reason

If payment through the repossessions prevention fund is not approved, will the applicant need TA? Yes/No

Rent Arrears/Mortgage Arrears Cases only

Name and Address of landlord/lender

Has a written undertaking been received from the landlord or lender that the client will not be evicted from the property, or that they can return and remain for 6 months.

Yes No (Please attach a copy)

If No, please give details

Background information

Gender - please tick ✓ one box only

Male

Female

Age - please tick ✓ one box only

16-24

25-34

35-44

45-54

55-59

60-64

65-74

75+

Do you consider yourself to have a disability? – please tick ✓ one box only

Yes

No

Ethnic group? Please choose ONE section from A to E and then tick the appropriate boxes.

Section A <input type="checkbox"/> White	<input type="checkbox"/> British <input type="checkbox"/> Irish	<input type="checkbox"/> Other White _____ (Please provide details)
Section B <input type="checkbox"/> Mixed	<input type="checkbox"/> White and Black Caribbean <input type="checkbox"/> White/Asian	White/Black African Other mixed _____ (Please provide details)
Section C <input type="checkbox"/> Asian or Asian British	<input type="checkbox"/> Indian <input type="checkbox"/> Bangladeshi	<input type="checkbox"/> Pakistani <input type="checkbox"/> Other Asian _____ (Please provide details)
Section D <input type="checkbox"/> Black or Black British	<input type="checkbox"/> Caribbean <input type="checkbox"/> African	<input type="checkbox"/> Other black _____ (Please provide details)
Section E <input type="checkbox"/> Chinese or Other	<input type="checkbox"/> Chinese <input type="checkbox"/> Traveller or Gypsy	<input type="checkbox"/> Other _____ (Please provide details)

FOR COMPLETION BY THE HOMELESSNESS AND HOUSING ADVICE MANAGER

Payment Approved Yes No

If No give Details

Date _____

Signed: _____
Specialist Housing Advisor

Date _____

Signed: _____
Homelessness and Housing Advice Manager

Date Loan Agreement Completed (where applicable) _____

LOAN AGREEMENT

This Loan Agreement is made the day of 2009

Between

Chorley Borough Council, Civic Offices, Union Street, Chorley PR7 1AL

AND

OF

("the borrower")

IT IS AGREED as follows:

1. DEFINITIONS

In this agreement the following are the key financial information, and shall have the following meanings:

"Term of agreement" – x months

"Amount of loan"

"Instalments" - £each, payable on the day of each consecutive month, commencing on theday of.....

2. THE COUNCIL'S DUTIES

2.1 The ALMO agrees to advance £..... to the Borrower, payable within 14 days of this agreement being entered into.

3. THE BORROWER'S DUTIES

3.1 The Borrower agrees to repay the amount of the loan by the instalments by their due dates. Prompt payment is essential. Payment must be made either directly to Chorley Council's bank account (.....) or by cash at Chorley Council's offices. Payment must have been received by the due date.

4. BREACH OF THE AGREEMENT

4.1 If the borrower fails to pay any instalment by its due date the Council may require the borrower to pay interest at the interest rate stated in the key financial information. The interest due will be on the over-due instalment from its due date until its receipt by the Council after as well as before any judgment.

4.2 If the Borrower fails to pay any instalment within 14 days of its due date the Council may end this agreement and require the Borrower to immediately pay the outstanding balance under the agreement. In the

event of further non payment the Council will follow its debtor procedure and seek to provide any further support to the borrower around money / debt advice.

TERMINATION

5 The borrower may end this agreement at any time by giving written notice of termination. The Borrower must then pay the outstanding balance under this agreement (which the Council will notify the Borrower of).

LAW AND JURISDICTION

6. This agreement shall be governed by English Law and the parties agree to the exclusive jurisdiction of the English Courts in all matters.

DATA SHARING AND ANTI FRAUD

7. Chorley Council is under a duty to protect the public funds it administers, and to this end may use the information you have provided on this form and the request for assistance form for the prevention and detection of fraud. It may also share this information with other bodies responsible for auditing or administering funds for these purposes.

AGREED BY THE PARTIES

For and on behalf of the COUNCIL

The Borrower

Signed

Signed

Print name

Print name

Date

Date