

## Tonbridge & Malling Borough Council Housing Options and Homelessness Procedures April 2010

### **Procedure Twelve: Repossession Prevention Fund**

#### **Introduction**

This Procedure provides information on Tonbridge & Malling Borough Council's Repossession Prevention Fund; what it is, how it can be used and the process to go through when organising a payment from the fund.

#### **1 What is the Repossession Prevention Fund?**

The Repossession Prevention Fund is a one-off grant of £38,000, which was paid to Tonbridge & Malling Borough Council (TMBC) in June 2009, to enable the housing options team to set up a specific fund for preventing repossession. The money was part of a £20 million payment paid by the department of Communities and Local Government (CLG) to enable local authorities to extend small loans to families at risk of homelessness through repossession or eviction.

The funding is to help prevent repossession and evictions across all forms of tenure. In each case the intention is for the local authority to make a loan on the basis of the lender or landlord being prepared to compromise on the debt owed in return for the payment which, in turn, results in the threat of repossession or eviction being removed.

The maximum amount that can be loaned to a customer is £5000, at 0% interest. The amount of money suggested by the CLG for each household is likely to be between £1000 - £3000. There may be occasional situations when a customer may be provided with a grant rather than a loan, if it is considered that they will be unable to afford to make repayments to the Council.

#### **2 How can it be used?**

The CLG made suggestions for how the grant could be used and in July 2009, TMBC's Strategic Housing Advisory Board (SHAB) agreed that the housing options team could use the funding in line with this guidance. The members of SHAB also agreed that some of the money could be used to supplement the Council's existing Rent Deposit Bond / Deposit/Rent in Advance scheme. The CLG's suggestions were as follows:

- One off payments to clear or reduce mortgage arrears where lenders are willing to write down the level of arrears in return from a contribution from the owner. These payments would not be made unless the homeowner had acted on money advice, and was able to meet any existing or newly negotiated monthly repayments;
- One off payments as a contribution to clearing or part settling second charge actions where that charge had been taken out

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against the property for security;

- Payments for a local version of the Mortgage Rescue scheme to supplement the Government's scheme or to apply to some groups or circumstances not covered by the Government's scheme;
- One off payments for tenants in the private rented sector or social sector who are in rent arrears due to debt or income shocks due to loss of earnings, reduced hours, with no previous history of rent arrears. This should only be payable where tenants ability to afford the continuing rent payments have been verified through debt advice;
- Negotiating a joint agreement with landlords, lenders and the household for the clearance of rent and mortgage arrears;
- Boost existing prevention funds across the whole range of local authority prevention work; and
- Boost existing deposit bond schemes where it is not possible to save the person from homelessness in the property they are.

There may be other situations where financial assistance from the Repossession Prevention Fund is appropriate. So far, some of the loans or grants paid have been for the following purposes:

- To reduce rent arrears in the private and social rented sector
- To fund a deposit for a family whose income had dropped due to the recession
- To pay a small amount of money to the father of a teenager who had lost his job and was threatening to make his son homeless. The money helped the father buy food for his family

The CLG guidance states that:

'Although the funding is not ring-fenced, it is important to ensure that this supports the maximum number of households in need of financial assistance, enabling them to stay in their homes. Financial assistance through small loans (where possible) allows money to be recycled to help other households in the local authority area in the future. However, 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'.

If a member of the Housing Options team is providing advice to a customer and believes they may benefit from financial assistance from the Repossession

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Prevention Fund, they should discuss the case with the Housing Needs Manager, or in her absence, the Chief Housing Officer, who will decide if the Fund can be used for this purpose.

The guidance goes on to provide ‘principles that could sensibly underpin local authorities’ use of the Fund’, to ensure that the money is spent appropriately. For example, the fund could be used:

- For households who genuinely cannot pay their rent or mortgage (not those who choose not to). For example assistance could be provided to a tenant in the private rented sector or the social sector who had accumulated rent arrears as a result of loss of earnings or reduced hours and who has no history of high arrears.
- Any payment made from this fund should only be made to those households who are willing to act on money and debt advice from a local money advice agency, such as Tonbridge CAB or Tonbridge Debt Advice Centre
- 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, and will be sustainable in the longer term
- ‘Where possible, payments should be made based on the fact that all parties are prepared to compromise on the debt owed in order to resolve a problem that is putting a household at risk of repossession or eviction. For example, a small loan could be made to clear a proportion of rent arrears, combined with a loan to further reduce the arrears; however the loan might only be agreed by the local authority if a social or private sector landlord is prepared to write down or write off the remaining arrears owed.’
- ‘Loans should not be made where there is another way to resolve the problem. For example, a loan should not be used to reduce or clear arrears caused by housing benefit delays or problems, where this could be resolved through a backdating of benefit, or where the issue relates to problems with the administration of a housing benefit claim that can be resolved.’
- The fund is not intended to be used to fully clear rent or mortgage arrears. A loan should be made to ‘recover’ the position where all other options have failed. Where possible, loans should be made on the basis of all parties being prepared to compromise on the debt owed in order to resolve a problem that is putting a household at risk of repossession or eviction. For example, a small loan could be made to clear a proportion of rent arrears, combined with a loan to further reduce the arrears; however the loan might only be agreed by the local authority if a social or private

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sector landlord is prepared to write down or write off the remaining arrears owed

- In cases of housing association tenants with arrears, all other options should be considered by landlords through their existing rent recovery process before a payment is made through the Repossessions Prevention Fund. ‘In this instance, a loan should only be made where it would enable a household to remain in place and where no other options would lead to this outcome’
- 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
- ‘Local authorities should seek to provide help by way of a loan to ensure that money can be recycled and used to help other households in the future. Wherever possible, households should be asked to agree that a payment should be made directly to a creditor on their behalf’.

### **3 Who is Eligible for Help from the Repossession Prevention Fund?**

The CLG Guidance advises that the Repossessions Prevention Fund can be made available ‘for any households which risk becoming homeless through repossession or eviction. It can also be used for individuals at risk of rough sleeping’.

Customers do not have to be in priority need to access the Repossession Prevention Fund, although they do have to be eligible for assistance and threatened with homelessness and have a local connection to TMBC. As stated in section 2, customers can only be assisted if they genuinely cannot afford to pay their rent or mortgage.

### **4 How to calculate repayment terms for a Repossession Prevention Fund loan**

Loan repayments should be spread over an affordable period to avoid placing a customer in further financial difficulty. Repayments should be organised as follows:

- For loans of under £1000, a repayment schedule should be drawn up to ensure that the advance is repaid as soon as possible over a maximum period of 18 months. Where a repayment period of 18 months would cause exceptional hardship, the repayment period can be extended to a maximum of 24 months, where authorised by the Chief Housing Officer
- For loans of between £1000 - £5000, a repayment schedule should be drawn up to ensure that the advance is repaid as soon as possible over a

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maximum period of 48 months. Where a repayment period of 48 months would cause exceptional hardship, the payment period can be extended up to a maximum of 60 months, where authorised by the Chief Housing Officer

### **5 When a Grant may be made from the Repossession Prevention Fund**

As stated in Section 2, a customer should be provided with a loan rather than a grant wherever possible, so that the funding can be recycled for other households in the future.

The CLG guidance does not provide any information on how grants should be provided by local authorities. However, since the guidance was issued, the CLG has confirmed that grants using the Repossession Prevention Fund are 'permissible ...in appropriate circumstances'.

For the purposes of using this fund, the Housing Needs Manager has defined 'appropriate circumstances' as:

- Where a customer's financial circumstances are such that they cannot afford to take on any additional borrowing and to do so would place them in an unaffordable situation, where they would be unable to afford to pay their housing and essential living costs.

### **6 How to Organise a Payment from the Repossession Prevention Fund**

Once you have identified a customer who is threatened with repossession or eviction, firstly check they fit the criteria listed in Section Three.

Discuss the case with the Housing Needs Manager or Chief Housing Officer. If they agree that a payment from the Repossession Prevention Fund is appropriate, organise a housing options appointment with the customer to discuss their situation in more detail and obtain the following paperwork:

- Proof they are eligible for assistance (see Procedure 6 for more information about eligibility for public funds). This should include 2 of the following for each adult in the household: current UK passport, birth certificate, current UK or EEA photocard driving licence (must contain current address) or blue disabled driver's pass, current full UK driving licence, benefit book or letter confirming entitlement to benefit (including state pension),(must contain current address)
- Confirmation that they are threatened with homelessness due to repossession or eviction. This could include: letters from mortgage lenders, landlords or letting agents confirming that the customer is in arrears with their housing payments, possession paperwork such as a possession order or bailiff warrant.

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- Proof that the customer cannot afford to resolve their housing problem without help from the Repossession Prevention Fund. This should include proof that they are on a reduced income,
- eg: their last 2 months' bank statements,
- last 2 months' wage slips (if customer is working),
- proof of benefits including Job Seeker's Allowance, Income Support, Employment Support Allowance, Incapacity Benefit, Housing Benefit or Local Housing Allowance, Child Benefit, Working and Child Tax Credits, State Pension & Pension Credits,
- proof of any other income, such as a private pension or maintenance payments,
- letters from a previous employer confirming they have been made redundant or are now on a reduced income

Next, complete a Financial Statement with the customer to ensure that they will be able to afford to repay a loan from the Repossession Prevention Fund.

If the loan is affordable to them, a 'Repossession Prevention Fund' file should be set up for the customer. This should be kept separate from the customer's housing register file, although a file note can be placed on the register file to explain that a repossession prevention loan or grant has been issued.

Complete the 'Request for Repossession Prevention Fund Payment' form, which is stored in: I:\house\Admin\Housing Options\Repossession Prevention Fund. This form requires you to set out the reasons why you believe the customer should be provided with financial assistance from this fund. Once completed, print off a hard copy of the form, attach it to the file and pass it to the Housing Needs Manager or Chief Housing Officer, who will make a decision whether the payment requested can be made.

If the case is approved, the next stage is to organise payment from the Repossession Prevention Fund to the customer's lender, landlord or letting agent. If a payment is to be made towards rent or mortgage arrears, in most cases no more than one third of the amount outstanding should be paid by the Council – the tenant/homeowner should pay one third and the landlord/mortgage company should agree to write off the remainder.

Where this cannot be agreed, the case should be discussed with the Housing Needs Manager or Chief Housing Officer, to establish if the Council can pay more than one third towards the amount owed.

Payment should not be made directly to the customer except in exceptional circumstances. If payment is to be made directly to the customer, a file note explaining why this is necessary should be made and agreement obtained from the Chief Housing Officer.

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Details of the payment should be entered into the Bonds & Rent Deposits spreadsheet, which has a section set aside for payments made from the Repossession Prevention Fund. This spreadsheet is located at:  
Hdrive/Share/Housing Finance/Bonds & Rent Deposits etc 2010/11.

A Payment Request form should be completed. Please see Procedure 10 which explains how to organise a payment of this kind. Instead of stating 'Rent Deposit Advance' in the Narrative of the Payment Request form, state 'Repossession Prevention Fund payment and provide information on why it is being paid, eg:

'for (name of customer) to reduce rent/mortgage arrears at (address of property).

The nominal code to be used is as follows: C01AA(\$\$\$\$)44054. (The (\$\$\$\$) relates to the numbers that are unique to each payment.)

For repossession prevention loans, an invoice should be sent to the customer within 7 days of the payment being made. Again, see Procedure 10 for more information on how to complete an Invoice Request form – once form is completed, pass it to the Housing Needs Manager for their signature, take a copy for the file and pass the original to EHHS Admin, who will enter the details onto Integra and generate an invoice. One copy will be sent to the customer and the other will be returned by EHHS Admin and should be placed on the customer's file.

A repayment agreement should be organised. A master is kept in:  
I:\house\Admin\Housing Options\Repossession Prevention Fund. Please 'save as' a copy and enter the customer's name and address, plus the details of the repayment schedule. Repayments should be organised to start no later than 28 days after the agreement is set up.

A copy should be printed. The terms of the agreement should be fully explained to the customer and their signature(s) obtained. The officer who witnesses the agreement being signed must also sign to confirm they have done this. They should also sign and obtain a signature from a witness to confirm this. Finally, the agreement should be passed to the Housing Needs Manager, or in her absence, the Chief Housing Officer, who will also sign the agreement. A copy of the signed agreement should be posted to the customer and the original kept on the file.

Email the Finance department (currently the two members of staff who should be informed are Paul Worden & Dominic Reynolds), informing them of the customer's name, address, National Insurance number and that you have set up a repossession prevention loan and confirming the customer's repayment schedule.

Once the repossession prevention payment has been finalised, the file should be checked to ensure that all relevant paperwork has been included. The housing options officer should arrange to contact the customer in 4 weeks' time, or

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sooner if more appropriate, to check that they are no longer threatened with homelessness and that they have not forgotten to organise repayments for the loan provided by TMBC.