

# INFORMATION TO HELP YOUR DECIDE WHETHER TO ELECT FOR A MORTGAGE PAYMENT DEFERRAL (HOLIDAY)



You have requested to take a mortgage payment deferral due to the impact of Coronavirus (Covid-19).

A payment deferral does not mean the payment of your mortgage and interest is waived. The amount is deferred and repayable after the payment deferral period and interest is charged during the period.

This information sheet outlines the impact in general terms of electing for a mortgage payment deferral on the amount you pay over your mortgage term and monthly repayments. It also outlines other useful information, especially if you think you will have longer term financial difficulties.

## Initial payment deferral

If you can afford to repay your mortgage, it is in your best interest to do so. This is because interest will build during the period you do not pay, and you will need to pay back more later. Your monthly repayments will also be higher, or your mortgage may take longer to repay. However, if you are unable to make your mortgage repayments because of Coronavirus (Covid-19), we are committed to helping you.

During the payment deferral period:

- We will not expect a mortgage payment from you.
- No fees will be charged, or letters sent, to reflect non-payment of your mortgage.
- Interest is charged on the unpaid amount at the current rate and will increase your mortgage balance.
- Unpaid mortgage repayments and accrued interest will be repayable after the payment deferral period.
- Your monthly mortgage repayments will increase after the payment deferral period, or your term extend.
- Your account will not be reported to Credit Reference Agencies as being "in arrears".

It would be normal practice to obtain an income and expenditure assessment to understand how we could support borrowers who need assistance repaying their mortgage. However, this is not required for an initial mortgage payment deferral. It may be required when we review your options after the payment deferral period or at a later date, if you have longer term financial difficulties.

You should be aware that although your account will not be reported to Credit Reference Agencies as being "in arrears", there are other ways lenders will be able to tell if you took a payment deferral e.g. reviewing mortgage or bank statements, which could impact future lending decisions.

## At the end of the deferral period

At the end of the deferral period, we will "capitalise" the amount deferred. This means that the sum of the unpaid payments including the interest accrued will be added to your mortgage balance and repaid over the remaining mortgage term. Interest will accrue on the capitalised amount over the term of the mortgage and your monthly payments will increase. A representative example is given later in this information sheet.

However, before we capitalise the amount deferred, we will contact you 3-4 weeks before your first monthly mortgage repayment is due, so that you can "opt out" of capitalising the amount deferred and consider another option that may be more suitable for you. These will be explained to you in more detail at the time but in summary are to:

### 1. Repay the amount you deferred in full as a lump sum

This simply means that you repay the sum of the deferred payments including the interest accrued during the period. You make a lump sum payment to your mortgage account and resume your previous monthly payments.

### 2. Repay the amount you deferred over a short period (up to 5 years)

The sum of the deferred payments including the interest accrued is repaid over an agreed period, shorter than your remaining term.

### 3. Extend your mortgage term to repay the amount deferred at the end

You resume your previous monthly payment and pay the sum of the deferred payments at the end of the mortgage term. This is not available if you will be aged 70 or over at the end of the extended mortgage term.

These options are ordered from least to most impact on the total amount you will pay over the life of your mortgage, option 1 being least impact and option 3 the most impact (capitalising the amount deferred lies between option 2 and 3). The longer you take to repay the amount deferred, the more you will pay in the long term and should your interest rate increase, even more. The sooner you pay the deferred amount plus accrued interest back, the better.

## Representative example of the overall cost of a payment deferral if capitalised

	1 month	2 months	3 months
Mortgage balance	£142,000	£142,000	£142,000
Mortgage term	21 years	21 years	21 years
Interest rate	3.95%	3.95%	3.95%
<b>Monthly repayment before payment deferral</b>	<b>£830.02</b>	<b>£830.02</b>	<b>£830.02</b>
Total amount deferred	£830.02	£1,660.04	£2,490.06
Interest on deferred payments (A)	£2.69	£5.46	£8.15
Interest on deferred payments over remaining term (B)	£690.73	£1,381.53	£2,072.27
<b>Increase to overall total amount payable (A+B)</b>	<b>£693.42</b>	<b>£1,386.99</b>	<b>£2,080.41</b>
<b>Monthly repayment after capitalisation of payment deferral</b>	<b>£834.89</b>	<b>£839.76</b>	<b>£844.62</b>
<b>Increase to monthly repayments</b>	<b>£4.87</b>	<b>£9.74</b>	<b>£14.60</b>

\*This representative example shows the impact on monthly payments and total amount payable over 1, 2 and 3 months relating to a typical mortgage balance of £142,000 paid on a capital and interest basis, with a remaining term of 21 years. It assumes a start date of 1 April 2020 and does not include any changes in interest rate.

### Extension of mortgage deferral period

The Government extended the total period that a borrower can defer their payments by a further 3 months to a total of 6 months on 4 June, subject to all payment deferrals being completed by 31 January 2021 (regardless of how many months have been taken). For example, if your initial payment deferral period is for September, October and November, you will be able to extend it by two months to the end of January 2021 if you are still affected by Covid-19 and unable to resume your monthly repayments.

You cannot take more than 3 months payment deferral upfront. We will offer you the option of up to a further 3 months deferral when we write to you at the end of the initial payment deferral period (subject to the 31 January 2021 deadline).

### Household budget planning

Before deciding to elect to take out a payment deferral, we recommend you review your financial position using the “household budget planner” on our website [www.newbury.co.uk/mortgages/problems-mortgage-payments](http://www.newbury.co.uk/mortgages/problems-mortgage-payments).

If you have some income coming into the household, your budget planner may demonstrate where additional payments can be made to your mortgage during the deferral period. We would encourage you to do this if you can, to keep the overall mortgage costs down. If you wish to pay an amount by faster payment, you can do so to our collections account:

<b>Bank name:</b>	Natwest
<b>Sort code:</b>	62-28-74
<b>Account number:</b>	00000000 (this is a collection account)
<b>Reference number:</b>	Your 10-digit Newbury Building Society account number.

### If you cannot resume full monthly payments in the long term

If you think you will have long term financial difficulties, perhaps as you have already lost your job and you are unable to find another one, you need to contact us as soon as possible, so we can discuss a tailored plan for you. It is important to be open and honest about your financial situation so we can agree an option that is right for you. Please remember that your mortgage should be given priority over unsecured and other debts and that free independent advice is available to you (see later in this information sheet).

### Tenanted properties

If your mortgaged property is let, you should only elect to take out a mortgage payment deferral if your tenants are affected by Coronavirus (Covid-19) and you are reliant on this to repay your mortgage. The intention of the payment deferral for landlords is to cover unpaid rent voids and for the benefit of that to be passed on to tenants as a rental break. If you have rental void insurance cover, you should check whether this will cover you and what the impact of taking a mortgage payment deferral may be.

### Shared ownership

Housing associations have committed to helping shared owners affected with Coronavirus (Covid-19) with financial assistance, however this will vary depending on your situation and their approach. If you are unable to pay rent to your housing association, then please contact them for help. You should be aware that if you do not make your rental payments, the housing association can pass the responsibility for collecting the debt on to us and it will be added to your mortgage balance as a “payment shortfall”. If this happens, we will need to make an arrangement to repay this amount and it may affect your credit file with credit reference agencies.

### Help to Buy

If you purchased your property using the “Help to Buy” scheme and you are unable to pay the interest due on your equity loan, then please contact your Help to Buy Agent provider for financial assistance. You can find out who this is on the Help to Buy website [www.helptobuy.gov.uk](http://www.helptobuy.gov.uk).

### Managing your financial situation

If you find the taking of any of these options difficult, a debt adviser can help you. See below for organisations you can contact for help regarding debt management. You may also want to look at the Money Advice Service’s ‘Money Navigator’ tool [www.moneyadviceservice.org.uk/moneynavigatortool/Creditor](http://www.moneyadviceservice.org.uk/moneynavigatortool/Creditor) which is an online tool to help people navigate their finances in the wake of Covid-19 and avoid financial issues worsening in future.

- If you are coming to the end of a period of partial or full deferred payments with other lenders, make sure you know what happens next. Consider contacting the organisations you make payments to, if you haven’t already agreed a way forward with them.
- Make a list of all the organisations you make payments to. Record how much you pay them and whether you have fallen behind on any payments. This includes essential household bills such as electricity and gas, as well as loans and any other debts or payment obligations you may have.
- Understand which of your debts are priority debts. Some debts will be more urgent than others, because the consequences of not paying them can be more serious than for other debts. Your mortgage is a priority debt.

For information on which debts you should pay as a priority, see the [Money Advice Service](http://www.moneyadviceservice.org.uk) guide ‘How to prioritise your debts’ at [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk).

Once you have prioritised your debts, you can work out a budget to understand how much money you will have available going forward to pay your commitments. You might wish to use a tool such as the [Money Advice Service](http://www.moneyadviceservice.org.uk) online [budget planner](#) or a tool provided by a debt adviser. As mentioned previously there is a household budget planner on the Society’s website.

If you are worried about being able to make future payments, it’s important to contact the organisations you make payments to and let them know. They may be able to talk to you about options for changing how or when you pay.

For more information on managing your money during and after the coronavirus pandemic, see the [Money Advice Service coronavirus support page](#) or contact the Money Advice Service for help (see below for contact details) for useful information about what taking out a payment deferral might mean for you. You may also find the FCA’s information page “[Dealing with financial difficulties during the Coronavirus pandemic](#)” useful.

If you find it hard to keep up with payments, or if you are already having trouble managing your debts, you should seek free help and advice. Your rights and options depend on the type of agreement you have, and the law can be complex. However, you can get free independent help and advice from a number of organisations – see below for details. Some things debt advisers can help with are working out your budget and, if necessary and possible, re-arranging your payments with your lenders.

### **Organisations outside Newbury Building Society that offer help and advice**

Here are some organisations you can contact for free, confidential and impartial debt advice:

**Money Advice Service:** For free, easy-to-use money tools, information and advice, visit [www.moneyadviceservice.org.uk](http://www.moneyadviceservice.org.uk). You can also phone 0800 138 7777 to speak to a money expert, use typetalk at 18001 0800 915 4622, or add +44 7701 342744 to your WhatsApp to send a message.

**Citizens Advice:** For advice and information on debt and other topics, contact your local Citizens Advice or go to [www.citizensadvice.org.uk](http://www.citizensadvice.org.uk).

**Citizens Advice Wales:** If you live in Wales, visit [www.citizensadvice.org.uk/wales](http://www.citizensadvice.org.uk/wales), or you can call Advicelink on 03444 77 20 20 if you want to speak to someone about your debts. Calls cost the same as calls to landline numbers.

**StepChange Debt Charity:** For free debt advice throughout the UK phone 0800 138 1111 or visit [www.stepchange.org](http://www.stepchange.org).

**AdviceUK:** Member centres offer debt advice including specialist advice for minority communities and people with disabilities. Visit [www.adviceuk.org.uk](http://www.adviceuk.org.uk).

**Christians Against Poverty (CAP):** For free debt advice. Check postcode coverage at [www.capuk.org](http://www.capuk.org) then call 0800 328 0006.

**National Debtline:** If you live in England or Wales phone 0808 808 4000 or visit [www.nationaldebtline.org](http://www.nationaldebtline.org) for debt advice and information.

**Business Debtline:** If you are self-employed or a small business owner, phone 0800 197 6026 or visit [www.businessdebtline.org](http://www.businessdebtline.org) for debt advice and information.

### **Mortgage repossessions**

We will not commence any repossession proceedings against any borrower before 31 October 2020. This applies to all borrowers at risk of repossession, whether or not their incomes are affected by Coronavirus (Covid-19).

You may choose for your home to be repossessed if you believe it is in your best interests. However, this is an important and potentially life changing decision and does not release you from any financial obligations, so we recommend you seek independent advice, from organisations such as Citizens Advice, if you are thinking of doing this and before you contact us.

Repossession is always a last resort for lenders. However, you should be aware that if your financial situation does not improve and you are unable to pay your mortgage in the long term (and after 31 October 2020), repossession is a possibility. We will, of course, work with you to do what we can to prevent this happening.

### **Finally, please remember...**

- If you can afford to repay your mortgage, it is in your interests to do so.
- A payment deferral is only a payment deferral if it has been agreed with us.
- You should not just fail to pay. This will be counted as a missed payment and will affect your credit file.
- If you think you will have long term financial difficulties, please contact us as soon as possible.
- We are here to help you, but we are likely to be very busy in the next few months, so please bear with us and only contact us if you need your payment deferral for your next monthly payment.

**Call:** 01635 555588 | **Email:** [paymentsupport@newbury.co.uk](mailto:paymentsupport@newbury.co.uk) | **Visit:** [www.newbury.co.uk](http://www.newbury.co.uk)