

Local Authority Home Loan Mortgage Payment Break
Frequently asked Questions including NON STANDARD LOAN TYPES
[Updated for Circular 18/2020]

*Additional Information **for local authorities' only** on the Treatment of Mortgage Payment Breaks for Loans that not Standard Annuity Loans*

The local authority loan book contains several different historic loan types that are not standard annuity loans. Examples include Shared Ownership loans and income-related loans, amongst others.

The following questions set out the approach to be taken with respect to a selection of these loan types. The list is not meant to be exhaustive, it aims to offer guidance on the approaches to take. For loan types/situations that are not described in this FAQ, local authorities should follow the principle that the Mortgage Payment Break applies to all loan types and all payments that are directly related to a house purchase arrangement.

It is recognised that in some instances it may be challenging for local authorities to meet the five day processing timeline for a mortgage payment break for these loan types. In such cases, an authority should aim to process such an application as quickly as possible, and it is advised that they notify the applicant within a five day timeline that their application is being processed; when they can expect to hear from the authority; and how to get in contact if they have a query.

Does the Mortgage Payment Break apply to all elements of the Shared Ownership (SO) Loans, including the rent payable on the Rental Equity Balance (REB)?

Yes. The rent paid on the REB is an integral part of the house purchase arrangement and borrowers can receive a break on this element as well as all other elements of a shared ownership loan. For clarity, a Mortgage Payment Break is only available on this SO-related rent due to its specific characteristics (it is contractually related to a house purchase, it is based on the REB outstanding, the payment is not based on borrowers' income and it is not based on market rents) and should not be applied to any other form of local authority rent.

The rents not paid during the Mortgage Payment Break should be recouped over the remaining term of the mortgage by increasing the monthly rent payable. This should be set out in the Notification of Approval Letter sent to the borrower. A shorter period can be agreed if the customer consents.

How should recoupment operate if there is no maturity date on a loan?

There may be cases in which the SO loan has reached maturity, the REB remains outstanding and the only payment the borrower is making is the monthly rent, in which case there is no maturity date upon which to calculate the period for recouping the missed payments. In this scenario, a monthly charge should be agreed with the borrower to clear the missed payment. The Department considers that a monthly recoupment that clears the balance within 3 years is appropriate.

A similar approach should be taken in the case of income related loans.

How should the Mortgage Payment Break operate for mortgages which are not paid monthly? For example for a 3 month break is the payment for three months or for three instalments?

The Mortgage Payment Break can be for up to 6 months in total. For the avoidance of doubt, for example for a 3 month break, where repayments are not monthly, borrowers who apply for a three-month break should get the equivalent of a three month break from their mortgage (i.e. if the mortgage is paid in semi-annual instalments the equivalent of three months should be deducted from the payment – or pro rata if the Mortgage Payment Break straddles two payment periods). A similar principle applies for payment breaks of up to 6 months.

How should a Mortgage Payment Break of an SO Loan that currently has a subsidy relating to the rental portion be treated?

The customer should be informed by how much their gross rent payment will increase after the Mortgage Payment Break period. The mortgage subsidy is separate to the Mortgage Payment Break and does not need to be addressed in the Notification of Approval Letter. Customers can be informed what their revised subsidy and therefore their revised net rent payment will be at a later date (which should be before they resume paying the rent).

Will the mortgage payment break affect the amount of mortgage subsidy the borrower is entitled to for the year?

If a borrower is approved for a 3 or 6 month mortgage payment break, they are still entitled to the full annual mortgage subsidy. For example, if a borrower has a household income of €26,000 in the preceding tax year, they would have qualified for an annual mortgage subsidy of €1,050. This would work out at €87.50 per month. The local authority will be required to recalculate the subsidy and spread the payment over the remaining months of the year in which the mortgage payments resume.

The borrower may also be entitled to an increased level of mortgage subsidy in the coming year(s) if your household income has reduced due to the economic effects of COVID-19.