

### **Mortgage Payment Holiday or Product Transfer?**

Since Boris Johnson's announcement regarding three-month mortgage payment holidays, lenders have been inundated with requests from borrowers to pause their mortgage payments.

#### **But is this really the best solution for your client?**

Whilst on the face of it, it may seem like people can forget about their largest monthly outgoing for the next few months, but it isn't as simple as this.

You need to speak with your clients and explain a mortgage holiday is simply a deferment of 3 months payments i.e. **it is not a saving**.

The client will still be liable to catch up on the arrears and any compounded interest that has been charged. Furthermore, no firm policy has been issued yet on how long lenders will give clients to make good on their arrears.

There is no guarantee that lenders will want to capitalise the arrears, so you may need to catch up over a quite a short period of time. **This could actually put clients under real financial stress.**

Lenders have confirmed that if an individual is in arrears, even on an agreed mortgage holiday, they will be prevented from completing a product transfer. So, if remortgages become difficult to obtain and a client is still behind on their mortgage payments, then the client may become trapped on the lender's SVR, further exasperating the situation.

Regarding your client's income, thankfully the Government has stepped in very quickly to guarantee 80% of an employee's income. This will have a massive impact on protecting people's finances.

Don't forget, the 20% the clients are losing each month is gross, so allowing for tax, NI and pension contributions, means at the maximum covered salary of £2500 per month, clients are only down £310 per month. A large portion of that this will be clawed back in savings on travel, lunches, morning coffees etc. Therefore, the reality is that a lot of clients won't be any worse off.

It is still up in the air for self-employed clients, but we are expecting further announcements this week as to the help that will be offered to them specifically.

You need to impress on your clients that it's imperative they **avoid short term lending (payday loans)** at all costs. These may be tempting to cover short term needs, but the damage they will do to their credit file is enormous. It will prevent clients from obtaining finance for at least 12 months – so many clients are unaware of the implications of taking easy money.

The whole situation with Covid-19 has evolved very quickly and we are in unprecedented times. Despite numerous predictions from experts, nobody knows what will happen over the coming months and even years.

#### **Should you really use up any goodwill from your lender now?**

Clients should only ask for a payment holiday when they absolutely need it – certainly not on a whim when they think they can cut outgoings for a couple of months.

#### **So, what should you be talking to your clients about and what other proactive steps can you take?**

- The priority should be saving clients' money in the long-term, not the short.
- Is a product transfer available? Potentially a remortgage?
- What about debt consolidation? A second charge might work?
- Insurance – an absolute must have conversation.

- **Requote** everybody who has existing cover to see if **savings** are available – don't let clients cancel direct debits at a time when they may need insurance cover more than ever.
- But, also chat with clients **who never took insurance** – is the reality of illness, loss of income, even their own mortality becoming ever more real?
- The papers and televised news have given huge coverage to **SSP** in recent days. Clients who had no previous awareness of sick pay certainly do now. Who could survive off £94 per week should the worst happen?
- Revisit the clients without insurance and speak with them again about the **low premiums** that could **protect their families** in the long run.
- We may well see a drop in purchases this year, which could lead to a fall in house prices. Whilst most people will view this as a negative, **investors** may well look to take full advantage of the situation to **increase their portfolio**. This presents the perfect opportunity to speak with every one of your BTL clients to highlight this possibility.
- And, don't forget to revisit every BTL addendum to pick out rate expiries.

Finally, lenders are increasing their rates and tightening criteria left, right and centre – it's imperative you act quickly in the interest of your clients.