

### What is a mortgage holiday?

A mortgage holiday is sometimes called a **mortgage payment holiday** or **mortgage payment break**. It's a simple idea: it's an agreement you make with your banker that lets you stop - or reduce - your monthly mortgage repayments for a fixed period (normally a few months).

### How do I know if I can take a mortgage holiday?

Some traditional mortgages also allow payment holidays, but many will insist that you make overpayments before you are eligible. Other lenders may also offer you reduced if you're struggling for a clear reason (for example, redundancy or ill-health).

**Remember** – each lender has different terms and conditions to their policies, so you need to check with your bank to see what your options are.

Some general rules can be:

- The length of the payment holiday.
- You may need to have made payments on time for a minimum period (it's usually around one year) before you are eligible.
- You may need to be up to date with payments before you are allowed to take a holiday.
- You might not be able to take a holiday if your mortgage as a percentage of the value of your home (this called **loan-to-value**) exceeds the lender's criteria. Again, this varies from lender to lender.

**Remember** - interest will build up during your payment holiday and be added to your mortgage. This means your monthly payments will increase after the holiday has ended

**Top tip** - Always find out what your monthly payments will be after you take a holiday, **before** you take one!

**Remember** - Even if your lender agrees to a mortgage break, your credit report will be affected. This will affect your credit rating, and your ability to borrow in the future.

### **Okay, how do I apply for this?**

**First things first** – Speak to a debt adviser to consider if this is the best option for you, or if there is a good alternative. Your Money Guider can arrange an appointment with a specialist for you.

1 - Check your mortgage terms and conditions to see if you're eligible for a mortgage holiday.

2 - Find out what your monthly payments after a holiday would be: there are online calculators for this, but you might want to confirm these figures when you speak to your bank.

3 - You need to now contact your lender and ask for a payment holiday. Your lender will be able to tell you whether you are eligible for one, and can provide all the necessary forms.

**Remember** – Do not just stop paying your mortgage payments without discussing it with your lender first: it will put you in arrears and make your lender **much** less likely to talk to you.

### **Who do I contact?**

The address and number of your mortgage lender will be on your most recent mortgage statement: alternatively, you can check their website. If your mortgage is with a high street bank, you can also go in and speak to the mortgage adviser in your local branch.

### **What you should say?**

Firstly, you will need to work out what you're going to say. Your lender will be much more helpful if you make it clear that you have at least some kind of plan to stabilise your finances, and you need to put this in writing to them.

As an example, you might be having difficulty making your payments because you've lost your job, but you can say that things will get better soon because

you're going back to work, or perhaps you're going to claim benefits. If you make sure your lender knows what's going on, they'll be more reasonable.

Your letter should be as brief as possible: more than two sides of A4 is probably too much for a first letter. You should also tell them:

- the background to the problem
- the ways a mortgage holiday will help you
- that you previously had a good payment record (if this is true)
- how much longer it will take you to clear the mortgage because of the holiday
- whether there is any equity in the property. If you have equity in your property, this means that it's worth more than what you owe on your mortgage.

### **Can I offer to pay back extra each month?**

You should be sure that you're offering to pay back an amount you can realistically stick to and that it will clear the debt within the period of the mortgage. Budgeting is essential here: include an income and expenditure sheet with your letter to convince them.

You can use our online budgeting tool [here](https://www.citizensadvice.org.uk/debt-and-money/budgeting/budgeting/work-out-your-budget/) at <https://www.citizensadvice.org.uk/debt-and-money/budgeting/budgeting/work-out-your-budget/> to help you work out your budget. This lets you print off a financial statement of your income and expenditure which you can show to your lender.

You could also suggest to your lender that they accept these arrangements for a certain period of time, after which they can review the situation to see how well it has been working.

**Remember** - you should get the help of an experienced debt adviser to help you deal with your mortgage lender.