

# Mortgage Arrears Resolution Process

A Guide for Members Experiencing Financial Difficulties



## **Killarney Credit Union - Members Matter Most**

*At Killarney Credit Union we understand that when lending money to our member's it is probable that the members' financial and personal circumstances are going to change during the term of the loan. The longer the term of the loan the greater the probability of the change in circumstances. While we hope that member's circumstances will always change for the better, we accept that there will be occasions during the term of the loan that some members will experience financial and personal difficulties that affect their ability to meet their loan repayments as expected.*

*If you are worried that you won't be able to meet some or all your next mortgage repayment it is critical that the first thing you do is contact the Arrears Support Unit of Killarney Credit Union to update us on your circumstances and consider the various options that are available to help you through this difficult time.*

*This Booklet outlines the Mortgage Arrears Resolution Process (MARP) that Killarney Credit Union Ltd provides. The booklet outlines the various steps involved and the information we will require from you to understand your current circumstances and decide on the most appropriate course of action. "In the absence of a payment we need communication and Information"*

*Ultimately, we want to help you through this difficult time and find a way to get you back on a repayment plan that will be sustainable for you and see your loan cleared over a reasonable period.*

### **The Mortgage Arrears Resolution Process (MARP)**

*A member's home is their most important asset. When members borrow money to buy a house, it is important to explain to members the importance of maintaining loan repayments as per the agreed schedule. Equally important is for the Credit Union to have a process in place when it is no longer possible to make payments as planned. Killarney Credit Union is required under the Code of Conduct on Mortgage Arrears (CCMA), which is issued by the Central Bank of Ireland to have a MARP in place for its members who experience financial difficulty and are in arrears, or are at risk of going into arrears (Pre-Arrears) on their mortgage with the Credit Union.*

*KCU is committed to assisting members in financial difficulty, weather those difficulties are of a temporary or more permanent nature. Our goal is to get you back on a fair and sustainable payment plan as soon as possible, and to this end your co-operation is necessary. If you don't work with us towards this solution, you are at risk of being deemed non-cooperating, which will ultimately result in you losing the protections afforded under MARP.*

*It is important to note that the CCMA and MARP only apply to mortgage loans that are secured against a members Primary Residence. This means the house which you principally reside in as your "home" or the only residence you own within the state, weather occupied by you or not. Please see [www.centralbank.ie](http://www.centralbank.ie) for further clarification on the CCMA.*

## ***There are 4 Steps to MARP.***

### **Step 1 - Communication**

This is the most important step in MARP. Where a member is not able to meet loan repayments as they fall due, the only other alternative way to co-operate is to communicate with the Credit Union as to the reasons why. The more pro-active a member is in this regard the more successful the outcome of MARP.

If you are concerned at making your next mortgage payment or have already fallen into arrears please contact our Arrears Support Unit (ASU) for help and guidance. You can do so by;

Calling 064 6623720 (Mon – Fri 9:30am to 5:30pm excl. bank holidays)

Email: [asu@killarneycu.ie](mailto:asu@killarneycu.ie)

Please have your account details to hand for ease of reference.

Further details and a copy of this booklet are available to download at [www.killarneycu.ie](http://www.killarneycu.ie)

Once you make contact our ASU will explore the most appropriate solution to your particular case.

Under the CCMA we are required to send letters to all members in arrears, detailing the amount of arrears outstanding and other key information regarding your mortgage. Each correspondence will also reference the MARP and the steps you will need to follow.

If we do contact you it is very important that you respond promptly to any request so that we can deal with the matter efficiently and effectively.

We will endeavour to ensure that our communications are easy to understand, and are not aggressive or intimidating. We will keep communications to the minimum amount required and will ensure that they are proportionate to the prevailing circumstances. In each communication you will be given a clear instruction as to how to proceed and a timeframe within which you should have completed the required action. We will allow sufficient time for you to complete that action before any follow up call is made.

### **Step 2 - Financial Information**

In order to assess your situation the ASU will require an update regarding your current personal and financial circumstances. This is necessary for us to understand how your circumstances may have changed, and whether the change is expected to be temporary or permanent. In order to gather this information we will send you a Standard Financial Statement (SFS). This will allow you to detail your income, expenditure, assets and outstanding debts. The ASU may also require supporting documentation such as Payslips, recent bank statements, or other relevant documentation to support the information given in the SFS.

This step is crucial to finding the most appropriate solution and the more accurate the SFS the better chance of finding a sustainable solution. Should you need assistance in completing the SFS please call the ASU on 064 6623720. We will be happy to assist with any queries you may have.

There is a helpful guide in completing the SFS on [www.centralbank.ie](http://www.centralbank.ie). It is also recommended to seek independent financial advice from the Money Advice and Budgeting Service (MABS) or indeed any independent financial advisor.

### **Step 3 - Assessment.**

Once the ASU has received the SFS and other relevant information we will assess your circumstances and determine whether any of our alternative repayment arrangements are suitable to you. As part of this stage of the process we will consider a number of factors which will include;

- Your current personal circumstances and how they might have changed
- Your overall personal debt
- The information provided in the SFS
- Payment protection policies (if applicable)
- Your current and previous repayment capacity
- Any other case specific relevant information

We may require further information or clarification at this stage and will contact you if this is the case.

### **Step 4 - Resolution**

Once a thorough review has been completed, if possible we will propose the most suitable alternative repayment arrangement (ARA) based on your specific circumstances.

While we can't guarantee that an ARA will be possible in every case, we are committed to explore every avenue possible to find a resolution to your financial difficulty, that is fair and sustainable and will assist you in your financial recovery. The following are a range of ARA's that may be suitable depending on your individual personal circumstances;

*“In the absence of a payment we will need Communication and Information”*

## Alternative Repayment Arrangements

### *Interest only payments*

***An agreement for a specific period to pay interest only on you loan. This is considered suitable for members whose change in circumstances are short term in nature and will be in a position to resume normal payments after that time period***

<b>Advantages:</b> Your payments will be reduced to a level that suits your current level of income with a review after an agreed period.	<b>Disadvantages</b> The current balance on your mortgage will not reduce during the period of interest only payments. As such you will pay a higher level of interest than if the loan was being reduced. When you resume full payments, your monthly payment amount will be increased to a level that will see the loan cleared over the remaining term of the loan
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### **Moratorium**

#### **No repayments will be made for an agreed short term period**

<b>Advantages:</b> Your monthly payments will be suspended so that you can concentrate solely on the issue that has caused the financial hardship.	<b>Disadvantages</b> The current balance on your mortgage together with any accrued interest will be outstanding at the end of the period. A higher level of repayment will be required to clear the balance of the loan over the term remaining on resumption of payments.  You will pay a higher level of interest over the term of the loan
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### **Reduced Payments**

**This is a short term arrangement during which you will make a reduced monthly payment that will pay interest and some element of capital. This is suitable for members who have experiences a temporary loss of income, or who have encountered an unforeseen level of expenditure, and after a period of time their circumstances are expected to return to normal.**

<b>Advantages:</b> Your payments will be reduced to a level that suits your current level of income for an agreed period	<b>Disadvantages</b> The current balance on your mortgage will reduce at a slower rate than normal during this period. As such you will pay a higher level of interest than if the loan was being reduced.  When you resume full payments, your monthly payment amount will be increased to a level that will see the loan cleared over the remaining term of the loan
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### Arrears Capitalisation

**Arrears together with any unpaid interest that exist on your mortgage will be added to the current balance outstanding and repaid over the remaining term of the mortgage. This is a long term solution that may be suitable when a members circumstances have reverted to normal.**

<p><b>Advantages:</b> You won't be required to clear your arrears in a lump sum payment. The arrears clock will effectively be reset to Zero.</p>	<p><b>Disadvantages</b> The balance on your mortgage will be higher than was originally calculated at drawdown date and will remain so for the remainder of the term. As such you will pay a higher level of interest than if the loan was repaid as agreed.</p> <p>Your monthly payment amount will be increased to a level that will see the loan cleared over the remaining term of the loan</p>
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### Term Extension

**The term of the mortgage will be extended. This is also known as a reschedule of the agreement. This is a long term solution which is offered when there is some level of certainty that the members circumstance have stabilised**

<p><b>Advantages:</b> Your monthly payments will be reduced to a level that you can afford. The term of the loan will be extended to a period that will allow you clear capital and interest at this new affordable level of payment.</p>	<p><b>Disadvantages</b> The mortgage will take longer to repay.</p> <p>You will pay a higher level of interest on the loan as the period of credit has been extended</p>
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### Other Resolution Options

Where we are unable to offer one of the alternative repayment arrangement options, the following options may be suitable depending on your individual circumstances and our review of your SFS. These options may be necessary where the change in circumstances are of such a severe nature, that they make a suitable sustainable ARA impossible and/or the nature of the change is permanent.

#### Voluntary Sale

**You agree to sell your property in order to repay the debt outstanding.**

Advantages: The sales proceeds from the property will reduce or clear your mortgage	Disadvantages In the event that the sale proceeds do not clear the mortgage in full, you will be liable to repay the remaining balance over an agreed time period.
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#### Mortgage to Rent

**You sell your property to the local housing authority, remaining in the property as a tenant and paying an agreed rent to the authority. For further information [www.keepingyourhome.ie](http://www.keepingyourhome.ie) .**

Advantages: You remain in your home and your rent is more affordable than the mortgage payments.	Disadvantages You will lose any entitlement to ownership of the property. Any personal investment in the property will be lost.  You pay rent to the housing authority
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#### Voluntary Surrender

**You surrender your property to the Credit Union so that we can sell it and use the proceeds to reduce the balance on your loan.**

Advantages: The sales proceeds will be used by the Credit Union to reduce your loan balance.	Disadvantages In the event that the sale proceeds do not clear the mortgage in full, you will be liable to repay the remaining balance over an agreed time period.
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#### N.B.

It is very important that you review and consider the terms of any alternative repayment arrangement before agreeing to it. We recommend that you would seek independent legal and financial advice before proceeding.

Even if you enter an agreement for an ARA, the process may still impact your Credit rating and thus your ability to borrow in the future.

It is important that you continue to update the Credit Union for changes to your circumstances that may occur during the period of the agreed ARA, as we may have to consider a more appropriate action if your circumstances change.

## Non Co-operation

As previously stated, we at Killarney Credit Union wish to assist our members, especially if they find themselves in financial difficulty. It is therefore very important that you co-operate with all stages of the MARP as outlined in this book. The CCMA has provided guidelines for us to classify members as not cooperating.

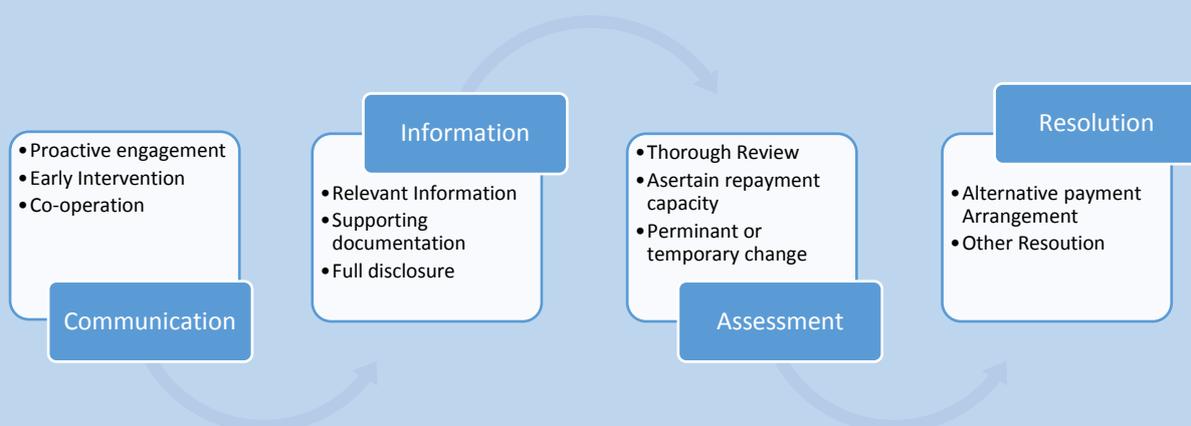
### You will be considered non-cooperating if -

1. You fail to make a full and honest disclosure of information relevant to your current financial situation
2. You fail to provide requested information in the specified period.
3. There has been a 3 month period during which
  - a. You have not entered an ARA and you have failed to meet your mortgage payments in full, or you have met your mortgage payments in full but your account has been in arrear for 3 consecutive months  
or
  - b. You have entered an ARA but have not made repayments as agreed in the ARA  
and
  - c. You have failed to make contact with or responded to any communication from the Credit Union  
or
  - d. You have made contact and responded to our communications but have not engaged in any meaningful way to allow us to complete an assessment of your circumstances

If the circumstances above prevail we will issue a **warning letter** advising you that you are considered non-cooperating, advising you of the implications if you are classified as non-cooperating and giving you a specified period to submit the required information or take the required steps as appropriate.

In the event that you fail to take the required steps within the specified timeframe the ASU will inform you in writing that you have been classified as Not-Cooperating and that you will no longer enjoy the protections afforded you by MARP under the CCMA.

## MARP



“Our goal is to work with you to achieve an appropriate resolution to your financial difficulties”



### **Independent Financial Advisory Services**

The Irish government together with the Central bank of Ireland have brought in a number of laws and regulations to assist people experiencing financial difficulties.

At this time you may have many questions about your specific circumstances. The following are a list of information sources which may be of assistance to you.

### **Central Bank of Ireland**

The Central bank are responsible for regulating the financial services market. The Code of Conduct on Mortgage arrears is an example of such regulation. A full copy of the code is available to download from their Website, [www.centralbank.ie](http://www.centralbank.ie)

The CBI can also be contacted by calling **1890 777 777**

### **Citizens Information Board**

The Citizens information gives information and advice on the broad range of public services available to Irish citizens from the state. These cover rights under being made redundant, social welfare entitlements and other rights as a consumer. They can be contacted on **0761 07 4000** or visit [www.citizensinformation.ie](http://www.citizensinformation.ie)

### **Mabs – Money Advice and Budgeting Service**

Mab's is the state's money advice service. They provide free advice and assistance to people experiencing financial difficulties. They can also provide information on the recent Insolvency legislation and can assist members in preparing Prescribed Financial Statements. They can be contacted at **076 107 2000** or visit [www.mabs.ie](http://www.mabs.ie)

[www.keepingyourhome.ie](http://www.keepingyourhome.ie)

This website is provided jointly by Mabs and the Citizens information board and is a very important source of information for members who have a mortgage and are experiencing financial difficulties, or believe that they will in the near future due to changing circumstances.

### **Department of Social Protection**

Any member who has experienced a change to their personal or financial circumstances should make an appointment to meet with a representative at their local Intro office. To find out where the closest office to you is call **1890 66 22 44** or visit [www.welfare.ie](http://www.welfare.ie)

### **Free Legal Advice Centre (FLAC)**

FLAC provides basic free legal services in the areas of social welfare, credit and debt and public interest law. It is important when considering an Alternative Payment Arrangement, or other alternative solution that members seek independent Legal advice as well as financial advice. FLAC can be contacted on **1890 350250** or visit [www.flac.ie](http://www.flac.ie)

### **National Consumer Agency (NCA)**

The NCA is a statutory body which is charged with protecting the interests of consumers. The NCA is a source of useful information that helps consumers understand their rights when purchasing goods and services and may assist members in managing their money and making more informed consumer decisions. They can be contacted on **1890 432 432** or visit [www.consumerhelp.ie](http://www.consumerhelp.ie)

### **Insolvency Service of Ireland – (ISI)**

The ISI is a state body that is charged with the responsibility for all matters concerning the Personal Insolvency legislation 2012. They are charged with informing borrowers of their rights and informing them of the legal remedies available to borrowers who find themselves in financial difficulty. They also maintain the various Registers for each of the Insolvency Protocols. A register of approved Personal Insolvency Practitioners is also available on their website. They can be contacted on **076 106 4200** or by visiting [www.isi.gov.ie](http://www.isi.gov.ie)

### **Financial Services Ombudsman**

The Financial Services Ombudsman is an independent body which deal with complaints from consumers about their dealings with regulated financial service providers such as Killarney Credit Union Limited. It is a free service and they can be contacted on **1890 88 20 90** or **01 662 0899** or by visiting [www.financialombudsman.ie](http://www.financialombudsman.ie)

### **Office of the Revenue Commissioners**

It may be helpful for members who have experienced a change in their circumstances to contact the revenue commissioners to ensure that they have maximised their entitlement to tax credits. To find relevant numbers visit [www.revenue.ie](http://www.revenue.ie)

**WARNING: YOUR HOME IS AT RISK IF YOU DO NOT KEEP UP PAYMENTS ON A MORTGAGE OR ANY OTHER LOAN SECURED ON IT**

**WARNING: IF YOU DO NOT MEET THE REPAYMENTS ON YOUR CREDIT AGREEMENT, YOUR ACCOUNT WILL GO INTO ARREARS. THIS MAY AFFECT YOUR CREDIT RATING, WHICH MAY LIMIT YOUR ABILITY TO ACCESS CREDIT IN THE FUTURE.**

**If you have an interest only mortgage**

**WARNING; THERE IS NO GUARANTEE THAT THE PROCEEDS OF THE INSURANCE POLICY WILL BE SUFFICIENT TO REPAY THE LOAN IN FULL WHEN IT BECOMES DUE FOR REPAYMENT**

**If you avail of any ARA that results in a term extension**

**WARNING: THIS LOAN MAY TAKE LONGER TO PAY OFF THAN YOUR PREVIOUS LOANS. THIS MEANS YOU PAY MORE THAN IF YOU PAID OVER A SHORTER TERM**

**Your Loan with Killarney Credit Union is a variable rate mortgage**

**WARNING: THE PAYMENT RATES ON THIS LOAN MAY BE ADJUSTED BY THE CREDIT UNION FROM TIME TO TIME.**