

Mortgage stress – self help guide

Hardship arrangement – Australian Financial Complaints Authority (AFCA) settlement checklist

This checklist is a guide to what your agreed hardship arrangement should cover.

- **An agreed repayment arrangement.** Some examples are:
 - repayments of \$ per fortnight/month for 6 months with the term of the loan extended and the arrears added to the loan. After 6 months return to the normal scheduled repayments.
 - return to making the normal scheduled loan repayments of \$ per fortnight/month on (date) with the term of the loan extended and the arrears added to the loan.
 - make no repayments for 4 months and then return to making the normal scheduled loan repayments with the term of the loan extended and the arrears added to the loan.
 - make reduced repayments or no repayments for 5 months, then make higher repayments with the arrears added to the loan with the loan term remaining unchanged.
 - make reduced repayments of \$ per fortnight until the loan is repaid. The term of the loan is extended. (Only for small home loans and the repayments must repay the loan within a reasonable term.)
- **Does the repayment arrangement need to be reviewed?** If you are unemployed or ill then you may not know when you can return to work. In this case you should make it clear that the agreement is for an initial period, and is subject to review and a request for an extension of the arrangement. **Remember:** this will not be able to continue indefinitely.
- **What happens at the end of the reduced repayment arrangement?** You should request that any arrears (the amount you are behind in repayments) be added to the loan and the term of the loan is extended. Lenders often ask for you to:
 - Make higher repayments to repay the arrears over time— make sure to ask how much higher repayments will be!
 - Pay the arrears in full.

WARNING!

Do not agree to this unless you are sure you can do it. Insist that the lender agrees to notify you about what the new higher repayments will be at the end of the reduced repayment arrangement.

- **If you need time to sell your home you will need a reduced repayment arrangement until your home is sold.**
- **Your credit report.** Request that any default listing on your credit report is removed (if a listing has been made). This won't always be possible, but it is always worth asking, particularly if your lender should have known you were experiencing financial hardship when they made the listing.
- **Legal costs and default fees.** If you have requested financial hardship previously and the lender did not respond reasonably, then you should ask for all legal costs and default fees to be refunded back to the date of your request.
- **If a Writ has been issued, ask the lender to discontinue the proceedings.** This means that the lender withdraws the court proceedings.

Acknowledgement

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