

## GORDON BROWN'S PLAN TO ALLEVIATE THE MORTGAGE CRISIS



Britain's plans to coerce lenders to grant mortgage payment holidays to persons who are laid off aren't popular across the board. Some say that the move could increase the financial stress of and "choke off" new home loans.

In November, Gordon Brown announced The Homeowner Mortgage Support Scheme. This will permit households that experience a lay off, or a severe pay cut, to defer paying interest on their loans for up to two years.

The plan is intended to aide homeowners who were made redundant in the recession. It is open to persons with £16,000 in savings or less, and mortgages up to £400,000.

Credit Action, a non-profit organization designed to help persons with their debt, warned that allowing these homeowners two years deferment in paying interest would only slide the problem under the rug. Interest would be much higher at the end of a two year period of none.

If you take a borrower who has a 5% interest rate on a £135,000 mortgage, around £7,000 would end up being added to the cost as a result of a year long payment holiday. Prime Minister Brown's plan calls for a two year payment holiday.

The Council of Mortgage Lenders (CML) states that the plan will only help borrowers who are within 5 months of their payment schedules.

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