



Want to Know how to Increase Your Income by £50,000 Per Annum?

(Part 4 of 12)

The Answer:

Individual Voluntary Arrangements (IVAs) & Debt Management Arrangements (DMAs)

With the Lenders almost unilaterally increasing rates and withdrawing higher LTV adverse mortgages, coupled with the tightening of sub-prime mortgage criteria and the intense scrutiny on applicant's income in particular self certification, it is a fact that mortgage advisers will no longer be able to offer affordable re-mortgage solutions to many adverse credit clients.

The FSA require Mortgage Advisers and IFAs to identify whether or not a re-mortgage or secured second charge loan is appropriate and affordable for clients who are facing mounting problems with meeting monthly payments on secured and unsecured loans and credit cards.

Clearly it is not in the client's best interest to raise capital from equity in their property to consolidate debts if their net income is not sufficient to support this, even if doing so significantly reduces their monthly loan and mortgage repayments.

In assessing the most appropriate solution for a client in debt, Mortgage Advisers and IFAs must also consider whether or not an IVA or DMA may be more appropriate, and whether or not the client's circumstances and their debts qualify for either arrangement.

These are the guidelines for both arrangements:

Individual Voluntary Arrangement (IVA) Adviser Referral Fee £1,000

An IVA may be the most appropriate solution for clients struggling with unsecured debts and has the following benefits:

- Their home will be protected from further action
- They will be able to repay their debt in affordable monthly instalments
- Their creditors will not be able to charge any more interest or other charges
- With approval from their creditors they will be able to write off a proportion of their debts

To be suitable for an IVA your client must fit the following criteria:

- To be accepted for an IVA your client must fit the following criteria:
- Over £15,000 of unsecured debts
- 3 or more creditors
- Be employed/self-employed
- Resident in England or Wales

Debt Management Arrangement (DMA) Adviser Referral Fee average £200

If your clients do not meet the above criteria, but are struggling with unsecured debts a Debt Management Arrangement may be the right solution.

To be suitable for a DMA your client must fit the following criteria:

- Over £3,000 of unsecured debts
- A minimum of 2 creditors

If you refer 1 client a month (6 IVAs and 6 DMAs PA) to **Options4Brokers.com** you will increase your annual income by **£7200 PA**, and you will retain the client for future re-mortgage business either during the arrangement or on conclusion of the arrangement.

Here are some interesting facts

In the first quarter of 2007 there were 11,323 IVA cases and 16,258 Bankruptcies in England and Wales. This is an increase in individual insolvencies of 48% on the same quarter of 2006.

In 2006 there were a total of 44,318 IVA cases and 62,956 Bankruptcies

Source: INSS

There were 125,100 mortgage loans in arrears of 3 months or more in the first half of 2007. Comparing the same period between 2004 and 2007, there has been a 24% increase in loans in arrears of 3 months or more.

Source: CML Research AP1 Mortgage arrears by number of months in arrears

Data monitor estimates that around 4.2 million people of working age in the UK would have been classed as adverse credit mortgage individuals in 2006.

Source: Credit Today 'Unsafe as houses' September 2007

Mortgage possession actions between the first quarter of 2005 and the first quarter of 2007 have risen by 35%

Mortgage possession orders made between the first quarter of 2005 and the first quarter of 2007 have risen 97%

Mortgage possession actions between the first quarter of 2004 and the first quarter of 2007 have risen 84%

Mortgage possession orders made between the first quarter of 2004 and the first quarter of 2007 have risen by 162%

Source: CML Research Table AP3 03/08/2007

The median income in July 2006 for a mortgage borrower has grown by 5.4% to the same period this year.

The median mortgage interest payments as a percentage of income has grown by 16.9% for the same period.

Source: CML Research Table ML4 lending and affordability UK