

‘HOME PURCHASE ASSISTANCE’ LOANS POLICY

Background

Equity loans can be made available to potential buyers, for the purpose of acquiring a home, subject to sufficient funding being available. The loan will only be available to purchase property identified by the Director of Regeneration in support the Council’s strategic objectives of promoting affordable housing and sustainable homeownership.

The loan is calculated as a proportion of the market value of the property. When the property is sold the loan is re-paid out of the proceeds of the sale. The amount repayable is the same proportion of the value of the house when sold.

Home Purchase Assistance Loans are in the form of a Property Appreciation Loan (PAL) and will be managed by ART Homes LTD.

Eligibility

Home Purchase Assistance Loans are available to applicants who cannot reasonably afford to gain access to commercial loans to meet the full cost of homeownership but to whom subsidised homeownership is an affordable alternative. The loan will be aimed at first time buyers but will be available to any potential home buyer.

Eligibility will be determined by an Independent Financial Advisor (IFA) selected from the Local Authorities’ list (access to the IFA is arranged via a Home Ownership Advisory Officer).

The assessment undertaken by the IFA takes account of the criteria listed below:

- Applicant cannot obtain a sufficient commercial mortgage via an IFA at a reasonable rate (i.e. three times their income and no more than 2% above the Bank of England Interest Base Rate)
- A test of resources based on the advice of the IFA

The eligible amount of the loan is up to a maximum of 30% of property value, providing that a 5% deposit is paid against the commercial mortgage.

Loans will only be considered for applicants if the house being purchased is their main residence and only owned property. In the event that the property ceases to be their main residence, the loan amount will be repayable in full subject to discretion where the cessation is due to death.

Loan Conditions

The maximum loan is subject to the rules of the commercial mortgage lender about the amount of security required.

Repayment of the loan must be made after 10 years or upon the sale of the property, whichever is sooner and is subject to other conditions applied by the loan administration provider. It will be possible for the applicant to increase their share of the property during the period of the loan. Known as staircasing, the applicants can choose to make a minimum repayment of 5% up to the total loan amount.

At the time of settlement, the property is re-valued, and the client repays the same percentage as originally borrowed, but of the value at the time of settlement. This is subject to a minimum amount equal to the original value of the loan.

If a loan is still active after 10 years it will be reviewed by ART Homes LTD in relation to the financial circumstances of the owner, their financial means to buy the Council's share and the affordability of this. At the discretion of the Director of Regeneration, loan periods may be extended beyond 10 years and in this event will be reviewed every 3 years.

Approval of a loan application must be made by the Director of Regeneration.

Appeals and complaints regarding Home Purchase Assistance Loans will follow the Council's Corporate Complaints procedure.

Breaches of loan conditions and recovery of the loan will be undertaken by the loan administration service provider, ART Homes LTD.

The loan will be secured as a charge placed against the property purchased and will sit as the second charge behind the commercial mortgage obligations.

Method of Application

Preliminary enquiries are made through one of Wirral Council's Home Ownership Advisory Officers, by telephone, email or in writing. A formal application is by completion of standard application forms, along with supporting evidence.

Advice and Assistance

Verbal and written advice is available from the Council's Homemovers Service on 0151 691 8107 or e-mail privatesectorhousing@wirral.gov.uk