

TONBRIDGE & MALLING BOROUGH COUNCIL

STRATEGIC HOUSING ADVISORY BOARD

19 May 2008

Report of the Director of Health and Housing

Part 1- Public

Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken by the Cabinet Member)

1 HOME BUY

Summary

This report informs Members of changes to the HomeBuy scheme that took place on 1 April 2008. The report also seeks Members' endorsement of the procedure for prioritising applicants for local low cost home ownership opportunities.

1.1 Background

- 1.1.1 Members will be aware that government have introduced a range of low cost home ownership products to help first-time buyers and Keyworkers access the private housing market. The previously available scheme, 'Open Market HomeBuy' (OMHB) has now been withdrawn. This was a low-cost government backed home ownership programme that went live in October 2006. There were two products available, a mortgage combined with equity loans from the Halifax or Nationwide, and a "government equity loan" where the government provided the buyer with 17.5 per cent of the purchase price in the form of an interest free loan. Due to poor take up this scheme has now been revised.

1.2 New Shared Ownership Schemes

- 1.2.1 Since April 2008 there are now two new low cost home ownership products available which replace OMHB and are designed specifically to help local authority and housing association tenants, key workers and others who are not able to afford to buy a suitable home in an area where they live or work without assistance. Both are available throughout England, and have been designed to suit a wide range of personal circumstances.
- 1.2.2 The first scheme is 'MyChoiceHomeBuy', this is part funded by the government and is available from eight housing associations, each of which is an equity loan provider in its own right. For the south east the lender of the equity component of the loan would be Moat Housing Group (the existing Homebuy Agent for Kent). Applicant(s) must earn between them £20 - £60,000 and can borrow between 15

per cent and 50 per cent of the property's price. There is a monthly interest charge on the loan based on up to 1.75 per cent a year, which would then increase by the retail price index plus one per cent each year. The remaining balance can be covered by a conventional mortgage from a range of lenders, and a deposit is not required.

- 1.2.3 The second scheme is 'Ownhome', which is provided by a partnership between Places for People (a registered social landlord) and the Co-operative Bank and is part funded by the government. Places for People are an equity loan provider in their own right. The applicant(s) can earn up to £60,000 and borrow between 20 per cent and 40 per cent of the property price, and there is no need to make any payments on the equity loan for the first five years. After the five years, there is a fixed rate of 1.75 per cent interest on the equity loan each year. After a further five years this will increase to a fixed rate of 3.75 per cent. There is a requirement to obtain a conventional mortgage for the balance (there is a range to choose from) from the Co-operative Bank.
- 1.2.4 For both products, when repaying the equity loans any fluctuation in the property's value, whether up or down would have to be shared with the equity loan provider. To apply for either it is still necessary for applicants to approach Moat (the HomeBuy Agent for the south east) in the first instance to see whether one is eligible for the schemes and to advance the application.
- 1.2.5 Demand for any shared ownership product is naturally related to prevailing market conditions, and the experience of our RSL partners echoes wider national reports that demand is not at the level it has been in recent times, (from first-time buyers in particular). It is important we maintain a close eye on the market both in the planning of new affordable housing and in relation to possible increases in homelessness as a result of mortgage repossessions.

1.3 Low Cost Home Ownership Allocating Procedure

- 1.3.1 The Housing Service plays an active role in prioritising applicants for low cost home ownership products in order to ensure that local people in particular are able to benefit from the available schemes and products. A procedure was agreed with Moat Housing Group to ensure that Council officers are able to influence those put forward for schemes (in the main, ensuring a local connection to the borough). This has worked well over the past 12 months but it is felt Members should formally endorse the procedure, which is attached as **[Annex 1]** HomeBuy Allocation Procedure

1.4 Legal Implications

- 1.4.1 None arising from this report.

1.5 Financial and Value for Money Considerations

- 1.5.1 None arising from this report.

1.6 Risk Assessment

1.6.1 None arising from this report.

1.7 Recommendations

1.7.1 That **CABINET** is requested to **NOTE** the launch of the new low cost home ownership products ; and to

1.7.2 **ENDORSE** the HomeBuy Allocation Procedure.

The Director of Health and Housing confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:
[Annex 1] HomeBuy Allocation Procedure

contact: Lawrence Dey

John Batty
Director of Health and Housing