

# TONBRIDGE & MALLING BOROUGH COUNCIL

## STRATEGIC HOUSING ADVISORY BOARD

6 October 2008

### Report of the Director of Health and Housing

#### Part 1- Public

#### Matters for Information

### 1 GOVERNMENT HOUSING MARKET INITIATIVE PROPOSALS

#### Summary

**At the start of September the Government announced a range of initiatives in response to the slowing of the housing market. The purpose of this report is to inform Members of the key elements of those initiatives, but Members are asked to note that the operational detail for many of these schemes is not available at the time of writing.**

#### 1.1 Changes to Stamp Duty

- 1.1.1 The stamp duty threshold has been raised from £125,000 to £175,000 for the period of 12 months from September 2008. The aim of this initiative is to assist affordability for those looking to purchase properties at the lower end of the market. For example under the new thresholds a property bought for £175,000 will now save the purchaser £1,750 compared to the previous system.
- 1.1.2 The Government estimates that half of all property transactions will now benefit from these new stamp duty thresholds. Estimates from the Council of Mortgage Lenders (CML) suggest that there were just over 289,000 mortgages granted in the first half of this year in the UK and of those 50,000 would have benefited if the new tax regime had applied. Further analysis by the CML reveals that 22,500 of these would have been for first time buyers.

#### 1.2 New "Homebuy Direct" Product

- 1.2.1 A new Homebuy product will be introduced called "Homebuy Direct". Households earning less than £60,000 can be offered up to 30 per cent equity loans for mortgage deposits, free of charge for five years on new properties, co-funded by the state and developers. The aim is to make prospective purchasers more attractive to lenders. The loan will be secured as a second charge on the property, and purchasers will be able to buy a freehold interest or leasehold for flats & will not be tied into a S/O lease.
- 1.2.2 At the end of the five year "free" period, homebuyers will be asked to pay a fee, the details of which are not yet known.

- 1.2.3 The new £300m shared equity scheme is to be offered to 10,000 first time buyers who may be currently frozen out of the mortgage market.
- 1.2.4 The Government's aspiration is that not only will this help first time buyers, but it will also support the wider housing industry by identifying buyers for new homes.
- 1.2.5 The Homebuy Agent for the south east is Moat Housing Group, who have informed the Council that they are awaiting further details on the new Homebuy Direct product from Government. Consequently the new product is not yet available or offered by Moat Housing Group at this time.
- 1.2.6 The Housing Corporation have advised the Council that letters will go out to the Homebuy agents & to equity loan providers inviting expressions of interest to participate in the new scheme.

### 1.3 New Mortgage Rescue Schemes

- 1.3.1 The Government is aiming to support up to 6,000 of the most vulnerable homeowners facing repossession to remain in their home through a £200m mortgage rescue scheme.
- 1.3.2 It has been announced that there will be an extension of powers for councils and housing associations to be able to pay off debt for homeowners who can no longer afford mortgage payments, and then charge rent.
- 1.3.3 The scheme will be firmly targeted on those families who can no longer afford their repayments, and who would be eligible for homelessness assistance. Depending on their specific circumstances, eligible home owners will be offered broadly one of three options:
- i) **Shared ownership:** a registered social landlord buys a share (enabling the purchaser to pay off some of their mortgage) and converts the property to shared ownership by issuing a shared ownership lease.
  - ii) **Shared equity:** a registered social landlord provides an equity loan enabling the householder's mortgage payments to be reduced.
  - iii) **Sale and rent back:** a registered social landlord clears the secured debt completely and the applicant pays rent to the RSL at a level they can afford.
- 1.3.4 The operational details of this scheme have yet to be announced but the Council has been advised by the Housing Corporation that further information on this initiative will be released in December. The Housing Corporation has also explained that it was unfortunate that this announcement was made in advance of the scheme details being finalised, as the media coverage has generated lots of interest. The Council has not been approached by any of its RSL partners who are looking to operate such a system at this time.

## **1.4 Income Support for Mortgage Interest Changes**

- 1.4.1 The Department for Work & Pensions is reforming the Income Support for Mortgage Interest (ISMI) system. At present anyone losing their job will not receive any Government support to pay their mortgage for the first 39 weeks of unemployment, and after that the benefits will only cover the interest on the first £100,000 of the mortgage.
- 1.4.2 From April 2009 the rules will change and ISMI benefit will be paid on the first £175,000 of the mortgage and will cut in after just 13 weeks of unemployment, for new claimants. Any recipient will still need to repay the mortgage for the first 13 weeks of unemployment, and after that ISMI only covers the interest on the mortgage.
- 1.4.3 The Government predicts that this £100 million investment will help prevent a further 10,000 repossessions across the UK.

## **1.5 Increased Social Housing Development Funding**

- 1.5.1 The Government has committed to a long term major increase in the amount of affordable and social housing to both meet demand and cut waiting lists. But with current challenging market conditions, providers are finding it more difficult to deliver their affordable housing schemes. In response the Government has decided to bring forward £400 million for social housing from existing budgets.
- 1.5.2 The initiative is targeted to work with Regional Development Agencies (RDA's) to support the most critical regeneration schemes with the most potential to transform their communities, as market conditions have led to some regeneration schemes slowing down or stalling.
- 1.5.3 The Council is yet to be made aware as to how the extra funding being brought forward by Government will impact development within the borough. Members will note from the accompanying Development Report that the prevailing market conditions are yet to influence the Council's development programme in a major way.
- 1.5.4 The Housing Corporation has explained that the idea is to boost confidence by sending the message that more capital investment is now available, and to encourage more bids for new schemes by RSLs. The Housing Corporation has sent the out message that RSLs with deliverable schemes should use the continuous market engagement process to bid for this extra funding.

## **1.6 Conclusions**

- 1.6.1 The Council welcomes the proposals and hopes that our Preferred RSL Partners will promote and engage in the new initiatives when further operational details are made available. The schemes have the potential to assist local residents who in the current economic climate may be facing difficulties such as losing their homes,

and furthermore help others access the housing market when previously it may have been impossible for them to do so.

- 1.6.2 The initiatives may also support and ensure a minimum level of house building in the current challenging market, therefore permitting some developers to remain on site, as well as attracting further inward investment into the borough as a result of £400 million being brought forward.
- 1.6.3 Naturally it is the Council's intention to continue to ensure that all affordable housing is delivered in a sustainable manner in appropriate locations. It is not the Council's wish to take advantage of any new initiatives only to the detriment for example of a correct tenure balance for any scheme in the borough.
- 1.6.4 The Council will continue to commit itself to the careful monitoring of the demand and uptake of any new affordable housing proposals, and report back the findings to Members.

## **1.7 Legal Implications**

- 1.7.1 None arising from this report.

## **1.8 Financial and Value for Money Considerations**

- 1.8.1 None arising from this report.

## **1.9 Risk Assessment**

- 1.9.1 None arising from this report.

Background papers:

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Nil

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