

## **DEVELOPMENT REPORT**

### **HomeBuy Products and Eligibility Criteria**

1.1.1 The following applies to all the HomeBuy options described in this report:

- You are unable to afford to buy a property that meets your current housing needs without assistance through HomeBuy
- You can show that you are not in mortgage or rent arrears, or in breach of your current tenancy agreement at the time of application
- You are aged over 18 years or over
- You have a bank account
- You do not already own a property that meets your current household's needs.
- You must have enough income to cover your regular monthly expenditure as well as the monthly costs associated with buying or renting a property.

#### **1.1.2 New Build HomeBuy**

1.1.3 This option offers brand new homes from different housing associations for sale on a part buy / part rent basis. Share of between 25% and 75% of the property's market value are available, and a subsidised rent is charged on the remaining share.

1.1.4 Additional shares can be purchased up to 100%, and this is called staircasing. The cost of the additional shares is based on the market value of the property at the time that the shares are purchased. If the share in the property is increased, the rent is re-calculated and reduced proportionately.

1.1.5 Second-hand properties originally sold as New Build HomeBuy are also available from existing owners, and will be sold at the share that the previous owner had stair cased to. The sold share is marketed for sale by the housing association to allow other people in housing need to benefit from low cost home ownership. The property is resold at the market value of the property at the time of resale.

#### **1.1.6 HomeBuy Direct**

1.1.7 This option offers equity loans towards the purchase of a new build home on selected developments. The product is focused at market units from a developer, rather than those provided by housing associations. The purchaser buys a minimum of 70% of the market value of a property. An equity loan of up to 30% is provided to assist the purchase. There are no payments on the loan for the first five years, after which there is a fee of 1.75%, which increases annually in line with inflation.

### 1.1.8 **Rent to HomeBuy**

1.1.9 This option offers new build homes to rent for a pre-defined period of time with the expectation that you will buy a share of the property at the end of the rental period. Homes are available through a range of housing associations on assured shorthold tenancies with an affordable rent of 80% (or less) of market rents. The rent is payable for a pre-defined and limited period, after which time there is an expectation that you will purchase the property on the terms of New Build HomeBuy as described above. The rental period provides you with the opportunity to save for a deposit towards buying a share in the home, enabling you to access mortgage availability.

1.1.10 There will be the opportunity to purchase a share in the property throughout the tenancy. At the end of the rental period, the applicant is assessed to determine their affordability and eligibility to purchase a share in the property. If the tenants circumstances change and they are no longer able to afford to buy, the landlord may review the tenancy.

1.1.11 Some housing associations offer variations of Rent to HomeBuy, such as “Try Before You Buy” or “Rent Save Buy”.

### 1.1.12 **Ownhome**

1.1.13 Ownhome is an equity loan scheme, designed to help people who cannot currently afford to purchase suitable accommodation make their first step onto the property ladder. Ownhome is available throughout England to those who have a household income of less than £60,000, and it allows buyers to borrow up to 100% of the value of a property through an equity loan of between 20 and 40% with Places for People and a conventional mortgage for the remainder with The Co-operative Bank.

1.1.14 The Ownhome loan from Places for People effectively tops up the mortgage from the Co-operative Bank. The loan is interest free for the first five years, after which there is a fixed interest rate of 1.75% per year on the Ownhome loan. From year eleven of the Ownhome loan the interest rises to a fixed rate of 3.75% per year for the remainder of the loan period.

1.1.15 As an equity loan, the value of the Ownhome loan stays at a constant percentage of the property's value. Therefore if the property's value increases the amount to be repaid will rise but, correspondingly, if the property's value falls the loan will decrease. Unlike some affordable home ownership schemes, Ownhome is available on any property that meets the buyers' needs, and does not have to be at a specific development

### 1.1.16 **New Build Shared Equity**

1.1.17 This option offers shared equity loans towards the purchase of a new build home from a private developer, for private sale on the open market. The applicant chooses a suitable property and applies for an equity loan of between 15% and 50% of

the property's market value. There is a low monthly interest charge on the loan of 1.75% per annum, which increases annually in line with inflation.

1.1.18 The balance of the equity loan can be paid at any time during the mortgage term. At the end of the mortgage, the equity loan must be redeemed in full. If the applicant wishes to sell the property, the loan is repaid as a percentage of the market value at the time of sale.

#### 1.1.19 **The First Time Buyers' Initiative**

1.1.20 This option is offered by private developers on selected new homes. The applicant can buy a brand new home with a mortgage for a minimum of 50% of the market value of the property. The government then provides a shared equity loan to help buy up to the full purchase price. There are no interest charges for the first three years. After three years there is a fee of 1%, rising to a maximum of 3% after five years in the property.

1.1.21 Additional shares can be purchased at a later date up to 100%. The cost of these is calculated on the current market value at the time that the additional shares are purchased. If the applicant wishes to sell the property, the equity loan is repaid as a percentage of the market value at the time of sale.

#### 1.1.22 **Social HomeBuy**

1.1.23 This option offers some housing association tenants the opportunity to buy a share in their rented home. Tenants can purchase a minimum initial share of 25% of the home, and the remaining un-owned equity is retained by the landlord, who then charges an affordable rent on the un-owned equity. It is possible to purchase 100% of the property. If an applicant increases their share in the property, the rent is re-calculated and reduced proportionately.

1.1.24 If the applicant wishes to sell the property, the share is marketed for sale through the housing association, to allow further people in housing need to benefit from low cost home ownership. The property is resold at market value at the point of resale. Even if the applicant purchased 100%, any service charges previously paid may still be applicable.

#### 1.1.25 **HOLD**

1.1.26 HOLD is a specially tailored option to assist people with long-term disabilities to purchase a share in a property. It is offered by a small number of housing associations, with limited availability.

#### 1.1.27 **MyChoice HomeBuy**

1.1.28 Currently this option is not available, as all the allocated funding has been spent, due to it being by far the most popular product. At the time of writing it is unclear as to whether this product will be reintroduced in the near future.

1.1.29 Table 2 – HomeBuy Eligibility Criteria

<b>Criteria</b>	<b>New Build HomeBuy / Resales</b>	<b>MyChoiceHomeBuy</b>	<b>First Time Buyers' Initiative / HomeBuy Direct</b>	<b>Rent to HomeBuy</b>	<b>Discounted Rent</b>
Access to savings of:	£3,500	£3,500	£2,500	£0	£0
Minimum income: We can be flexible with your income if you have a large amount of savings or equity.	£12,000	£18,000	£18,000	£12,000	£0
Maximum income:	£60,000	£60,000	£60,000	£60,000	£60,000
Maximum household debt (not including Student Loans Company).	£15,000	£15,000	£15,000	£15,000	£15,000
You must be able to raise a mortgage through a reputable mortgage lender:	Yes, although it is possible to use savings or equity to buy a share.	Yes	Yes	N/A	N/A