



## **MORTGAGE TO RENT POLICY**

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## Section 1 – Principle Aims and Objectives

1. The Home Owners' Support Fund (HOSF) - Mortgage to Rent Scheme (MTR) was introduced by the Scottish Government to assist households who are in financial difficulty and in danger of becoming homeless. The scheme helps by offering households the flexibility to change the tenure of their home from ownership to a tenancy in the social rented sector. It is targeted at lower value homes.
2. The scheme guidance and awareness activities encourage homeowners in difficulty to seek financial advice and explore alternative options.
3. The scheme also seeks to offer an alternative to private 'mortgage rescue' companies who buy homes at less than market value and lease them back to householders on high rents and short assured tenancy agreements with limited security.
4. For Calway Housing Association, the main aims and objectives of the Mortgage to Rent Scheme are:
  - Prevention of homelessness through support for homeowners facing repossession.
  - Delivering flexible tenure options to meet needs of customers.
  - Increasing Calway housing stock
  - Consolidating Calway Ownership in factored blocks
5. Participation in the Mortgage to Rent Scheme is entirely voluntary and does not bind Calway HA to accept any specific property. An expression of interest should indicate (where appropriate) whether:
  - the property was part of your previous housing stock
  - you are a factor for the property (or neighbouring properties)
  - you have any properties in the same street or wider area
  - the homeowner(s) have outstanding debts to the social landlord for rent, factor fees or council tax, etc.

HOSF will consider all expressions of interest and then make a decision on whom to offer the property to in the first instance. This will be the preferred social landlord. Calway HA can decline to purchase any property if, following appraisal, it is felt the risks outweigh the benefits.
6. To be eligible for the scheme:
  - Applicants must have been unable to make full payments of their mortgage for at least three months and have at least one month's arrears.
  - Applicants must have been unable to reach agreement with their lender about repayment of arrears
  - The applicant must have had received independent financial advice from an approved advisor
  - All the owners of the property must agree to participate in the scheme

- Normally the applicant must not own a property elsewhere
- At least one of the owners must have lived in the property for at least 12 months
- The home must be of an acceptable size for the occupants following purchase (not overcrowded and no more than one extra room)
- The applicants must have less than the current allowance in capital (e.g. £2,000 or £4,000 if they are over 60).
- The property must be clear of any legal actions which would prevent it from being sold
- The value of the property must be consistent with the Government's local maximum value for that size of home in that area.

## **Section 2 – Equal Opportunities Statement**

1. Calvary Housing Association is committed to providing fair and equal treatment for all its stakeholders, including tenants, and will not discriminate against any on the grounds of race, colour, ethnic or national origin, gender, sexual orientation, marital status, family circumstances, employment status, disability and mental health. Indeed, we will positively endeavour to achieve fair outcomes for all.
2. We carry out Equality Impact Assessments on our policies and activities to ensure that there are no negative equality and diversity implications. We take appropriate action to address inequalities likely to result or resulting from the implementation of the policy and procedures.
3. Mortgage to Rent benefits a variety of low-income households. The Scottish Government evaluation suggests that elderly people and those with special needs or disabilities may particularly benefit from the scheme. The Government application form captures and monitors ethnicity and other equalities issues.
4. The Government documentation (leaflets; guidance, application forms, web pages) include access to translation, large print, Braille and audio cassette.
5. Where the householder is disabled, the criteria may be relaxed to allow special needs requirements and adaptations to be taken into account.

## **Section 3 – Mortgage to rent process**

### 1. Scottish Government process

**Note that this is a summary of the scheme. Owners should consult the Scottish Government guidance for full details.**

1. A homeowner in arrears contacts an advice agency (such as their local Citizens Advice Bureau) and their lender to discuss their financial situation. If they cannot manage their monthly finances, and their lender is unwilling to consider an

alternative payment schedule, then an application can be submitted to the Scottish Government along with relevant supporting documentation.

2. The Scottish Government verifies Step 1 above and assesses the application against the eligibility criteria
3. If the homeowner is eligible for the Mortgage to Rent Scheme, the Scottish Government will commission a valuation of the property and establish the level of secured debt. If the property falls within the maximum value for the area, the Scottish Government will contact Registered Social Landlords in the area, who take part in the Mortgage to Rent Scheme.
4. The single survey carried out by the scheme surveyors determines the open market value for the property. This is the purchase price that the social landlord will pay. There is no appeal process.
5. The maximum funding that the Scottish Government will make available for eligible repairs to a property is £8,500.
6. The total subsidy payable to Social landlords by the Scottish Government will comprise of the following components:
  - a purchase subsidy (if applicable). An explanation of how to calculate this can be found at Appendix I of the SG Guidance Note
  - repairs subsidy (if applicable)
  - an administration allowance of £900

## 2. Calvay Process

1. If Calvay is offered a property under the Mortgage to Rent Scheme we will have 10 days to assess:
  - Whether the property is in a core stock area or in a regeneration area
  - Whether the area is popular and in demand
  - Whether the area may be subject to a secondary transfer proposal
  - The level of repairs required to bring the property up to Scottish Housing Quality Standards/Calvay investment standards
  - Whether the property can be efficiently and effectively managed
  - Whether the property was purchased under the Right to Buy
  - Whether the property is factored by Calvay or has other management or factoring arrangements
  - Whether the property is or would be in a Calvay minority block
  - The rental value
  - Whether the owner has debts to Calvay Housing Association
2. Each case will be considered on its merits. However, we would usually only agree to proceed with the purchase where:
  - The property is in an area where there is demand for social housing
  - There is a Calvay presence for efficient management purposes
  - The purchase produces a positive net present value
  - Calvay will not be exposed to a debt risk resulting from repair issues

### 3 Rent

1. In line with our Rent and Service Charge Policy, we will set rents and service charges which are affordable, meet management and maintenance costs and provide long-term financial viability for Calvay Housing Association.
2. The rent for the property will be based on the rents of Calvay property of a similar size and type. Where there is no comparator, the rent will be set on the closest 'match'.
3. Under the current Calvay rent structure, there will be a range of rents for each size and type of property.

### 4. Tenancy Terms

1. The tenancy will commence on the same date that the purchase is concluded.
2. Normally, we will offer a Scottish Secure Tenancy (SST). However, where there is a record of anti-social behaviour, we may offer a Short Scottish Secure Tenancy with appropriate support.
3. A Short Scottish Secure Tenancy will be considered where either or both conditions below are satisfied:
  - The prospective tenant has been evicted from a tenancy in the UK for anti-social behaviour during the preceding three years
  - The prospective tenant or any member of the household is the subject of an ASBO

### 5. Tenancy Counselling

1. In line with the Arrears and Debt Management Policy, we will provide pre-tenancy advice including the rent and service charges, the tenants' responsibility to pay rent, when and where rent payments can be made and eligibility for Housing Benefit and the importance of submitting a claim form.
2. Where the prospective tenants have debts owing to Calvay Housing Association (for example former tenant arrears, or factoring arrears), an arrangement to repay the debt should be agreed at the earliest opportunity available. If debts are still outstanding at the date of the commencement of the tenancy, the arrangement to pay should be reconfirmed.

### 6. Repairs and Maintenance

1. Once the property has been purchased, the Association will draw up a plan for carrying out any repair and investment work to bring the property up to the Scottish Housing Quality Standard.

## **Section 4 – Policy Review**

1. Calvay will review the Mortgage to Rent policy three years after the date of formal approval, or earlier if required due to legislative change.