



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. Calvay Housing Association is committed to promoting an environment of respect, understanding, embracing diversity and eliminating discrimination by providing equality of opportunity for all and will not discriminate against any on the grounds of Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy & Maternity, Race, Religion or Belief, Sex, and Sexual Orientation. 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: Confidentiality and Data Protection

1. The Association will ensure that we meet the requirements of the General Data Protection Regulations 2018. All information provided by customers in relation to this policy will be treated with the strictest of confidence and will not be disclosed to any third party without the express permission of the person concerned.
2. Under the Data Protection and Access to Information legislation, customers have the right to request access to information pertaining to them which is held by the

Association. Requests for such access will be processed in line with the Association's relevant policy and procedures.

Section 4 – 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 (Anti-social Behaviour Order)

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 due in advance as per the Tenancy Agreement and whether any welfare benefit restrictions may apply for the type or size of property offered. We will advise of the tenants' responsibility to pay rent, when and where rent payments can be made and all possible consequences of not paying, including the possibility of court action, court expenses and recovery procedures. This includes those who

may be eligible for HB/UC being fully aware of their responsibility to apply for these benefits, ensure full payment is in place and that any shortfalls in entitlement are addressed by them directly.

2. Where the prospective tenants have debts owing to Calway 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 5 – Policy Review

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

**HOME OWNERS SUPPORT FUND GUIDANCE
NOTE****The Scottish
Government****To: Social Landlords****Subject: Home Owner Support Fund
Guidance for Social Landlords****Ref No: HOSFGN/005
2016****Issued by: Scottish Government:
Better Homes Division****Page: 1 of 6****Issued: April 2016****Home Owners Support Fund – Mortgage to Rent Scheme****HOSFGN/005: Guidance for Social Landlords**

This guidance note sets out the operating arrangements for The Home Owners Support Fund (HOSF) Mortgage to Rent Scheme. It is intended to assist Social Landlords (local authorities and Registered Social Landlords) participating or considering participation in the Mortgage to Rent (MTR) scheme.

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1. Introduction

Landlord participation in MTR is **entirely voluntary** and participating social landlords are not obliged to take on any specific property.

2. Signing up to the HOSF scheme

The Scottish Government Homeowners Support Fund (HOSF) will write to all Social Landlords across Scotland to invite them to participate in the Mortgage to Rent scheme for the upcoming financial year.

Social Landlords who are interested in participating in the scheme, should respond to this letter (by completing the enclosed pro-forma) by 2 May 2016. This will ensure that social landlords details are added to the HOSF database and ensure we understand which areas and property types you wish to target.

Social landlords are free to join or leave the scheme at any time. They can also amend the postcode area of interest or any other details when necessary by writing to the HOSF Programme Manager at the address at the end of this guidance note.

Invitations for the financial year 2016/17 will be issued around 15 April 2016, with replies to be received by 2 May 2016.

3. Referral of Properties

HOSF team will send details of the property address to all participating Social Landlords in that area. Social landlords should then respond with either an expression of interest or refusal **within 2 working days**.

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**.

If a landlord who previously owned the property has an expression of interest, they will always be the preferred social landlord and will be offered the property in the first instance.

In the majority of cases, all interested parties will be notified of the decision within 5 working days of making initial contact with the social landlords.

Once an offer has been made if, for any reason, the preferred social landlord withdraws their interest in the property, HOSF will revert to other parties who initially expressed an interest.

Please note that participating social landlords will only receive referrals for properties in areas that they have previously identified as being interested in.

4. Calculating the purchase price

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 appeals process.

5. Inspection of properties

The preferred social landlord will receive :

- the contact details of the present owner
- a copy of the single survey carried out by the scheme surveyor
- a copy of the repairs pro forma

The landlord should then arrange directly with the homeowner to inspect the property to :

- Assess the condition (including the commissioning of gas and electrical safety checks)

The preferred landlord should aim to carry out the necessary inspection and forward the results within 10 working days of being allocated the property. Where this is not possible Social Landlords should notify HOSF of the delay.

If access has not been granted by the homeowner (e.g. cancelling appointments, not responding to phone calls, etc.) HOSF can intervene on the landlord's behalf.

On completion of the inspection, the HOSF Mortgage to Rent repairs pro forma should be returned which will be used to calculate any repairs subsidy.

6. Funding Repairs

The maximum funding that the Scottish Government will make available for Scottish Housing Quality Standard repairs to a property for applications received in 2016/17 is £8,500.

This includes the cost of repairs required to bring the property up to SHQS standards as detailed in the single survey.

The only additional repairs that the Scottish Government will fund are those identified as a result of the gas and electrical safety checks carried out by the social landlord, as well as the cost of an asbestos survey. We will accept the social landlords costs for any work arising as a result of these safety checks.

Repairs in excess of £8,500 will need to be funded from one of the following sources. In order:

- equity to be returned to the homeowner following the sale of the property
- equity to be returned to the Trustee
- the social landlord purchasing the property
- a shortfall agreement with a homeowners lender
- a third party, such as a family member of the applicant

In exceptional circumstances, in cases where HOSF will receive equity from the sale of the property, we may allow this to be used to pay for additional allowable repairs costs but only after all other avenues have been explored and ruled out.

7. **Subsidies**

When the results of the repairs survey have been submitted by the landlord, HOSF will provide the prospective landlord with a breakdown of the anticipated subsidy (based on available figures). This subsidy will be paid to the social landlord ahead of the purchase but must be repaid to the Scottish Government if the property purchase transaction fails to complete.

The total subsidy payable to Social Landlords 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 this guidance note**;*
- Repairs subsidy (if applicable)
- An administration allowance of £900

Social Landlords should confirm within 3 working days if they are, in principle, content to proceed with the purchase of the property on the basis of the total subsidy offered in each case.

8. Conveyancing

Once the HOSF team has received confirmation that the Social Landlord is content with the subsidy figures, a formal offer letter will be issued to all relevant parties, an acceptance of the terms of the offer letter should be returned within **10 working days**.

Factoring fees and/or council tax arrears will be addressed before offer letters are issued and, where possible, will be paid from any remaining equity

Upon receipt of the signed offer letters, the case will be passed to the scheme lawyers for conveyancing. It is anticipated that this will take approximately 5 weeks.

9. Change of tenure

The tenancy agreement must begin on the same date the sale of the property completes.

10. Tenancy conditions

The landlord will let properties on Scottish Secure Tenancy terms after purchase. Where the landlord is unable to offer a Scottish Secure Tenancy equivalent terms must be offered.

11. Further Information

Should you require any further information on this guidance note, this can be done in either writing to

The Programme Manager
Home Owners Support Fund
5 Atlantic Quay
150 Broomielaw
Glasgow
G2 8LU

by emailing: hosf@gov.scot

by telephone: 0300 244 1093

Scottish Government
April 2016

APPENDIX I: CALCULATING SUBSIDIES PAYABLE

Mortgage to Rent Calculations

Funding calculation for the purchasing landlord

1. The purchase price is the Open Market Value identified in the Single Survey.
2. The total grant approved will be the purchase subsidy plus:
 - the cost of repairs required to bring the property up to the Scottish Housing Quality Standard, (plus the cost of repairs required as a result of gas and electrical checks) and the cost of asbestos checks where necessary, up to a maximum of £8500; plus
 - an administration allowance of £900
3. **Note** - The purchase subsidy will be the purchase price less the assumed private finance. The purchase subsidy will be capped at 60% of the purchase price. The purchase price is the market value of the property identified in the Single Survey.
4. The assumed private finance (capitalised net rent – capitalised operating costs) will be calculated by the Scottish Government based on previous Housing Association Grant (HAG) guidance for registered social landlords as follows:

Step one

The average apartment rental charges within each local area, published by the Scottish Housing Regulator, less 1 per cent for voids will give the net rent for the property.

Step two

Assume standard operating costs for management and maintenance repairs. These are currently set out in HSIDGN 2016 and are updated regularly. It is the allowances for rehabilitation that are used for management and maintenance allowances and rental 'off the shelf' for major repairs in this calculation. The assumed management costs will vary depending on the number of properties the landlord owns. Major repairs allowance is 0.72% of the purchase price if the property is over 10 years old (up to a maximum of £677); and 0.64% of the purchase price if the value is less than 10 years old (up to a maximum of £603).

Step three

To calculate the assumed private finance:

- multiply the net rent (from Step one) by 17.5689. This multiplier is published in HSIDGN 2016 and is reviewed annually normally. This gives the capitalised net rent;
- multiply the total operating costs from Step two (management, maintenance and major repairs) by 17.5689. This multiplier is also published in HSIDGN 2016 and is reviewed annually normally. This gives capitalised operating costs; and
- deduct the capital net rent figure from capitalised operating costs figure to determine the assumed private finance.
- The purchase subsidy will then be calculated by deducting the assumed private finance from the purchase price. The purchase subsidy will be capped at 60% of the purchase price.

Note – The total grant approved will be the purchase subsidy plus:

- the cost of repairs required to bring the property up to the Scottish Housing Quality Standard, (plus the cost of repairs required as a result of gas and electrical checks) and the cost of asbestos checks where necessary, up to a maximum of £8500; plus
- an administration allowance of £900.

5. The grant is the actual amount that the Scottish Government will pay. The assumed rents, operating costs and private finance assumptions are all notional figures. The Scottish Government expects landlords to charge affordable social rents, to meet the performance standards set by the Scottish Housing Regulator, and to maintain the property to the Scottish Housing Quality Standard. Within these parameters, social landlords are free to determine actual rents, operating costs and financing arrangements.

Worked example

1 Approved Costs

OMV	£90,000.00
Purchase Price	£90,000.00
Administration Costs	£900.00
Total Approved Costs	£90,900.00

2 Private Finance

Apt Size	66.95
Apt size property rent	£3,481.40
less 1% voids	£34.81
Net Rent	£3,446.59

3 Operating Costs

Landlord Units	20000
Management	£333.00
Maintenance	£970.00
Major Repairs (p.p. x 0.9%) x 80% (Capped at £657)	£648.00
Operating Costs	£1,918.00

4 Assumed Private Finance

Assumed Private Finance	£3,446.59
Net Rent x 17.5689	£60,552.80
Operating Costs x 17.5689	£34,276.92
Assumed Private Finance total	£26,275.88

5 Grant Payable

Purchase Subsidy (capped at 60% of purchase price)	£54,000.00
Repairs (capped at £8,500)	£8,500.00
	£900.00
Total Subsidy	£63,400.00