

Are you in danger of losing your home?

Information Booklet

Mortgage to Rent
Mortgage to Shared Equity



Home Owners' Support Fund

Scotland's Mortgage Rescue Schemes

If you own your home and are in danger of having it repossessed as a result of financial difficulties, we may be able to help you.

The Scottish Government operates two schemes, as part of the Home Owners' Support Fund, to help owners who are experiencing difficulty in paying any loans that are secured against their property – the Mortgage to Rent scheme and the Mortgage to Shared Equity scheme.

Under the Mortgage to Rent scheme we can arrange for a social landlord such as a housing association or local authority to buy your home and for you to continue to live there as a tenant.

The Mortgage to Shared Equity scheme involves the Scottish Government taking up to a 30% financial stake in your home. You will still own your home and continue to have responsibility for maintaining and insuring it.

But you will be able to reduce the amount you have to pay to your lender every month.

How do I know if one of these schemes is for me?

If you are experiencing difficulty in paying any loans that are secured against your home you should tell your lender(s) immediately.

You may be able to come to an arrangement with them. If not, you should seek independent advice. There are a range of organisations that can provide you with free impartial advice.

To be considered for the Home Owners' Support Fund schemes you must have:

- failed to reach agreement with your lender(s) on how to manage your arrears or have had a trustee appointed to your estate and your trustee is looking to force the sale of your property; and
- obtained independent advice about your financial situation from a Citizens Advice Bureau, Money Advice outlet or local authority money advice centre.

In addition:

- The value of your home must be no more than the maximum levels we have set depending on the size and location of your home. Your independent adviser will be able to provide you with up-to-date information on these values. The information is also available on the Scottish Government's website at www.scotland.gov.uk/hosf.

If you have a particular housing need as a result of a disability, we will consider this, and may be able to waive the maximum threshold levels. You will be asked to provide evidence to support this.

- You must have been unable to make full payments on a loan secured against your home for at least three months and have cumulative arrears of at least one month. If you have had a trustee appointed to your estate this condition regarding arrears does not apply.
- You must be ineligible for help through other UK Government support schemes such as Income Support for Mortgage Interest and Homeowners Mortgage Support. If however, assistance from these schemes does not remove the threat of repossession, we may consider your application.
- You must not normally own a home elsewhere. However, in exceptional circumstances, we will consider your case.

- You must have lived in your home for the last 12 months.
- You must not hold capital in excess of £2,000 if you are under 60 years of age or £4,000 if you are 60 years or older. We explain what we mean by 'capital' later on.

To be eligible specifically for the Mortgage to Shared Equity scheme you must also:

- Hold 20% or more equity in your home;
- Not have had a trustee appointed to your estate;
- Have a capital and interest repayment mortgage, and;
- Own a property that is above the Tolerable Standard. This is the minimum standard a property should meet to be fit to live in.
- Where a Notice of Potential Liability exists, these applications will be considered on a case-by-case basis.

Applications for the Mortgage to Rent and Mortgage to Shared Equity schemes are considered in the order they are received.

However, it is possible that in some circumstances there may not be funding available to meet the demands of the schemes. If this is the case, the Scottish Government will agree a process for prioritising applications and will publish it on its website.

What do we mean by 'capital'?

To calculate the amount of capital you have when you apply we include:

- Savings including cash, Premium Bonds, stocks and shares, unit trusts, bank and building society accounts, and fixed term investments.
- The surrender value of any life assurance or endowment policies that are not linked to your mortgage, unless the reason for your financial difficulty is ill-health, the policy holder is terminally ill and the policy is providing life cover.
- Equity in any other property you own.
- Redundancy payments.
- Pension lump sum payments.

How do I apply to the Home Owners' Support Fund?

Having met with your independent adviser you need to complete an application form. It is important that you complete the form in full and provide us with all the supporting information we ask for.

If we don't receive this we won't be able to consider your application and we will return it to you or your adviser requesting further information. This means it will take longer for us to let you know whether you are eligible. And this may put you at greater risk of losing your home.

Remember, we can't consider your application if you haven't taken independent advice from an Independent Money Adviser.

If you are not sure about any of the questions or the information we require, or need assistance completing the form, your independent adviser may be able to help.

Alternatively, you can call us on 0300 244 1093 or email us at hosf@gov.scot and we will be happy to help you.

Please note, we cannot provide you with guidance on whether one of the schemes is the right course of action for you, nor can we provide you with any legal or financial advice.

How will you deal with my application?

When we receive your completed application form and all the supporting information we require, we will undertake an initial assessment of whether or not you are eligible for further consideration. This might involve arranging a survey of your home to obtain a valuation and to identify whether any repairs are required. If we consider you to be ineligible, we will write to let you know explaining our reasons.

If we consider you to be eligible we will decide whether to progress your application under the Mortgage to Shared Equity scheme or the Mortgage to Rent scheme.

If we are considering your application under the Mortgage to Rent scheme we will ask the council or housing association who may become your landlord to visit your home and undertake gas and electrical checks and conduct a further survey of your property.

If we are considering your application under the Mortgage to Shared Equity scheme, we will let you know and you should arrange for your independent adviser to assess how much you could afford to pay towards your secured loan(s). This will allow us to calculate how much equity the Scottish Government needs to take in your property (up to 30% of the value of the property) to allow you to remain a home owner. If for any reason we decide that the Mortgage to Shared Equity scheme is not for you, you will automatically be considered under the Mortgage to Rent scheme.

Once we have assessed that you are definitely eligible to participate in one of the schemes we will write to you explaining the terms.

In the case of the Mortgage to Rent scheme you will be allowed to keep up to £11,360 if you are under 60 years old and up to £17,040 if you are 60 or over, after any secured lenders or others with an interest in your home have been repaid. Any money above these amounts will be put towards funding the scheme.

Where the home owner receives their full equity allowance and the Scottish Government are due to receive equity from the sale, applicants are expected to consider with their money adviser if the Mortgage to Rent scheme is appropriate and if other options exist, before completing the case. In the case of the Mortgage to Shared Equity scheme, we advise you of the amount of equity that the Scottish Government is prepared to take in your home.

Example of a Mortgage to Rent application

Jim and Kate are both 55 years old and jointly own their three apartment home, which they have lived in for two years.

They have been unable to make any payments on their mortgage for three months, and have been unable to reach agreement with their lender on how to manage their arrears and cumulative arrears of one month's payment.

They have received independent advice about their financial situation from their local Money Advice outlet and are not eligible for any UK Government support scheme.

The open market value of their property is £68,000, which is within the published maximum price ceiling for their area.

They had no capital when they applied to the Scottish Government's Home Owners' Support Fund.

Their secured debts are £50,000 (mortgage) and £5,000 (second loan) respectively, which means they have less than 20% equity in their property.

£4,000 worth of repairs have been identified as being necessary to the property, which are to be funded by the Scottish Government.

The price that Jim and Kate will receive for their home is £68,000, which means that their secured debts will be repaid in full following the sale.

Jim and Kate will receive £11,360 (as they are under 60). They will become tenants of the local housing association to which they will pay a monthly rent.

The balance of £1,640 will be returned to the Scottish Government to fund the scheme.

Example of a Mortgage to Shared Equity application

Jack is 35 years of age and bought his three apartment flat five years ago. It is now worth £120,000.

Jack has recently suffered a significant loss of income and has been unable to make full payments to his mortgage lender for three months. He now has an outstanding mortgage (including more than one month's arrears) of £80,000.

He has been unable to reach agreement with his lender on how to manage the arrears and does not hold any capital.

Following a detailed assessment of his income and expenditure commitments, Jack's money adviser concludes that Jack would be able to maintain a mortgage of £60,000. He submits an application to the Scottish Government's Home Owners' Support Fund.

The Home Owners' Support Fund carries out an assessment of Jack's application and confirms that he is eligible for the Mortgage to Shared Equity scheme. The letter asks Jack to contact his lender for their agreement to the proposal he wishes to submit to Home Owners' Support Fund and to instruct a solicitor to act of his behalf.

Jack discusses the Home Owners' Support Fund's letter with his Solicitor and decides that he would like to proceed with his application. As soon as Jack's mortgage lender confirms they are agreeable to reducing his mortgage, Jack formally confirms to the Scottish Government that he wishes to continue with his application.

The Scottish Government's solicitor sends Jack's solicitor the standard legal documentation so that Jack can be fully advised on its terms. The Scottish Government's solicitor also checks the titles to Jack's property, which are in order. Jack confirms that he is happy to proceed and the legal documentation is prepared and signed.

Jack pays his solicitor for legal fees associated with selling his property and the Scottish Government pays Jack's mortgage lender £20,000 so that his mortgage can be reduced from £80,000 to £60,000.

The Scottish Government then holds an equity stake of around 17% in the value of Jack's flat.

Frequently Asked Questions – Mortgage to Rent

How will my home be valued if I am eligible?

Your home will be valued at its current market value as assessed by a professional surveyor we appoint. The values arrived at by the surveyor are not negotiable and there is no appeal process.

How will you decide what repairs are required to my home?

These will be based on the Scottish Housing Quality Standard and on any work identified as a result of gas and electrical checks that the landlord carries out. The Scottish Housing Quality Standard is a national standard that councils and housing associations are working to meet for their properties.

Details of the Standard can be found at www.gov.scot. If the cost of repairs is estimated to be more than £8,500, your application will be withdrawn unless funding for the excess repairs costs can be found.

This could be you (from any equity to be returned to you), your prospective landlord, your lender or someone else with an interest in your home.

How much will my house be bought for?

The price that will be paid for your property is the Open Market Value identified through the Single Survey of your property. This figure is updated every three months throughout as your case progresses to ensure that you achieve the most up-to-date value for your home.

What happens to the money from the sale?

The money must first be used to repay all of the loans secured against your home (plus the cost of lifting any inhibitions and, where appropriate, discharging any trustee). If you are aged between 16 and 59 you can keep up to £11,360 of any capital left over after these debts have been repaid and any excess repairs have been funded. Anything above that amount must be returned to the Scottish Government. If you are aged 60 or over, the same rules apply but you will be allowed to keep up to £17,040.

Can I apply if I bought my home under the Scottish Government's funded shared ownership or shared equity schemes?

If you meet the criteria and have bought a shared ownership or shared equity house, we will consider you for the Mortgage to Rent scheme but not for the Mortgage to Shared Equity scheme.

Will I have security of tenure when I become a tenant?

Your new landlord will normally provide you with a Scottish Secure Tenancy. They will explain your rights and responsibilities as a tenant and you will be required to enter into a tenancy agreement with them on the day your property is sold.

How much rent will I be charged?

You will be charged the same rent as your landlord charges other tenants for similar types of property in similar locations. You should discuss this (and potentially any benefit entitlements) with your landlord before agreeing to sell your home.

Do I have a choice of landlord?

No. We will try to identify a social landlord that is participating in the scheme and owns houses in the area. Sometimes this may not be possible. We may have to approach more than one landlord before we can find one who is prepared to buy your home.

Will I have the Right to Buy my house back in the future?

No. The Housing (Scotland) Act 2010 introduced restrictions to the purchase under Right to Buy (RTB) of new supply social housing and by new tenants. After 1st March 2011 new tenants or tenants returning to the social rented sector after a break will not be able to purchase their home under RTB. A house sold to a social landlord on or after 1st March 2011 will become a new supply social house and will therefore not be available for future purchase under RTB. You will also become a new tenant of the social rented sector and will therefore have no RTB over that house or any other social house which you move to in future. Owners must be informed of the effect of selling their home to a social landlord on their future RTB by that social landlord at least seven days before conclusion of the missives for sale.

Frequently Asked Questions – Mortgage to Shared Equity

What level of equity will the Scottish Government take in my home if I am eligible?

We will use a detailed assessment of your income and expenditure commitments to work out the minimum level of equity that the Scottish Government needs to take in your property in order to reduce your debt to a manageable level (up to a maximum of 30% of the value of your property). You are required to meet any costs you incur such as legal fees or charges imposed by lenders.

What responsibilities does a shared equity owner have?

You will have responsibility for all maintenance, insurance and repair costs, as well as making your mortgage payments and paying tax to your local authority. You will be responsible for keeping your home in a good state of repair. If your home has shared and common parts (for instance a flat), you will be responsible for paying any common maintenance or service charges.

Do I pay any rent?

No. The Scottish Government will take an equity stake in the property but will not charge you any rent.

What happens if I want to sell my home in the future?

You can sell your home at any time with vacant possession on the open market. The sale price you receive will be split between the Scottish Government and you, based on the level of equity each holds. For instance, if the Scottish Government held 30 per cent equity in your home and you sold it for £130,000, your share from the sale would be £91,000.

Can I purchase more equity in my home over time?

Yes. After two years you can buy as much additional equity as you can afford as often as you like. And if your financial position improves and you can afford it, we normally expect you to re-purchase all the Scottish Government's stake in your property within 10 years. However, if you are not able to re-purchase your stake back, the

Scottish Government would receive their monies if the property is sold.

What else do I need to know about this scheme?

Your independent money adviser will have more information on the financial requirements of the Mortgage to Shared Equity scheme.

You will also require to take legal advice before committing yourself to the scheme. You should ensure that your solicitor advises you on the terms of all documentation and that you are satisfied with those terms before agreeing to enter into any legal commitments.

The shared equity arrangements will include the granting of a mortgage (or 'standard security' as it is known in Scotland) to secure the rights of the Scottish Government.

YOU SHOULD CHECK THAT THIS SCHEME WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR IF YOU WANT YOUR FAMILY TO INHERIT IT.

Contacts

You must obtain independent advice about your financial situation before applying to take part in the Mortgage to Rent or Mortgage to Shared Equity schemes. We can't consider your application unless you have taken advice from an approved Money Adviser such as a Citizens Advice Bureau, Money Advice outlet or local authority money advice centre.

Contact details can be obtained from:

Citizens Advice Scotland

Citizens Advice Scotland will give you the nearest contact name and telephone number of a Citizens Advice Bureau in your area. All bureaux provide free, confidential and independent advice.

t 0131 550 1000
w www.cas.org.uk

Money Advice Scotland

Money Advice Scotland will give you the nearest contact name and telephone number of a Money Advice outlet.

t 0141 572 0237
w www.moneyadvicescotland.org.uk

Local authority money advice centres
Many local authorities offer money advice services.

You will find details in the telephone directory, online or by contacting your local council.

A full list of advice agencies can be found at www.gov.scot/hosf