

HOME OWNERS SUPPORT FUND GUIDANCE



The Scottish
Government

To: Money Advisers

**Subject: Home Owner Support Fund:
Guidance for Mortgage to
Shared Equity**

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Better Homes Division**

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These guidance notes are intended to assist money advisers acting on behalf of applicants to the Home Owners Support Fund

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Home Owners Support Fund: Definition

Mortgage to Shared Equity allows householders to retain ownership of their home by selling a part share to the Scottish Ministers, therefore reducing the secured debt to a manageable level.

Initial Assessment

All applicants must comply with the Mortgage to Rent eligibility criteria which are listed on the application form. In addition:

- There should be no inhibitions on the property
- The property should not be below the tolerable standard
- Applicants must have more than 20% equity available
- Applicants should not have an interest only secured loan
- Applicants should not normally have a Notice of Potential Liability (reviewed on a case by case basis) -
- Applicants should not have a Trustee

Initial Assessment Key Considerations

- Does the applicant have sufficient income to cover a reduced mortgage payment. Money adviser should review by completing an income and expenditure schedule.
- Will all lenders agree to the Scottish Government taking a stake in the property and sign up to a revised ranking agreement?
- Applicant's age vs. their mortgage term/secured debt remaining. Scottish Government's aim is to lessen the debt not clear the debt.
- Building consents will be required if alterations have been made to the property
- Evidence provided that non-secured debts being managed?
- Scottish Government maximum equity stake is 30%

Income and Expenditure Schedule

The Income and Expenditure schedule should exclude secured loan payments.

Income & Expenditure key considerations:

- Stability of income- e.g. a) is income mainly benefits based b) will this be long-term award ?
- Realistic expenditure for family composition
- Solicitors fees- how will these be paid for? Has the applicant agreed a payment plan with a Solicitor?
- Non-secured debt- what are the contractual payments?

Completing the shared equity form (Annex A)

Prior to completing the Shared Equity form the applicant must have contacted a solicitor to discuss conveyancing fees and how the fees will be met. Please see below breakdown of the Shared Equity form-

Question 1- Provide the details of the applicants conveyancing solicitor

Question 2- Contact their lenders for details of outstanding balance, term and interest rate etc

Question 3- Attach monthly Income &Expenditure (I & E) for all owners of the property

Question 4- Set out their proposal for the percentage stake they wish the Scottish Government to take in the property (up to a maximum of 30% of the property valuation), what secured debts they intend these funds to be used for.

The proposed stake is calculated by –

- Calculating the new proposed secured loan payment from I &E. The income remaining should be the new mortgage payment
- Obtaining the current mortgage term and interest rate
- Asking lender to calculate how much the new proposed payment would be over the current term and interest rate

EXAMPLE

Value of property	£100,000
Proposed mortgage payment	£ 237
Mortgage term remaining	17 yrs
Interest rate	2.19%
Amount left on mortgage	£ 51,979

Once you have the above details you would then;

- Provide lender with the proposed payment of £237 over a 17 yr term with a 2.19 % Interest rate. The lender would calculate this to equate to £40,826.
- Ask the government to pay difference of £11,153 (£51,979 - £40,826), which is 11.98% stake of the property valuation.

Question 5 - Do all lenders agree to your proposal?

Offer letters

If your proposal is agreed, offer letters will be issued confirming the Government's stake. On return of the signed offer letter the case will be passed to our solicitors to complete the conveyancing process.

Our lawyers only represent the Scottish Government's interests in Shared Equity cases. Our lawyers cannot become involved in with negotiations with third parties. If the applicant has concerns during the process or wishes updates they should contact their own conveyancing Solicitor.