

## HOME OWNERS SUPPORT FUND GUIDANCE



The Scottish  
Government

**To: Trustees**

**Subject: Home Owner Support Fund: Ref No: HOSFGN/004  
Guidance for Trustees 2016**

**Issued by: Scottish Government: Page: 1 of 6  
Better Homes Division**

**Issued: May 2016**

This guidance note is intended to assist Trustees acting on behalf of applicants to the Home Owners Support Fund (HOSF).

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## 1. **Home Owners Support Fund Definitions**

There are two schemes within the Scottish Government's Home Owner Support Fund. These are:

**Mortgage to Rent** – which enables debtors to remain in their home by selling their property at the open market value to a local social landlord (housing association / local authority). The landlord will then provide a Scottish Secure Tenancy to the applicant.

**Mortgage to Shared Equity** – allows debtors to retain ownership of their home by selling a part share (up to 30% of the property value) to the Scottish Ministers, whereby reducing their secured debt to a manageable level.

**If a Trustee has been appointed, applications will only be considered under the Home Owners Support Fund Mortgage to Rent scheme.**

## 2. **Role of Trustee**

As Trustees, Insolvency Practitioners, in relation to Home Owners Support Fund applications are responsible for:

- Consenting to the sale of the property;
- If the property is to be purchased by a local authority, consenting to fund any arrears (such as Council Tax);
- If the property is to be purchased by a Registered Social Landlord consenting to the payment of any Factoring Fee arrears to the purchasing landlord ;
- Notifying us of any changes to the Trustee responsible for the applicant(s);
- Notifying us of any association discharge or other fees associated with removing your interest.

## 3. **Establishing Trustee Involvement**

On receipt of an application to HOSF, we will:

- instruct our scheme solicitors, to conduct a property and personal search against the applicant(s), to check if an owner has a Trustee appointed to manage their estate.

4. **Consent to Sale**

Trustees appointed to manage an applicant's estate will be asked to provide written confirmation that they agree to the application being considered through the Mortgage to Rent Scheme.

5. **Discharge fees**

We will require to know if there is any discharge fee that needs to be taken into consideration as part of the sale of the property.

6. **Equity**

Trustee's will receive equity up to the same limits as non-trustee applicants.

For applications received from 1 April 2015, all monies from the sale of the property must first be used to repay all secured loans and, where applicable, discharge any inhibitions. If there is equity remaining, the maximum amount that will be returned to the Trustee is **£11,360** for those aged 16-59, and **£17,040** for those aged 60 and over.

**Please note:** if there is more than one owner, the Trustee will only receive the appropriate share of the equity for those parties whom they represent.

7. **Shortfalls**

If the initial assessment of an application shows that there is a shortfall, the Scottish Government will write to the owner asking them to contact the secured lender(s), Inhibitor or any other priority creditors who will incur the shortfall (the applicant may wish to contact their adviser for assistance with this).

The Scottish Government will require written confirmation from the secured lender(s), Inhibitor or Trustee, that they will agree to release the security or inhibition on the property, which will allow the Scottish Government to continue to process the application. Before agreeing to the shortfall, the secured lender(s), Inhibitor, or other priority debtors must be made aware that the shortfall is likely to increase due to interest and any other charges on the account accruing before settlement, should the application proceed to a successful conclusion.

## 8. **Excess Repairs**

**The maximum funding the Scottish Government will provide for repairs is £8,500.**

These funds are solely for the cost of repairs required to bring the property up to SHQS standards, as detailed in the single survey and identified as a result of the gas and electrical safety checks carried out by the social landlord. We will accept the social landlord's 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:

- 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 homeowner's 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, and where our budget allows.

## 9. **Council Tax Arrears**

If the property is being sold to the local authority and there are Council Tax arrears, these will need to be funded as part of the sale of the property and will be added to the list of debts to be recovered from the sale. This may take priority over other secured loans, as the purchasing landlord may insist that the recovery of this debt is a condition of the sale.

## 10. **Factor Fees**

If the property is being sold to a Registered Social Landlord and there are Factoring Fees arrears attached to the property, these may need to be taken into consideration as part of the sale of the property and will be added to the list of debts to be recovered from the sale. This may take priority over other secured loans as the purchasing landlord may insist that recovery of this debt may be a condition of the sale.

## **11. Distribution of Funds**

The scheme solicitors will distribute the funds from the sale of the property to the lenders in the ranking order that they appear on the standard mortgage report against the subjects. The funds will generally be distributed in the following order:

1. Council Tax arrears/Factor Fees arrears & Excess Repairs
2. Any lender in ranking order
3. Inhibitions
4. Any other debts secured against the property

## **12. Equity within 3 years**

When there is a possibility of equity being returned to either the applicant or the Scottish Government once the secured debts are settled, we will request completion of an income & expenditure statement from the applicant to consider if there is a risk of insolvency from unsecured debts.

Where a potential risk is identified, the case will be suspended until such time that the debtor(s) can satisfy us that they have taken appropriate steps to manage the risk.

## **13. Conveyancing**

In the event that a social landlord is found, you will need to consent to the sale of the property, including the distribution of funds from the sale of the property. An offer letter will be issued to the appointed Trustee. The Trustee will be required to sign and return this within 14 days.

The conveyancing process will be carried out by out the scheme solicitors. As a guide, this should take approximately 6-8 weeks. Once the case has reached this stage, any further enquiries should be directed to them.

**14. Scheme Solicitors**

Anderson Strathern  
1 Rutland Court  
Edinburgh  
EH3 8EY

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**15. Further Information**

Should you require any further information please contact us in writing or by telephone, as detailed below:

The Programme Manager  
Home Owners Support Fund  
5<sup>th</sup> Floor  
5 Atlantic Quay  
150 Broomielaw  
Glasgow G2 8LU

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**Scottish Government  
April 2016**