

Annex D – Passport letter

Passport letter - Reference Number _____

Dear []

Open Market Shared Equity Scheme

Thank you for returning your completed application to the Open Market Shared Equity Scheme.

We are pleased to tell you that your application has been approved and that Scottish Government has agreed to provide you with an equity loan to assist you in the purchase of a suitable home under the scheme. This means that you can now look for a property that is for sale on the open market. This approval is valid for a period of [twelve] weeks from the date of this letter and will expire on **[insert date]**. By this time, you should have had an offer to purchase a home accepted. Please note however that you do not need to have moved into the home by then.

If you are unable to find a home by **[insert date]** please let us know. We will try to extend the time you have to find a property, but this will depend on the number of applications we have received and may not therefore be possible. If we are unable to extend the time you have to look for a home, you will need to re-apply to the Open Market Shared Equity Scheme.

Although the Open Market Shared Equity Scheme does not require you to provide a deposit, you should be aware that your lender is likely to require you to provide a deposit before they provide you with a shared equity mortgage. You should discuss this with your financial advisor/lender.

Your Expected Financial Contribution

Under the Open Market Shared Equity Scheme, you must normally pay between 60 and 90 per cent of the valuation or the purchase price, whichever is the lowest. You can pay over value from your own funds provided you do not pay more than the published threshold amount for that area and size.

Based on your current income and any other financial contributions that you can make, we have calculated the minimum amount that you can afford to contribute towards the purchase price of a home to be £[] .

The calculation is set out below:

Assumed contribution £

For this (we have used a 'rule of thumb' of [2.5 for a larger household] [3 for a single person] times your annual salary to give us an estimated maximum

Plus Available savings amount (90% of savings over £5000) £

Expected minimum contribution £

Scottish Government Equity Loan

Scottish Government's financial contribution takes the form of an "equity loan". This will be the amount which represents the balance between the expected minimum financial contribution to be made by you as set out above, and the price you pay for a home (see below).

The main features of this equity loan are:

- there is no set date by which you must repay the equity loan. The loan does, however, become repayable if certain events or circumstances occur, such as when you decide to sell your home;
- no interest is charged by Scottish Government on the equity loan while it is outstanding and you are not in breach of its terms;
- the equity loan is expressed as a fixed percentage of the value of your home, or the purchase price, whichever is lower. You can pay over value from your own funds provided you do not pay more than the published threshold amount for that area and size. So if you paid £100,500 to buy your home which was valued at £100,000 and received a Scottish Government equity loan of £20,000, this equity loan would represent a 20% equity stake in your home. When the equity loan becomes repayable to Scottish Government – for

example, when the home is sold – the amount to be repaid to Scottish Government is 20% of the sale price. This may be more or less than the amount of the equity loan. The Scottish Ministers' equity stake is their contribution divided by the lower of the valuation or purchase price, calculated as a percentage, to two decimal places. For example, if the sale price was £120,000 then the amount to be repaid to Scottish Government will be 20% of £120,000 = £24,000.

The main risk associated with the equity loan is that you must comply with the applicable conditions while the loan is outstanding. These conditions are set out in the shared equity loan agreement which you must enter into with Scottish Government. Among these conditions is a requirement that you must occupy your home as your only place of residence, and a prohibition on letting your home out to a third party. If you do breach any of the applicable equity loan conditions and do not remedy the breach, you run the risk of Scottish Government taking action to enforce the terms of the shared equity loan agreement and of requiring repayment of the equity loan.

You will require to grant a standard security over title to your home in favour of Scottish Government to secure compliance with the equity loan terms, which means that Scottish Government could take steps to enforce its security in the event of a breach of the equity loan conditions, which could result in you losing your home.

There are no charges levied by Scottish Government as a condition of making an equity loan available to an eligible applicant, nor are any costs or charges levied during the period of the equity loan. There are, however, administrative charges which you need to pay to the administrative agent who administers equity loans on behalf of Scottish Government if you wish to amend certain aspects of your equity loan arrangements – for example, if you wish to purchase all or some of Scottish Government's equity stake in your home, or if you wish to re-mortgage. You may also incur legal and valuation costs in relation to such matters.

Charges (which again can include legal and valuation costs) may also be incurred if you are in breach of the equity loan conditions, or fail to pay any sums which have become due and payable by you. This will include interest at 2% above the base rate

of Royal Bank of Scotland on overdue sums.

Price of property

The Scottish Ministers have set maximum threshold prices that you can pay for a home in **[insert geographic area]** and you will not be able to buy a home costing more than the threshold price set by the Scottish Ministers. Maximum price ceilings for different areas and property sizes are published on the Scottish Government's website at [LIFT information](#). This would be subject to the property valuation as set out in the Home Report.

Area	Number of Apartments	Maximum price for area/size

If buying in Aberdeenshire, Highland or Fife please note we have provided the highest threshold area in the table above. Please refer to the attached calculator for full details and thresholds of the area you wish to buy in for each Aberdeenshire, Highland and Fife area.

Please use the attached calculator to check whether you may be eligible for particular property prices and sizes BEFORE you submit a property for approval. Your Minimum Expected Contribution from mortgage and savings is shown above.

Your actual contribution may be than the Minimum Expected if an IFA confirms affordability; or it could be less, if reasons are evidenced. Your actual contribution, (less any amount paid over value) must be between 60% and 90% of the valuation or purchase price, whichever is the lower. You can pay over value for a property from your own funds, provided the price you pay does not exceed the threshold for that area and size. You are otherwise not restricted on maximum property size. The Scottish Ministers' equity stake is their contribution divided by the lower of the valuation or purchase price, calculated as a percentage, to two decimal places.

[You should note that the maximum stake that you can take in a home in *[insert geographic area]* is 90 per cent. This is because the Scottish Ministers would like to keep a 10 per cent equity stake in the property, known as a 'golden share'. (Delete if not applicable)]

Use of Property

You will be expected to live in the house as your only residence. No letting out or sharing occupation of the house with any third party is permitted. The purpose of the Open Market Shared Equity Scheme is not to assist people to purchase buy to let or second properties.

Budgeting

When you are considering buying a home you need to allow for a number of costs including:

- legal expenses including all registration dues;
- Land and Buildings Transaction Tax (where applicable); and
- mortgage arrangement fees,

and you should discuss these with your solicitor and/or your financial adviser as soon as possible.

It is very important that as well as the mortgage repayments on the home, you can also afford all the other costs of owning a home which include:

- paying tax on your property to your local authority;
- any factoring or common charges payable for the repair and upkeep of common areas and you are advised to check what these costs are before your solicitor submits an offer to buy a property on your behalf;
- buildings and home contents insurance.

<p>If you have not already done so, we would again encourage you to seek independent advice on the legal and financial costs and responsibilities that come with being a home owner</p>

What you should do next

When you appoint a solicitor to assist you with purchasing your property, please provide them with a copy of this letter.

Your solicitor will need to use certain legal documentation that is set out in the [OMSE Administrative Procedures](#).

- You should ensure that your solicitor advises you on the implications of the open market shared equity scheme and the terms of all documentation and that you are satisfied and you fully understand what you are committing yourself to before agreeing to enter into any legal commitments; and
- 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 mortgage will meet your needs if you want to move or sell your home, or if you want your family to inherit it.

If you do not already have a solicitor your mortgage provider or independent financial adviser may be able to recommend certain legal firms having regard to matters such as cost, experience and quality of service. When you are contacting firms of solicitors please let them know straight away that you are looking to buy a home under the Open Market Shared Equity Scheme. Once again you should advise us immediately that you do appoint a solicitor.

What you should do when you have found a property

Please tell us immediately when you have found a home that you would like to buy and send us the particulars of sale as well as details of the solicitor who will be acting for you if you have not done so already. We will check that the home complies with the rules of the scheme.

You will also need to provide a valuation from an independent professionally qualified valuer who is registered with the RICS. This valuation will form part of the Home Report unless the property is a new build in which event you will be required

to obtain a valuation. You should also ask your solicitor at this point to place a 'note of interest' with the solicitor or estate agent marketing the home for sale. This means that the seller has to notify you of any formal interest in the home, such as a verbal offer or any other change in the sale such as a closing date.

Property purchase

Once we have checked the details of the property, including the valuation report we will let you know if the home meets the eligibility criteria for the Open Market Shared Equity Scheme. If it does, you can instruct your solicitor to issue a formal offer to purchase.

You must not instruct your solicitor to issue a formal offer to purchase until we have written to you to confirm that the home you would like to buy meets the required eligibility criteria.

Please remember that the maximum price that you can offer is the threshold figure. If you decide to pay over valuation, the purchase price must still be within the maximum published OMSE threshold figure for the area and size. Any amount over valuation must be paid from your own funds. The Scottish Government's contribution percentage is based on their contribution divided by the lower of the valuation or purchase price.

If your offer is to be accepted your solicitor will need to confirm the following to our solicitor:

- Agreed Purchase Price
- Mortgage Loan Amount
- The valuation
- Any amount being paid over valuation
- The buyer's cash deposit (excluding any amount paid over value)
- Mortgage Fees
- Name of Lender
- Proposed Date of Entry

This will enable our solicitors to promptly process the shared equity documentation and forward it to your solicitor as well as liaise with him in order to ensure an orderly

completion.

Settlement date

We will arrange for the Scottish Government's contribution to the purchase price to be with your solicitor in time for the date of settlement. Once the purchase price has been paid in full, you will be given the keys to your new home.

We hope all of the above is clear. If you need any further help however please do not hesitate to contact us.**[insert details]**.

Yours sincerely