

Home Owners' Support Fund: guidance for money lenders

These guidance notes are intended to assist money advisers acting on behalf of applicants to the Home Owners' Support Fund (HOSF).

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1. Home Owners' Support Fund: definitions

Mortgage to Rent – enables householders to remain in their home by selling to a local social landlord (housing association/local authority) who will provide a Scottish Secure Tenancy.

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

2. Initial assessment

All applicants must initially comply with the eligibility criteria listed on page 2 of the application and relevant supporting documents should be enclosed. On an exceptional basis, and only in the circumstances set out below, will we consider an application that does not fully meet the eligibility criteria.

Exceptional circumstances:

- cases where an eviction notice has been served
- cases where a trustee intends to force the sale of the property

3. Eviction notice

We will treat such cases with the highest priority and work with the adviser in an attempt to postpone proceedings while the application is considered. You should:

- Ensure the applicant meets all relevant criteria as per page 2 of the application
- Call immediately to notify us an eviction has been served
- Fax or email a completed application with the eviction notice
- Notify the party seeking the eviction that an application to HOSF has been submitted

If the eviction is successfully postponed, we will begin the application process.

4. Trustee forcing sale

In such cases the application should be submitted in the normal manner along with a letter from the trustee, confirming that they are forcing the sale of the property. We will consider applications where secured loan payments are not three months in arrears and there have been no failed negotiations with the lender(s). However, all other criteria must be met.

5. Submitting the application

Applications are available in PDF format on the HOSF website at www.scotland.gov.uk/hosf and can be submitted either by post or email from the adviser.

All relevant fields must be completed. Common omissions are signatures, contact telephone numbers, property specifics (e.g. heating type). If the application is incomplete, it will be returned without consideration.

It will assist us in progressing the application if all supporting documents are provided at the time the application is submitted. However, where this is not possible, we would expect these to reach us within the first four weeks. If not received by then, we will send a written request.

After a social landlord has been found, 28 days is given to provide the relevant paperwork in relation to any property modifications.

Please note that in the instance of marriage/death certificates, change of name deeds and documents for building work, we will require sight of the original documents.

6. Income and expenditure

A full breakdown of the income and expenditure of all homeowners must be submitted in cases where there is equity due to the Scottish Government. We will consider the risk of insolvency by the applicants. Where a risk is identified we will suspend the application until the applicant can demonstrate their debts are being appropriately managed.

To ensure that the home is not put at risk even after the case has settled, it is important that home owners provide full and accurate information about all their expenses.

7. Property valuation thresholds

The value of the property must be no more than the maximum levels we have set, depending on the size and location. This value will be determined by our independent surveyors. For current thresholds see HOSFGN/002 on the HOSF website at www.scotland.gov.uk/hosf.

8. Threshold exception

In the instance where the value of a property falls outside our property value threshold for the local area, we will consider the application if there is sufficient evidence that the applicant needs to remain in their property (e.g. if the home has been specially adapted to disability needs, they have a local carer etc.).

In these circumstances, we will require to see medical evidence to support that the applicant or a member of the household, has a physical and/or mental illness or disability that results in a need to remain in the current property.

Medical evidence can include:

- A letter from GP/specialist/Mental Health Team confirming the individual's mobility/mental health problems and long term prognosis, including a description of why individual needs to remain in the property
- A letter from any registered support organisations confirming and describing impact of disability on day to day living
- Full details and description of any modifications to the property
- Details of any local organisations/family carer support

Please note that the assessment is NOT to decide if a householder has a disability or health condition but to determine whether or not the health condition dictates that the applicant needs to remain at their current address. However, as in all HOSF cases we are unable to guarantee that a social landlord willing to purchase the property will be found.

9. End of term cases (pilot scheme) – eligibility

The eligibility criteria for End of Term cases include the following variations from the standard Mortgage to Rent criteria:

- We do not require that the applicant be in arrears with monthly mortgage payments
- The homeowners must be unable to fund the principal sum through any other means, such as re-mortgaging, loan, cashing of endowments/pension/life assurance policies etc
- All homeowners must have sought advice from an Independent Financial Adviser. Evidence must be provided to support this

- Evidence from the lender that the mortgage term has ended and the date the mortgage term ended

10. Capital limits

All capital above our limits must be declared on the application form.

- Age 59 and under: £2,000
- Age 60 and over: £4,000

Capital consists of:

- Savings, including cash, Premium Bonds, stocks and shares, unit trusts, bank and building society accounts and fixed term investments
- Life assurance and endowment policies not linked to the mortgage, unless the reason for financial difficulty is ill-health, the policyholder is terminally ill and the policy is providing life cover
- Equity in any other property than the address of the application
- Redundancy payments
- Pension lump sum payments

11. Mortgage to shared equity

Mortgage to Shared Equity scheme involves the Scottish Government taking up to a 30% financial stake in the property and so reduce the applicant's mortgage payments. To be considered for Mortgage to Shared Equity the applicant(s), in the first instance, must:

- Hold at least 20% equity in their home
- Have not had a trustee appointed to the property
- Have not had an inhibition registered on the property
- Have a capital and interest repayment mortgage

- Own a property that is above the Tolerable Standard (i.e. the minimum standard a property should meet to be fit to live in). This standard is established by an independent surveyor who will carry out the inspection after the application is accepted

Applications where a Notice of Potential Liability exists will be considered on a case to case basis.

Should this criteria be met, a detailed assessment of the application will be carried out to calculate the amount of equity that Scottish Ministers need to take in the property to reduce the level of debt secured against it to a manageable level.

This process will include an assessment of the applicant's income and expenditure to establish affordability of the reduced monthly payments.

In order to save valuable time in finding a landlord, this should be considered carefully at the application submission stage. If the applicant does not have the means to make ongoing payments then Mortgage to Rent would be the only scheme available.

12. Determining the open market value

The Open Market Value of the home is determined by our independent surveyors and there is no appeal process.

The survey report is specifically tailored for use in the Scheme. Copies are sent to relevant parties ONLY when it is required to complete certain stages of the purchase. The survey report is the property of the Scottish Government and has no purpose outside the Scheme. Applicants will only be sent a copy with an offer letter, if issued. It is not available to applicants or advisers upon request.

13. Shortfalls

In the instance that the value of the home is not sufficient to redeem the amount secured on the property, we will refer the case back to the money adviser to assist the applicant in negotiating a shortfall agreement with the lender(s).

Please note that the Scottish Government cannot get involved in shortfall negotiations.

14. Equity limits

All monies from the sale of the property must first be used to repay all secured loans and, where applicable, discharge any trustees and lift any inhibitions.

In the instance of Mortgage to Rent, if there is then equity remaining, the maximum amount that will be returned to the applicants is £11,360 for those aged 16 to 59 and £17,040 aged 60 and over.

Where the home owner receives their full equity allowance and the Scottish Government also receive equity from the sale, money advisers are expected to consider with the applicant(s) if the Mortgage to Rent scheme is appropriate and if other options exist, before completing the case.

15. Reducing the risk of delay

a) Please ensure that the applicant provides details of ALL secured loans, inhibitions and trustees. This information will be discovered in the property search carried out by the Scheme solicitors and it could delay case progress if we are not aware of the full extent of secured borrowing at the time of application.

b) If the owners are now living apart, please ensure contact and address details are provided for both parties.

c) If alterations have been carried out to the property, a purchasing landlord will require having sight of the original building warrant and completion certificate or a letter of comfort. We will request this information if a willing landlord is found so it is advisable to make the applicant aware of this. If already available, it will save time if they are enclosed with the application.

d) If any of the property owners' have changed their name since the title deeds were issued, we will require to see proof (i.e. marriage certificate or name deed). Similarly, if an owner still named on the title deeds is now deceased, the original death certificate will be required. Time will be saved if these documents, and any others we will require, are enclosed with the application.

e) Communication is key. We will notify you immediately of significant developments and ask that you notify us immediately of any relevant changes in the applicants' circumstances. This includes updated contact telephone numbers, name change or anything that could affect eligibility for the scheme.

f) Rent payments are not necessarily less than the cost of a mortgage payment. It would be prudent to assess whether or not the applicants will be able to afford to pay rent from their income. If not, then the Scheme will not be of benefit to them.

Scottish Government
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