

Support for Homeowners

In September 2008 the Government announced a £1 billion Homeowners Support Package comprising a series of measures to help first time buyers get onto the housing ladder, to help homeowners in difficulty and to support the house-building industry, in response to current problems with the global financial markets.

Help for first time buyers

Nationally, 10,000 more first time buyers currently frozen out of the mortgage market will be offered the chance to get onto the property ladder through a new shared equity scheme – **HomeBuy Direct** – in a new partnership with housing developers. Under the new scheme, first time buyers will be provided with an equity loan of up to 30% of the market value of a property, on which they will not need to make any repayments for the first five years. Developers themselves will also be making a £300 million contribution to this new product.

HomeBuy Direct is a new shared equity scheme designed to clear completed or near-completed vacant properties that house builders have been unable to sell. The scheme will be offered on specific new build properties brought forward by developers. Buyers will be offered an equity loan of up to 30% of purchase price, co-funded by the Government and the developer.

Once launched, HomeBuy Direct will operate as follows:

- Developers will shortly be invited to submit bids to the Housing Corporation to provide HomeBuy Direct on selected properties and sites. The Corporation will assess the bids according to published criteria, and will have regard to regional housing strategies and any additional evidence submitted by Regional Development Agencies about current housing market challenges.
- As with other HomeBuy products, the 23 regional HomeBuy Agents will be the first point of contact for first time buyers who are interested in applying for HomeBuy Direct. The HomeBuy Agent for Sussex is Moat Homes. [\[hyperlink from text 'Moat Homes' to Homebuy website – www.homebuy.co.uk\]](http://www.homebuy.co.uk)
- General eligibility for HomeBuy Direct will be the same as for other HomeBuy products (i.e. households earning less than £60,000 who cannot afford to buy a suitable property on the open market without assistance in the area where they live or work).
- Applicants will also be subject to an affordability check, designed to assess the size of equity share that they are able to afford and sustain.

- If applicants qualify for the scheme, they will be invited to choose one of the HomeBuy Direct properties brought forward by the developers.
- The purchaser will receive an equity loan of up to 30% of the purchase price of the chosen property. The equity loan will be co-funded on equal terms by Government and by the developer supplying the property. The purchaser must contribute the remaining equity (a minimum of 70%), through their mortgage (which could be obtained from any lender regulated by the Financial Services Authority) and any deposit.
- The equity loan will be free of charge to the purchaser for the first five years. From year 6, a 3% charge will be levied. From year 10 onwards, the Bank of England Base Rate will be charged, increasing by inflation (RPI) plus 0.5% each year.
- Purchasers can redeem the equity loan in tranches, purchasing up to 100% equity after their initial purchase by buying additional equity at the market rate.
- Buyers will be able to sell their HomeBuy Direct home on the open market. When they do so, they will repay the equity loan by way of a share of the sale proceeds. This repayment will be shared equally between Government and the developer.
- If the value of the property has increased by the point of sale, the buyer, the developer and Government will all share in this increase. If the value of the property has gone down, Government and the developer will only share the sale proceeds that are left over once the mortgage has been repaid. This provides the buyer with greater protection against negative equity.

The Government expects that the first HomeBuy Direct homes will be available to purchasers early in 2009.

In addition, a one-year **Stamp Duty holiday** will be introduced for all homes costing up to £175,000 meaning that around 50% of all home purchases will be exempt. The Stamp Duty holiday commenced on 3 September 2008 and effectively raises the lower threshold of the tax from £125,000 to £175,000 for this period.

Help for homeowners in difficulty

A new **Mortgage Rescue Scheme** will be introduced to support vulnerable homeowners facing repossession to remain in their home. The Government will provide £200 million of funding for the new Mortgage Rescue Scheme, which will help 6,000 of the most vulnerable households facing repossession over the next

two years. Depending on homeowners' circumstances, local housing authorities and housing associations will either buy the property and then rent it back to the homeowners or buy a share of the property to reduce the household's mortgage costs.

The Mortgage Rescue Scheme will operate by bringing together local housing authorities, housing associations, lenders and debt advice agencies. The scheme will have three elements which will work in the following ways:

- *Shared equity* – for those who have an equity share in their homes and are facing a payment shock from remortgaging and/or higher living costs but likely to retain current income. A housing association will provide an equity loan enabling the householders' mortgage repayments to be reduced.
- *Shared ownership* – for those who have an equity share in their homes and who are facing significant loss of income e.g. lower self employment income, switching to a lower paid job, one partner losing job. A housing association will buy a share (enabling purchaser to pay off some of their mortgage) and convert the property to shared ownership by issuing a shared ownership lease.
- *Sale and rentback* – for those who are unable to meet lenders' requirements e.g. those on unstable incomes. Those who are more suited to social tenancies. A housing association will clear the secured debt completely and the applicant pays rent to the housing association at a level they can afford.

The level of grant to a housing association will be determined using the Housing Corporation's value for money assessment criteria after the household has been assessed by a local housing authority under the homelessness legislation and a Money Adviser has advised on the most appropriate route after establishing a household's affordable housing costs.

The Government is aiming to get the new Mortgage Rescue Scheme in place by the end of 2008 and as such help is not currently available to homeowners facing repossession.

The Mortgage Rescue Scheme will not help those who have taken second charges on their mortgages or who are in negative equity, and will be subject to a set of eligibility tests.

The Mortgage Rescue Scheme proposals have been developed in partnership with the Council of Mortgage Lenders, the Housing Corporation, the National Housing Federation, local authorities and housing associations to develop the mortgage rescue proposal.

The **Support for Mortgage Interest scheme** which helps people out of work with their mortgage interest payments will be reformed to increase help for some of the most vulnerable homeowners on very low, or no, incomes. As a temporary measure, the period people wait until support kicks in will be reduced from 39 weeks to 13 weeks with effect from 1 April 2009, in addition to which the value of a property on which support will be available will increase from £100,000 to £175,000.

For more information on the Support for Mortgage Interest scheme please go to the [Job Centre Plus website](#).

Over the autumn the Government will also be working with the Council of Mortgage Lenders and private mortgage providers to challenge them to develop privately-funded proposals so that mortgage rescue may be an option for homeowners in difficulty, perhaps because of payment shocks stemming from the end of fixed-rate terms. The Government is encouraging mortgage lenders to support households in difficulty and only to see repossession as a last resort.

Further Information

The Council's Housing Service will monitor progress of implementation of key elements of the Government Homeowners Support Package over the coming months and will seek to maximise opportunities that will benefit households in the district, working in partnership with housing associations, private developers, the HomeBuy Agent for Sussex, and other relevant partners.

For up-to-date information on HomeBuy Direct and the new Mortgage Rescue Scheme, please contact the Council's Housing Needs Team by telephoning (01424) 787000 and asking for Housing Needs.

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