



**HOME BUY POLICY**

**September 2006**

### 1 INTRODUCTION

- 1.1 The purpose of the Government's 'Social Homebuy Scheme' ("Homebuy") is to provide an opportunity for social housing tenants to participate in home ownership, either through purchasing their property outright or on a shared ownership basis. It is particularly aimed at those tenants that are unable to take advantage of the Right to Buy and Right to Acquire schemes.
- 1.2 Homebuy enables the Association to target particular areas in order to diversify the tenure mix and contribute to the development of balanced and sustainable communities.
- 1.3 Homebuy sales enable the Association to recycle the receipts received to develop more affordable housing.

### 2 POLICY STATEMENT

#### General

- 2.1 The Association has a commitment to Homebuy as part of its broader commitment to contributing to the Association's corporate objectives of developing mixed, balanced and sustainable communities.
- 2.2 The Association is a participant in the Housing Corporation's pilot Homebuy scheme for the period 2006-08, following which it will review its participation in the scheme subject to the contributions it is able to make to the development of sustainable communities.

#### Scope of the Homebuy Scheme

- 2.3 The number of tenants entitled to participate in Homebuy will be limited to the allocation granted to the Association by the Housing Corporation in the 2006-08 allocation.
- 2.4 For the period 2006-08, the Association has been granted 8 sales through Homebuy. This may be reviewed and revisited during this period.
- 2.5 The scope of the Homebuy scheme will be limited to secure and assured tenants of Association properties located in the L8 and L20 postcode areas. These areas have been identified due to the social and economic problems that they experience and their need for regeneration and investment.
- 2.6 No further general restrictions will be placed upon the scope of properties or tenants wishing to apply to participate in the Homebuy pilot in principle.
- 2.7 Tenants participating in Homebuy will be permitted to purchase an equity share in their property based upon the full market value of the social rented property. The range of initial equity that may be purchased through Homebuy is from 25% to 100%.

## Homebuy Policy



- 2.8 All purchasers participating in the scheme will be entitled to a discount on the initial share purchase which is linked to the percentage of the equity being purchased in the property. The discounts available are the same as those available through the Right to Acquire terms in the relevant locality, pro rata to the size of the share being purchased.
- 2.9 Discounts through Homebuy are only available on the initial share purchased, and not on any subsequent shares purchased. Applicants will therefore be encouraged by Association staff administering the Homebuy scheme to maximise the share of equity they are purchasing at the initial purchase stage.

### Eligibility

- 2.10 Tenants who are eligible to participate in the Homebuy scheme is restricted to tenants occupying a qualifying property and meet the following:
- Secure or assured tenants occupying self-contained accommodation
  - Have been a public sector tenant for a minimum of 2 years (or 5 years for tenancies granted after 18<sup>th</sup> January 2005). This need not be continuous. (Note – this is subject to properties acquired by the Association under a mortgage rescue arrangement – See Housing Corporation Capital Funding Guide for more details).
- 2.11 The following tenants are not eligible to participate in the Homebuy scheme:
- Tenants occupying properties on an assured shorthold tenancy, licence or long lease
  - An undischarged bankrupt or who has a bankruptcy petition pending or has an arrangement with creditors, the terms of which remain to be fulfilled
  - Tenants who are obliged to give up possession of the tenanted property in pursuance of an order of the court or will be obliged to at a date notified in the order
  - Is the subject of a ‘suspension order’ or suspension status’
- 2.12 The Association would apply to a court for a ‘suspension order’ to prevent applicants from exercising their Right to Acquire / Right to Buy where the Association is satisfied that the tenant or a person living in the property has engaged or has threatened to engage in anti-social behaviour and that it is reasonable for ‘suspension status’ to be applied. These principles would also be applied to applicants seeking to purchase their property through Homebuy.
- 2.13 Tenants meeting the eligibility criteria must continue to do so until exchange of contracts on the sale purchase.
- 2.14 Where tenants have a Right to Buy / Right to Acquire, they must choose whether they wish to exercise their rights to this or to Homebuy. They may not benefit from both.

### Exclusions

2.15 The Association is obliged to exclude the following categories from participating in the Homebuy scheme:

- Houses with a lease term less than 21 years and flats with a lease term less than 50 years.
- Properties let in connection with employment
- Properties designed with special features for letting to people with physical disabilities, and one of a group of properties normally let to people with physical disabilities and a social service or special facility is provided close by wholly or partly to assist tenants
- Properties with special facilities let to tenants who are suffering or have suffered from a mental disorder, and one of a group of properties and a social service or special facility is provided close by wholly or partly to assist tenants
- Properties which are one of a group of properties which it is the practice of the Association to keep for occupation by persons who have special needs and require intensive housing assistance and such intensive housing assistance is provided either directly or indirectly by the landlord
- Properties let to persons of pensionable age, where such properties are one of a group of properties let to the elderly who have special facilities consisting of or including a resident warden, a non-resident warden with a calling facility and a common room close by
- Properties held on Crown tenancies
- Properties where the attributable loan debt is equal to or greater than its current market value

### Co-operation with External Agencies

2.16 The Association will work in partnership with the Local Authority to share information on how the Homebuy scheme is contributing to the development of Sustainable Communities.

2.17 The Association will supply all performance monitoring information to the Housing Corporation as required in order that they may assess and evaluate the effectiveness of the Homebuy pilot.

## Homebuy Policy



### Financial Issues

- 2.18 The Association will at all times comply with the Housing Corporation's Capital Funding Conditions relating to Homebuy.
- 2.19 The Association will seek approval to any changes that are required to be made to the programme since bid stage.
- 2.20 The Association will consult its Lenders to obtain approval for properties to be released from the Lender's security before any Homebuy sales will be permitted to take place. These will be sought at the outset of the programme to prevent any undue delays to the processing of applications thereafter.
- 2.21 Where Homebuy sales are processed, the funds received from such sales will be placed in the Association's Disposal Proceeds Fund, minus the admissible deductions from proceeds relating to:
- Attributable loan debt
  - Valuation fee
  - Legal Fees
  - Survey fees (flats only)
  - SHB allowance
- 2.22 Where further shares are purchased by a Social Homebuy purchaser, the Association will also deduct an allowance to cover legal and administration fees.
- 2.23 The Homebuy receipts will only be recycled to uses associated with social lettings in order that it may assist with homelessness and overcrowding.

### Rents and Service Charges

- 2.24 The Association will set all rent levels at 2.75% of the capital value of the unsold equity in the property, in order to ensure that the rent levels remain affordable.
- 2.25 Rents will be increased annually, with increases limited to RPI + ½%, where the RPI figure used will be the September RPI figure published annually.
- 2.26 Prior to the sale being processed, the tenant will be informed at formal offer stage of the full range of charges that they will be required to meet, including service charges which will be calculated in advance.

### Valuations

- 2.27 All Homebuy sales will be based upon a full open market valuation of the property, which will be undertaken by a suitably qualified independent valuer.

## Homebuy Policy



- 2.28 The cost of the valuation will initially be met by the Association, but will be recovered from the proceeds of sale.
- 2.29 The Homebuy purchaser will have no right to appeal against the valuation provided by an independent valuer.

### Sales Process

- 2.30 In accordance with Housing Corporation guidance, the Association will adopt a 2 Stage process to the administration of the Homebuy Sales process.
- 2.31 Stage 1 will confirm that a tenant is eligible to proceed with a Homebuy purchase following the provision of generic information to enable the prospective purchaser to make an informed choice about whether to proceed to the next stage.
- 2.32 Stage 2 involved the calculation of the sale price, the equity to be purchased and the discount entitlement based on the formal mortgage offer, together with the associated costs and provisions that will form the basis of the formal offer.
- 2.33 All tenants wishing to purchase a share in their property through the Homebuy scheme must make a written application to the Association.
- 2.34 All applications must be responded to by the Association. Where the Association will not be able to keep within its allocation of funds, it must ration supply and inform applicants of the conditions applied and whether additional funding is being sought.
- 2.35 Upon receipt of an application, the Association will assess the applicant's eligibility by undertaking to check the following:
- Application form has been correctly completed, signed and dated
  - Whether the tenant is a secure or assured tenant
  - That the property is not an exempt category
  - That the tenant has been a public sector tenant for the appropriate qualifying period
  - The lender is willing to release their charge
  - Whether there is an effective possession order
  - Whether the tenant is subject to a suspension order
  - The tenant has certified in their application that they are not an undischarged bankrupt
  - Whether the tenant (or co-purchasers) have received a prior discount to purchase a property from a public sector landlord (in such instances, the received amount will be deducted from the discount amount available, except where this was re-paid)
- 2.36 When the appropriate checks have been undertaken, the Association will respond to the tenant, indicating their eligibility status with supporting reasons where applicable. The response letter should be in a standard form, and include the following information:
- An open market guide valuation of property to be sold (using comparators)
  - Total cost of purchasing a share and how calculated

## Homebuy Policy



- Total amount of discount applicable
  - Total rent payable on property
  - Estimated annual service charge (including sinking fund contributions)
- 2.37 The Association should issue its response letter within 4 weeks from receipt of initial application.
- 2.38 The response should inform the tenant that where a mortgage is to be obtained, it must be from a “qualifying lender”, as defined by the Social Landlords (additional Purposes or Objects) Order 2005 (SI 2005 No.2863), and including the Housing Corporation and institutions authorised under the Financial Services and Markets Act 2004 and who have permission to enter into regulated mortgage contracts.
- 2.39 Following confirmation at Stage 1, the tenant has a further 4 weeks to confirm that they wish to proceed to Stage 2.
- 2.40 Where the number of applicants exceeds the Association’s Housing Corporation allocation for Homebuy, a waiting list will be operated (see below).
- 2.41 The Association may offer an alternative property for the tenant to purchase, where this is a ‘naturally occurring void’. In such circumstances, the Association will ensure that it makes it clear to the tenant that they are under no obligation to purchase the alternative property and that they may proceed with the property that they currently occupy.
- 2.42 Following a tenant’s confirmation of their decision to proceed to Stage 2, the Association will seek to obtain the following:
- Formal open market valuation of the property to be sold
  - Total rent payable on the property
  - Estimate of the annual service charges (including sinking fund contributions)
  - Details of any known structural defects
  - The provisions which the Association considers should be contained in the conveyance or lease
  - A suitable identification plan showing the boundaries of the property including the land to be sold
  - Details of any discounts received by the tenants in respect of a previous purchase
- 2.43 The Association may also seek to obtain a survey of the property to assess the need for future repairs and improvements. Where this is sought, the cost of the survey will be deducted from the sale proceeds.
- 2.44 The Association will instruct its Solicitors and determine the discount to be made available and the total share the tenant is purchasing when the tenant provides evidence of as formal mortgage offer or evidence of means of purchasing.
- 2.45 Prior to exchanging contracts, the Association will also conduct the following checks to ensure:

## Homebuy Policy



- Tenant is not in rent arrears
- A possession order has not been served
- Tenant is not the subject of an ASB suspension order/status
- Mortgage offer is from a qualifying lender (if applicable)
- Evidence of funds to purchase where mortgage is not required
- Association's lender is prepared to release the property from its security

2.46 The tenant has 3 months from the date of formal valuation to exchange contracts, and a further 1 month complete purchase.

2.47 Where the timescales above are not adhered to, unless it is due to the Association's inaction, the application will be considered withdrawn.

### Legal Issues

2.48 The Association will seek legal advice from its Solicitors to ensure that the leases used are mortgageable and contain provisions that qualify the scheme for grant.

2.49 The Solicitors will be instructed to ensure that there is a covenant in the conveyance/transfer that requires the purchaser to repay the discount or a proportion of the discount if the property is sold within 5 years of purchase.

2.50 Wherever feasible, the Association will endeavour to adopt the Housing Corporation's standard house and flat leases for Social Homebuy.

### Waiting List

2.51 Applications will initially be processed in date order of receipt of application, until a point is reached when the number of applications equals the Association's Housing Corporation allocation for Homebuy.

2.52 Where the number of applications exceeds the Association's Housing Corporation allocation for Homebuy, a waiting list will be set up and operated.

2.53 The priority of applicants on the waiting list will be listed according to the length of time applicants have held a tenancy with the Association. Those tenants with the longest tenancy time will be placed to the top of the list.

2.54 Applicants will be selected in order, moving down from the top of the waiting list

## **3 IMPLEMENTATION**

3.1 The Association's Homelife Team will be responsible for the following tasks associated with the Association's participation in the Homebuy pilot:

- Publicising details of the Homebuy scheme
  - Processing all Homebuy applications
  - Co-ordinating all Homebuy purchases and liaising with relevant departments across the Association as necessary
  - Ensuring that all Homebuy applicants are kept informed of the progress of their Homebuy purchase application
  - Maintaining and managing the Association's Homebuy waiting list
- 3.2 The Development Team will be responsible for submitting the relevant information to the Housing Corporation following legal completion of all sales, as stipulated and in accordance with the Housing Corporation's Homebuy 'Capital Funding Guide'.

#### **4 RESPONSIBILITY**

- 4.1 Overall responsibility for implementation of this policy lies with the Group Director of Development.
- 4.2 Responsibility for the day to day operation of the Homebuy project, co-ordination of Homebuy sales, and liaison with other relevant departments across the Association, resides with the Association's Homelife team.
- 4.3 The Director of Finance is responsible for negotiating with Lenders to release properties from their security resides and obtaining formal property valuations.
- 4.4 All departments across the Association are responsible for co-operating with the Homelife team's requests for information and action in pursuance of this policy.

#### **5 CONSULTATION**

- 5.1 The Association will consult on an annual basis with staff, outside agencies (including local authorities) and other RSLs participating in the Homebuy initiative to promote continuous improvement and develop good practice in this policy.
- 5.2 Prior to making any changes to this policy the Association will consent and consider the view of:
- All relevant staff
  - Senior Management Team
  - The Tenants' Forum
  - Board of Management

## Homebuy Policy



- Residents, Tenants Groups, individual interested tenants
- All relevant outside agencies (including Local Authorities and the Housing Corporation as required)

## 6 REVIEW

- 6.1 The Association will formally review its Homebuy Policy on a 2 yearly basis, unless changes in legislation or regulation require an earlier review.
- 6.2 Findings and recommendations will be presented to the Association's Board of Management after the views of the Forum have been considered. A review team will carry out each review.
- 6.3 Progress reports will be made to the Board of Management, to enable monitoring against strategic aims and objectives and agreed performance indicators.

## 7 TRAINING

- 7.1 The Association will provide all staff responsible for implementing this policy with comprehensive training.
- 7.2 Training will be given to:
  - New staff
  - Existing staff on an annual basis as a refresher/update
  - All relevant staff after change to policy/legislation
  - Any other times as identified by the Group Director of Development

## 8 ASSOCIATED DOCUMENTS

- 8.1 The Association has the following relevant documents:
  - Right to Buy/Acquire Policy (???)

9 POLICY REVIEW SUMMARY

Policy Title	Homebuy Policy
Dated Created	14 September 2006
Review Period	3 Yearly
Review Committee	Board of Management
Version	1.0
Date last amended	14 <sup>th</sup> September 2006
Authorised by	Board of Management
Date of last review	n/a
Date of next review	September 2009