

BABERGH DISTRICT COUNCIL

To: Strategy Committee	Report Number: N69
From: Head of Housing	Date of meeting: 17 October 2013

MORTGAGE RESCUE SCHEME SYNDICATION

1. Purpose of Report

- 1.1 To seek approval to become a syndicator for the government's Mortgage Rescue Scheme (MRS)
- 1.2 To seek approval to use Retained Right to Buy receipts to purchase rescued properties in the Babergh area.

2. Recommendations

- 2.1 That Babergh District Council enters into an agreement with Orbit Housing Association to become a syndicator for the Mortgage Rescue Scheme
- 2.2 That retained Right to Buy receipts are used to purchase Mortgage Rescue properties.

The Committee is able to resolve this matter

3. Financial Implications

- 3.1 At its meeting on 14 June 2012, Strategy Committee approved entering into an agreement with the Government to retain Right to Buy receipts ([Paper M37 refers](#)). Approval was also given to reinvest receipts in provision of additional affordable homes.
- 3.2 Retained receipts must be spent within a 3 year period. Unspent receipts must be returned to the Government with interest added at 4% above base rate.
- 3.3 Retained receipts can only provide 30% of the total cost of any additional affordable homes, match funding of 70% must be provided from another source.
- 3.4 MRS offers two options to homeowners: - Government Mortgage to Rent (GMtR) or an equity loan.
- 3.5 Syndicators purchase GMtR properties at 90% of the market value. A government grant of 47% of the purchase price is provided. Rent is charged to the occupier creating a rental income stream to the Housing Revenue Account (HRA).
- 3.6 Equity loan properties are purchased at 97% of market value. A 73% grant towards the cost of the loan is provided to the purchaser by the Government. The owner occupier may retain a share of the property equity, based on their financial circumstances. The owner occupier will pay an interest fee to the Council of 1.75% of the equity loan amount each year in monthly instalments.

- 3.7 For both options there is also a grant available to the purchaser of 47% towards the cost of repairs which are necessary to bring properties up to the Decent Homes Standard, subject to a maximum cost of £20,000, making the maximum grant £9,400.
- 3.8 Funding has been provided in the HRA Capital Programme to support 70% match funding of Retained Right to Buy Receipts.
- 3.9 In the case of GMtR the match funding requirement from the HRA would only be 23% and for Equity Loan 24%, based on significant grant contribution from Government.
- 3.10 The table below shows the amount of retained Right to Buy receipts at the end of quarter one 2013/14, the date by which they must be spent and the total funding required to enable spend.

Total Retained Right to Buy Receipts	£165,124.79
Latest Date for Expenditure of Retained Right to Buy Receipts	£58,979.95 by 31/12/15
	£96,609.80 by 31/03/16
	£9,535.04 by 30/06/16
Total Funding Required to Enable Spend (inclusive of RTB receipts)	£550,415.97

4. Risk Management

- 4.1 This report is not closely linked with any of the Council's Corporate / Significant Business Risks.

5. Consultations

- 5.1 The Councils Legal Services Officer has been consulted. The Legal Agreement which the Council will be required to sign has been approved without any amendments.
- 5.2 For Babergh to take advantage of any opportunities to purchase mortgage rescue properties before the scheme temporarily closes at the end of March 2014 (ref 9.2), there has not been sufficient time to consult with Tenant Forums and the Joint Housing Board prior to presenting this report to Strategy Committee. Joint Housing Board Members and Tenants Forum have been sent a copy of this report for comment. Any available comments will be verbally reported to Members at Strategy Committee.

6. Equality Analysis

- 6.1 Not applicable

7. Shared Service / Partnership Implications

- 7.1 Both authorities have the opportunity to become syndicators. Procedures will be aligned.

8. The Mortgage Rescue Scheme

- 8.1 The Mortgage Rescue Scheme (MRS) is a government scheme designed to provide assistance to homeowners who are struggling to maintain their mortgage payments and are at risk of losing their homes. Its aim is to keep people in their homes whenever possible via one of two options:- An equity loan or Government Mortgage to Rent (GMtR).
- 8.2 The scheme is only available to households who would be a priority under the homelessness legislation such as families who have children or who are expecting a baby and people who are considered to be vulnerable.
- 8.3 Other criteria include a cap of £60,000 on household income and of £200,000 on the value of the property.
- 8.4 Mid Suffolk and Babergh District Councils provide access to the scheme and carry out an initial assessment in conjunction with a financial advice service such as the Citizens Advice Bureau.
- 8.5 Following this assessment a referral is made to the Syndication Agent, Orbit Housing in this area, who manage cases to completion. This includes establishing title, negotiating with lenders, arranging surveys and co-ordinating the legal work.
- 8.6 Hitherto properties have been purchased by Registered Providers but Local Authorities now have the option of become a syndicator and purchasing properties themselves.

9. Syndication

- 9.1 If Babergh chooses to become a syndicator for the Mortgage Rescue Scheme it would be offered the option of purchasing rescued properties in the area and can decide on a case by case basis whether or not to do so. For example: property value, likely rental income, occupying family size/needs, funding availability would all be considered.
- 9.2 Government funding for the Mortgage Rescue Scheme will cease at the end of March 2014. It is anticipated that the scheme will be reintroduced in April 2015.

10. Appendices

None.

11. Background Papers

None.

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