



Homebuy

Information Sheet



Monmouthshire Housing
Tai Sir Fynwy



Capsel are the trading arm of **Monmouthshire Housing Association**, and administer the Homebuy scheme on their behalf.

*terms and conditions apply, prices used for guidance only

The Homebuy scheme makes home ownership much more affordable.

It works by MHA providing financial help in the form of an 'equity loan', so someone who qualifies can buy a home.

Under Homebuy no rent is paid on the loan and neither is interest or any other charges.

The loan is only paid back when the property is sold.

Introduction

You have to meet the eligibility criteria to qualify for Homebuy. The scheme is available to both MHA tenants and those who aren't MHA tenants.

Homebuy is intended to help someone who can access and afford a mortgage but is unable to purchase a property to meet their housing need on the open market.

The Homebuy scheme is not the same as shared ownership. Under shared ownership, buyers purchase a percentage of the property and pay rent for the percentage they don't own. MHA does not operate shared ownership housing, only Homebuy.

How does Homebuy work?

The scheme works by MHA funding a minimum of 50%, 40% or 30% of a property's purchase price. If you are approved to buy a property, MHA will advise you on the equity loan percentage that will be available to you.

As there are no monthly repayments for you to pay on the loan from MHA, you repay the loan in full when you sell your home. The amount you repay will be the same percentage of the value of your home when it is sold. For example, if MHA provide a 30% loan, the amount you repay will be 30% of the value of your home when it is sold.

After purchasing your home you can also apply to MHA to increase or decrease your loan by 10% at any time, subject to the amount of the increase or decrease being a minimum of £5,000. We would not allow the shared equity loan to increase to more than 50%. The entire equity loan can be repaid at any time after purchase as well, which means there would be no shared equity left in the property.

Again the amount you repay will be the relevant percentage of the value of your home at the time of repayment.

Example of how Homebuy works:

- **Purchase price of property:** £200,000 (open market value)
- **Equity loan provided by MHA:** £60,000 (30%)
- **Your mortgage on property:** £140,000 (purchase price paid to MHA).
- **Open market value upon sale of property:** £205,000
- **You pay 30% of £205,000 upon sale:** £61,500

If a Homebuy eligible property is under construction and being marketed, the sale price would be fixed at the point of marketing.

It is important to understand that the loan **MUST** be repaid when you sell your home.

Which homes are eligible for Homebuy?

Homes that were originally owned by Monmouthshire County Council before MHA was formed are not eligible for Homebuy.

New affordable homes built by MHA with the help of Welsh Government funding are eligible. So are homes which Monmouthshire County Council have allocated for Homebuy under a planning agreement and which MHA have purchased from a developer.

Properties that are available for Homebuy will be marketed as such.

Eligibility criteria

To qualify for the scheme, you must first be approved (in writing) by MHA. You must be 18 or over and a British or EU citizen or have indefinite leave to remain in the UK.

In considering your application, we will use Welsh Government rules currently in place at the time that you apply. As a guide, you will need to meet at least the following requirements:

- You must be able to demonstrate to MHA that you are not adequately housed where you currently live or that you can no longer afford to occupy your current home.
- MHA can turn you down for Homebuy if your household could afford to buy a home on the open market, without the equity loan. MHA will complete a financial assessment to assess your housing affordability. You will need to provide proof of your household's income and savings and proof that you have a mortgage in principle. As a general guide, for a single applicant, MHA would review your monthly earnings/ outgoings. Convert the figure to an annual amount and then

multiply by 3.8. We would do the same for joint applicants, but multiply the annual amount by 3.5 instead of 3.8. The final amount should then be above the 50%, 60% or 70% of the purchase price (which factors in the equity loan amount), but below the full purchase price of the property.

- You must be able to obtain a mortgage (with a qualifying lender that will offer a Homebuy mortgage) to cover your contribution. You must also have sufficient savings to cover other costs associated with buying a home.
- You must not be receiving housing benefit or the housing element of universal credit, nor have received these 12 months prior to applying for Homebuy.
- You are not eligible for Homebuy if you already have a financial interest in another property (e.g. due to a relationship breakdown). If there is, you must sell this interest before applying to buy a home through Homebuy. We would include money from a house sale in your financial assessment for Homebuy.

- The home you want to purchase should be a suitable in size and usually no more than one bedroom larger than your household requires.
- The home you buy must be your sole place of residence.
- If you are a social housing tenant you must not be in rent arrears or in breach of your tenancy agreement in any other way.

What happens if two households want to buy the same property?*

A Homebuy applicant with a local connection to Monmouthshire would be given preference over an applicant with no local connection - see Monmouthshire Homesearch's Allocations Policy for a definition of local connection, available at **www.monmouthshirehomesearch.co.uk** and also the Rural Allocations Policy contained within the Appendices of the Allocations Policy. Other shortlisting criteria may also be applied.

****Not applicable to MHA tenants seeking to purchase the home they live in.***

Can I buy with someone else?

You can buy your home jointly with someone else. As explained, the financial assessment will take into account the capital and income of all of those buying.

However, a joint application will not qualify to buy unless all parties are to jointly own the home. A Deed of Trust providing rights of occupation for a qualifying applicant is unacceptable as an alternative to becoming a joint legal owner. Your legal representative should be able to advise you further, so you understand the different forms of co-ownership.

No more than four people can jointly buy a home through Homebuy in Wales.

If I use money from relatives to help with a mortgage deposit, will I still be eligible for Homebuy?

Yes you will still be eligible. This is providing the amount you receive, doesn't then enable you to purchase a home at full market value.

What are your responsibilities?

- You would need to provide a reservation fee to MHA, to secure the home you want to buy (which is non-refundable, but is taken off the purchase price when you buy the property). A MHA tenant would not need to provide this to buy the Homebuy eligible property that they already live in.
- You will be responsible for purchasing costs e.g. legal and land registry fees or possibly land transaction tax.

- You will be responsible for the cost of getting a Homebuy mortgage and mortgage repayments.
- You will need to pay council tax.
- You will need to pay water rates and other utility bills.
- You will probably have to pay some service connection fees.
- You may need to pay removal costs.
- Once you buy you will need to pay for all repairs and maintenance and maintain your home to a good standard. MHA may arrange to visit your home to make sure that it is being maintained properly. If you wanted to sell and you did not keep the property in good repair, a valuation would be completed as if your repair and maintenance obligations had been carried out. This ensures that someone would not benefit from a low valuation when they had failed to repair and maintain their home.
- You must notify MHA and obtain our written approval to make any alterations or improvements to the property.
- You will be responsible for buildings and contents insurance. If you purchased a shared equity flat where we own the freehold, MHA will insure the building (not the contents of the flat) and apportion the cost between flats in the block. You may also choose to purchase mortgage repayment protection insurance. You should seek advice from your lender and/ or an independent financial adviser to find out whether such insurance will be of benefit to you and to decide on a policy that will suit your needs.
- Depending on the property you are purchasing, you may be responsible for paying service charges. If this was the case, such charges would be explained by MHA before you chose to purchase the property and should also be explained by your legal representative/ conveyancer.
- After you buy, there would be valuation costs and legal costs to consider if you wanted to re-mortgage, change the equity loan amount or sell the property.

Remember:

- MHA will provide an equity loan. We will not assist you with other costs associated with purchasing your home.
- Your home is at risk of repossession, if you do not keep up your payments on a mortgage.
- If the value of your home decreases to less than you paid for it, you would be left owing more than your property is worth.
- For the purposes of the Homebuy scheme the mortgage must be obtained from an approved building society, bank, a friendly society or an insurance company. Applicants should, under no circumstances, incur any costs in obtaining a mortgage until the lender offering to provide the mortgage has confirmed that it can provide a mortgage for Homebuy.

Can I re-mortgage while the Homebuy loan is in place?

MHA's consent is required to change your mortgage, such as a change of lender or agree an increase in borrowing.

In order to consider your application for consent, MHA would require a valuation of the property from a person qualified with the Royal Institution of Chartered Surveyors. MHA and your lender would also need to enter into a Deed of Priority which will make clear the respective priorities of your first lender and MHA.

Repayment of the equity loan

If you wanted to repay part or all of the equity loan whilst you own the property, you would need to inform MHA.

An independent valuation from a person qualified with the Royal Institution of Chartered Surveyors would be required.

MHA would then inform you in writing of the repayment amount.

What if the person buying through Homebuy passes away?

If someone who buys through Homebuy dies and the property passes to a partner or member of the family, that person may take over the ownership of the property and continue to live there.

The costs of running the home and keeping up the mortgage repayments will normally transfer to the partner or family member continuing to live in the home.

As above, you may wish to take out insurance that pays off the mortgage upon death, although you do not have to.

If there is no partner or family member who meets the above criteria generally the property will be sold and the equity amount repaid to MHA.

Re-sale of a Homebuy property

If you want to sell your home, again you would need to inform MHA and an independent valuation from a person qualified with the Royal Institution of Chartered Surveyors would be needed so that the value of the property can be agreed (you would be required to pay the valuation fee).

The valuation will not include alterations or improvements you have made to your home which MHA gave you written consent to carry out. If you did not get our written approval and wanted to sell your home, you would not fully benefit from any increase in the value of your property as a result of the alterations - MHA would be entitled to a share of the increase in property value, as a result of unauthorised alterations or improvements.

MHA has the right of 'first refusal' and would have a set timeframe to find a buyer or potentially

purchase the property ourselves. If after that period of time a sale was not agreed, you would be able to sell the property on the open market. It would ideally have to be sold under the same criteria as you bought (the shared equity loan would be recycled into the new purchase). The new buyer(s) would complete a Homebuy application and be considered eligible for the Homebuy scheme. This might mean that it takes longer to sell the property. However, if these scenarios were not viable you would be able to sell the property on the open market to any buyer and then repay the equity percentage back to MHA.

Remember:

- You cannot sell the property on the open market if MHA informs you they have secured a buyer.
- The sale price will be dependent on an independent valuation.
- As already noted, upon re-sale you will have to repay the equity loan in full, which is based on the valuation.
- If you sell on the open market you would be required to market the property through an estate agent and would be responsible for all fees and associated costs.

How can I apply for Homebuy?

- Complete and return the application form. The form is the low cost home ownership one available at **www.monmouthshirehomesearch.co.uk**
- Supply identification
- Provide bank statements and wages slips as applicable for the last three months (including for joint applicants)
- Provide a mortgage in principle certificate, which confirms the lender will provide a Homebuy mortgage.
- Provide evidence of your local connection as applicable (e.g. utility bill evidencing living in Monmouthshire for 12 out of past 24 months or 3 out of past 5 years).
- MHA will ask for further information or evidence to support your application as required.

Who can I contact for further information?

If you're currently a tenant of MHA seeking to purchase the new build home you live in, please contact our New Homes Team on **01495 761014**.

If you're seeking to purchase a new build property that is advertised as available to purchase under Homebuy, please contact our Capsel Team on **0333 207 9000**.

Homebuy properties that are available to purchase can also be viewed on our website **www.monmouthshirehousing.co.uk**

Should I seek independent advice?

Please note this information sheet is for guidance purposes only. It is not a substitute for professional/legal advice.

You should take independent legal and financial advice before committing to purchasing a home.

Your legal representative should advise you fully, so you completely understand the requirements of Homebuy before you purchase.

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www.capsel.co.uk