

## **MORTGAGE TO RENT SCHEME POLICY**

Date Approved by Management Committee:

10 August 2023

Date Issued to Staff

23 August 2023

Latest review date:

August 2026

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# Policy on the mortgage to rent scheme



## 1. Introduction

- 1.1 The Association is committed to alleviating homelessness. By participating in the Mortgage to Rent scheme the Association seeks to respond to the housing needs of our community by enabling a household threatened with homelessness remain in their home, whilst at the same time increasing the Association's social housing asset base.
- 1.2 The purpose of this paper is to set out the policy of Cernach Housing Association in relation to referrals to the Mortgage to rent scheme from the Scottish Government.
- 1.3 This policy will be agreed by the Management Committee and will be implemented by the Association's staff.
- 1.4 The Mortgage to Rent Scheme forms part of the Scottish Government's Home Owners Support Fund. Its aim is to help homeowners who are in financial difficulty and are in danger of being made homeless. The scheme helps by enabling these households to remain in their home by selling it to a social landlord and becoming tenants of that social landlord.
- 1.5 The scheme is funded by the Scottish Government and provides resources to participating social landlords to buy the property and rent it to the household.
- 1.6 Before an application can be considered for the Mortgage to Rent, owners must receive independent advice regarding their overall financial situation from a Citizens' Advice Bureau, Money Advice centre or similar approved agency. The scheme itself will not be the best option for everyone, so owners should get independent legal and financial advice before they apply. It is not the Scottish Government or the Housing Association's remit to provide guidance on whether one of the schemes would be the right course of action for any owner.

## 2. Legislative and Regulatory Framework

- 2.1 The Association's Mortgage to Rent policy will comply with all statutory requirements, Scottish Government Guidance and good practice.

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- 2.2 In considering applications under the Mortgage to Rent Scheme the Association will comply with the Scottish Government Home Owners Support Procedures that are applicable at the time of the application (current procedures dated April 2017).
- 2.3 The Association cannot advise participants to the scheme but can signpost them to Citizens' Advice Bureau.
- 2.4. The policy also complies with the Scottish Social Housing Charter and specifically the following outcomes: -

## **Outcome 1: Equalities**

Social landlords perform all aspects of their housing services so that:

- they support the right to adequate housing
- every tenant and other customer has their individual needs and rights recognised, is treated fairly and with respect, and receives fair access to housing and housing services.

## **Outcomes 7/8/9: Housing Options**

Social landlords work together to ensure:

- people looking for housing get information that helps them make informed choices and decisions about the range of housing options available to them.
- tenants and people on housing lists can review their housing options.

Social landlords ensure that:

- people at risk of losing their homes get advice and information about preventing homelessness.

## **Outcome 10: Access to Social Housing**

Social landlords ensure that:

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- people looking for *housing find it easy to apply for the widest choice of social housing available and get the information they need on how the landlord allocates homes and on their prospects of being housed.*

## 3. Risk Management

3.1 The Association has considered the risks of participating in the Mortgage to rent scheme as follows:

- The income from the subsidy does not outweigh the net costs to the Association of purchasing the property. To minimise this risk a NPV calculation will be calculated on each property setting out the NPV of the property over 30 years.
- The repairs outstanding have not been assessed correctly and the Association would have to pay more on repairs at sign up than originally estimated. To minimise this risk the Association's Maintenance Officer will inspect each property and seek advice from a cost consultant. Separate gas and electricity checks will be carried out. The costs of these inspections are recoverable from The Scottish Government.
- There is a legal issue with the ownership of the property or inhibition, adjudication or other legal action pending against the property that would prohibit the sale. The Association's solicitors will be asked to complete all conveyance work on the property in question.

## 4. Equalities and Human Rights

4.1 The Association's Equality and Human Rights policy, which was approved by the Committee in April 2021, outlines our commitment to promote a zero tolerance to unfair treatment or discrimination to any person or group of persons, particularly on the basis of any of the protected characteristics<sup>1</sup>. This

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<sup>1</sup> The Equality Act 2010 identifies the "protected characteristics" as age, disability, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, gender reassignment and sexual orientation.

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includes ensuring that everyone has equal access to information and services, and, to this end, the Association will make available a copy of this document in a range of alternative formats including large print, translated into another language or by data transferred to voice.

- 4.2 We are also aware of the potential for policies to inadvertently discriminate against an individual or group of individuals. To help tackle this and ensure that it does not occur, best practice suggests that organisations carry out Equality Impact Assessments to help identify any part of a policy that may be discriminatory so that this can be addressed (please see section 6 of the Equality and Human Rights policy for more information).
- 4.3 In line with section 6 of the Equality and Human Rights Policy, the Association carried out an Equality Impact Assessment on this policy and no remedial action was identified as necessary. The full assessment is appended at the end of this policy.

## 5. Responsibility and Reporting

- 5.1 Any applications received will have a full appraisal undertaken to include a repairs assessment and a financial appraisal.
- 5.2 The Director will report mortgage to rent cases to the Management Committee as/when they occur giving the cost of purchase, cost of repairs, subsidy levels and expected net present value of the purchase over 30 years. A recommendation will be made to the Management Committee on whether to proceed with the application.
- 5.3 The final decision on the purchase will rest with the Management Committee.

## 6. Eligibility

- 6.1 To be eligible for the scheme owners must:
- have paid less than the agreed mortgage for at least three months and have cumulative arrears equal to at least one month's mortgage payment

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- Have been unable to reach agreement with their lender on how to manage the arrears.
- Not normally own a home elsewhere
- Confirm that at least one of the owners wishes to remain in the property, and that the owner(s) have lived in the property for the last 12 months
- the property value must be less than the published local maximum price for the property. Additional flexibility may be applied by the Scottish Government to consider property of a higher value where someone in the household has a physical or mental impairment that has a substantial and long term adverse effect on his or her ability to carry out normal day to day activities. The local maximum price ceiling will be updated periodically by the Scottish Government. Should a case arise we will apply the Scottish Government price ceiling which are applicable at the time.

6.2 All referrals to the scheme must come via a source of advice such as a Citizens' Advice Bureau, Local Authority Homelessness Unit, or an adviser provided by the lender.

## 7. Funding

7.1 Participating landlords will receive a copy of the single survey of the property completed by a Scottish Government appointed surveyor. Landlords must be prepared to accept the findings of the single survey report to be eligible to take part in the Mortgage to rent scheme.

7.2 Landlords should arrange directly with the homeowner to visit the property to assess their condition (including commissioning gas and electrical safety checks, and asbestos checks where necessary. The only additional repairs that the Scottish Government will consider funding are those required as a result of gas and electric checks.

7.3 The private finance will be calculated based on an assumed benchmark rent less the standard operating costs for management, maintenance, and major repairs for rehabilitation as set out in the Guidance applicable at the time of the Mortgage to rent application.

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- 7.4 The total subsidy payable to the social landlord will comprise of the following components:
- a purchase subsidy
  - repairs subsidy
  - an administration allowance of £900
- 7.5 The purchase subsidy will be calculated by deducting the assumed private finance from the purchase price. The purchase subsidy will be capped at 60% of the purchase price.
- 7.6 The total grant will be the purchase subsidy plus the costs of repairs up to a maximum of £8,500 plus an administration allowance of £900.00 (as per 2015/16 Guidance).
- 7.7 Repairs in excess of £8,500 will need to be funded from other sources. In order:-
- equity to be returned to the homeowner following the sale of the property
  - equity to be returned to the Trustee
  - the social landlord purchasing the property
  - a shortfall agreement with a homeowner's lender
  - a third party, such as a family member of the applicant

## 8. Mortgage to Shared Equity

- 8.1 The Home Owners Support scheme also provides for Mortgage to Shared Equity. This scheme however enables the owner to retain a stake in the property by reducing the level of debt secured against it to a manageable level. The same maximum property prices apply for this scheme.
- 8.2 Sharing owners and shared equity owners are ineligible for consideration under the Mortgage to Shared Equity Scheme. These owners are however eligible for consideration under the Mortgage to Rent Scheme.
- 8.3 Owners will be expected to redeem the Scottish Government's equity stake within 10 years but must wait a minimum period of two years. After two years

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an owner can decrease the Scottish Government's equity stake by as much as they like and as often as they like until they resume full ownership of their home.

- 8.4 The Mortgage to Equity Scheme is administered by the Scottish Government. Funding is paid directly to the owner's secured lender (s) and is made available in the form of an equity stake to the Scottish Office.
- 8.5 This section is included in the Mortgage to Rent Policy for information only as Mortgage to Equity and Mortgage to rent are linked by the Governments Home Owners Support Fund, although Mortgage to Shared Equity is not within the remit of RSL's.

## 9. Considerations

- 9.1 The Association may not always be able to help under the scheme; the undernoted outlines the requirements which must be met, before a decision to proceed with a Mortgage to Rent application is made: -
- The Association will consider applications on a case-by-case basis.
  - Applications received which are outwith the Association's geographical area will be referred to another landlord.
  - For cash flow management, consideration will be given to each application on its own merits and the decisions will be based on business and financial plans, cash levels and if the purchase is financially viable for the Association.
  - The cost of repairs required to bring the property to our lettable/SHQS and EESSH standards will be considered.
  - The applicant will be required to sign a standard Scottish Secure Tenancy agreement prior to completion of the transaction.
- 9.2 Each application will be considered on its merits and it is not a guarantee that the Association will proceed with the application.



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## 10. Complaints

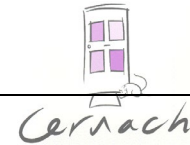
- 10.1 The Association has a published Complaints policy & procedure, which can be used where there is dissatisfaction with this policy or the operation of this policy. Any tenant who feels aggrieved by their treatment under this policy can ask for a copy of the Association's complaints policy, which is available at the Association's office and on the website [www.cernachha.co.uk](http://www.cernachha.co.uk).
- 10.2 As with all our service policies, the complaints policy can be made available in large print, translated or on tape. Tenants also have the right to complain to the Scottish Public Services Ombudsman if they are not satisfied with our stage 2 response.

## 11. Staff Training

- 11.1 Cernach recognises that it is extremely important that the resourcing and training of staff is adequate to meet all the needs of its tenants. The Association is committed to making training relating to mortgage to rent available to staff. Training should be updated as appropriate. Staff will be encouraged to network with other RSLs in order to share best practice in dealing with rent setting.

## 12. Policy Review and Consultation

- 12.1 The Association has developed this policy in consultation with tenants and the resident' panel and takes account of representations made.
- 12.2 The Association will make the policy available on the Association website.
- 12.3 The Management Committee will consider the Mortgage to Rent policy every three years for approval. This review will be brought forward if there is need to respond to new legislation and/or policy guidance.



**Cernach Housing Association  
Equality Impact Assessment Tool**



|                                                                                                                 |                                                                                                                                          |                                                       |          |
|-----------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------|----------|
| Name of the <b>policy / proposal</b> to be assessed                                                             | Mortgage to Rent Policy                                                                                                                  | Is this a <b>new policy / proposal or a revision?</b> | Revision |
| Person(s) responsible for the assessment                                                                        | Paula Baylis                                                                                                                             |                                                       |          |
| 1. Briefly describe the <b>aims, objectives and purpose</b> of the policy / proposal                            | The aim of this policy is to set the Association's approach to dealing with Mortgage to rent applications.                               |                                                       |          |
| 2. <b>Who is intended to benefit</b> from the policy / proposal? (e.g. applicants, tenants, staff, contractors) | Private owners                                                                                                                           |                                                       |          |
| 3. What <b>outcomes</b> are <b>wanted</b> from this policy / proposal ? (e.g. the benefits to customers)        | To ensure owners are aware of this policy and staff have a fair and financially viable approach to applying the mortgage to rent policy. |                                                       |          |

4. Which **protected characteristics** could be **affected** by the proposal? (tick all that apply)

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- Age     
  Disability     
  Marriage & Civil Partnership     
  Pregnancy/Maternity     
  Race  
 Religion or Belief     
  Gender     
  Gender Reassignment     
  Sexual Orientation

5. If the policy / proposal is not relevant to any of the **protected characteristics** listed in part 4, state why and end the process here.

After consideration there is no known elements of this policy which could impact protected characteristics.

|                                                                                                                                                                                                                                             | Positive impact(s) | Negative impact(s) |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <p>6. Describe the <b>likely positive or negative impact(s)</b> the policy / proposal could have on the groups identified in part 4</p>                                                                                                     |                    |                    |
| <p>7. What <b>actions</b> are <b>required</b> to address the impacts arising from this assessment? <i>(This might include; collecting additional data, putting monitoring in place, specific actions to mitigate negative impacts).</i></p> |                    |                    |

Signed: P Baylis (Job title): Depute Director  
 Date the Equality Impact Assessment was completed: 16/6/2023

***Please attach the completed document as an appendix to your policy / proposal report***