



## **THE HOMEBUY SCHEME**

The HomeBuy scheme enables social tenants, key workers and other first time buyers who cannot afford to purchase without assistance, to buy a share of a home and get a first step on the housing ladder.

There are three HomeBuy products based on equity sharing to offer people a choice in the type of home they can buy.

**New Build HomeBuy** enables people to buy a minimum 25 per cent share of a newly built property, paying a rent on the remainder. This includes the First Time Buyers Initiative.

**Open Market HomeBuy** enables people to buy a property on the open market with the help of an equity loan of up to 50 per cent.

**Social HomeBuy** enables tenants of participating local authorities and housing associations to buy a minimum 25 per cent share in their current home at a discount and pay rent on the remainder.

The following priority groups can get help on the scheme:-

- **Social tenants:** Existing local authority and housing associations tenants, and those households on the housing register who are a priority for a council or housing association house to rent.
- **Key workers:** those working in the public sector in health, education or community safety - such as teachers, nurses and police officers.
- **First time buyers:** households who can't afford to buy their own homes and have been prioritised for assistance by the Regional Assemblies (<http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/otherfirsttime/>).

**Interested applicants for the New Build and Open Market HomeBuy need to contact the HomeBuy Agent for the area where they live or if a Key Worker, the area where they work.**

**Applicants for the Open Market HomeBuy may also contact the equity loan providers directly for further information.**

**Tenants interested in the Social HomeBuy option are advised to contact their landlord direct.**

## **HomeBuy Agents**

HomeBuy Agents (HBAs) are appointed housing associations who are providing a “one-stop-shop” and point of contact for affordable housing options in a given area in England. They also handle the entire application process for the Open Market and New Build HomeBuy products.

A list of the HBAs and their contact details are available on our website at: <http://www.communities.gov.uk/housing/buyingselling/ownershipschemes/homebuy/contactyourlocal/>

## **Equity loan providers**

Equity loan providers are housing associations who are providing equity loans under the Open Market HomeBuy product from 01 April 2008.

For the Ownhome Open Market product, the provider (Places for People) can be contacted directly on 0845 607 0110.

For the MyChoiceHomeBuy Open Market Product, the provider (Chase) can be contacted through your local HomeBuy Agents.

## **Details of the HomeBuy scheme**

Full details of the scheme are available from HomeBuy Agents but key aspects include:-

### **New Build HomeBuy**

- Purchasers buy a minimum initial share of 25 per cent of a newly-built home. A housing provider holds the remainder of the equity. The provider may charge rent of up to 3.0 per cent on their equity. A lower target average for the rent has been set at 2.75 per cent. There is also a maximum limit on the annual increase of rent charges of Retail Price Index (RPI) plus 0.5 per cent.
- Purchasers may buy further shares in their home, in minimum 10 per cent tranches, when they can afford to do so - a process known as “staircasing”.
- The First Time Buyers Initiative - using public sector land in an innovative way to provide affordable housing – is a form of New Build HomeBuy. Further details can be found on the English Partnership website: [www.englishpartnerships.co.uk](http://www.englishpartnerships.co.uk).

### **Open Market HomeBuy**

There are two Open Market HomeBuy products - MyChoiceHomeBuy and Ownhome offered by appointed equity loan providers.

#### ***MyChoiceHomeBuy Product:***

- An equity loan of between 15 to 50 per cent of the purchase price is provided by a partnership of 8 housing associations named CHASE, each one of which is an equity loan provider.
- This product can be used in conjunction with a conventional mortgage from any qualified lender regulated by the Financial Services Authority.
- Purchasers may be expected to raise finance to purchase between 50 and 85 per cent of a home on the open market.

- There will be an annual fee of 1.75 per cent on the equity loan in year one, payable on a monthly basis. The fee will increase annually by the Retail Price Index (RPI) plus 1 per cent.
- Purchasers are free to re-mortgage at any time but will need the equity loan provider's consent if the loan is still in place.

### **Ownhome product:**

- An equity loan of between 20 to 40 per cent is provided by Places for People, a Housing Association, in partnership with Co-operative Financial Services.
- This product must be used in conjunction with a conventional mortgage from the Co-operative Bank in the first instance.
- Purchasers may be expected to raise finance to purchase between 60 per cent and 80 per cent of a home on the open market.
- There is no interest charged on the equity loan for the first five years but there will be a charge of 1.75 per cent from year 6 and 3.75 per cent from year 11 onwards.
- Purchasers may re-mortgage with a lender other than the Co-operative Bank provided they comply with the terms of their initial mortgage agreement.

### **Both products**

- The equity loan can be used in conjunction with any deposit the purchaser may have.
- Owners will need to inform the equity loan provider when they wish to sell and the provider will then arrange the valuation.
- The loan must be repaid when the property is sold but can also be paid back earlier, as and when the owner can do so. Purchasers will also have to share any increase in the property's value with the equity loan provider. The amount which is repaid will be based on the market value of the home at the date of repayment or sale.
- Applicants should apply to HomeBuy Agents, who will advise if applicants are eligible and recommend an Independent Financial Advisor for advice on which product best suits their circumstances. Applicants may also apply direct to the equity loan providers. If they do so, they will be required to complete a HomeBuy application form.

*There is flexibility within the HomeBuy framework for providers to offer schemes that meet the needs of people with long term disabilities. This includes the option for people to purchase a suitable home on the open market, on a shared ownership basis. Interested applicants need to contact the HomeBuy Agent for the area where they live or if a Key Worker, the area where they work, for further information.*

### **Social HomeBuy**

- This scheme provides new opportunities for tenants who do not have the Right to Buy or Right to Acquire, or who cannot afford it, to buy a share in their rented home.
- Tenants of participating landlords may purchase a minimum initial share of 25 per cent of a home. The remainder of the equity is retained by their landlord with rent charged at maximum of 3 per cent with a lower target of 2.75 per cent. There is also a maximum limit on the annual increase of rent charges of RPI plus 0.5 per cent.

- Buyers receive a discount on the initial share purchased. This is equivalent to the Right to Acquire discount (generally between £9,000 & £16,000 - depending upon the local authority area in which the property is located), pro-rata to the share purchased. E.g. If your home is valued at £200,000 and you live in a local authority area where the maximum Right to Acquire discount is £16,000 and you buy 50 per cent, you will pay £92,000 (i.e. £100,000 less the discount of £8,000).
- Purchasers are entitled to a further discount on any additional shares they buy, pro-rata to the share purchased. E.g. From the above example, if you subsequently buy a further 25 per cent share (taking your total share to 75 %), you will receive a further £4,000 discount (25% of £16,000)
- Participation in the scheme is voluntary for landlords but the Government is encouraging all landlords to offer it.
- Receipts generated by Social HomeBuy sales will generally be used to provide more social lettings. A small proportion may be spent on other housing related projects.
- Tenants may buy 100% equity in their home at discount if they can afford to do so.
- Your landlord will carry out a financial assessment to help decide what share you can afford to buy and sustain, taking into account the available discount.
- Some, but not all, properties which do not qualify for the Right to Buy/Right to Acquire schemes may be offered for sale under Social HomeBuy. There are some exemptions, including properties in designated rural areas and groups of properties for people with long term disabilities or special needs, which are exempt from the Right to Acquire scheme and which landlords will not be able to sell under Social HomeBuy.
- Tenants should contact their landlord for further details.