

Are you in danger of losing your home?

Help is at hand....

Mortgage to Rent scheme

Mortgage to Shared Equity scheme



The Scottish Government
Home Owners' Support Fund



The Scottish
Government



What are the Mortgage to Rent and Mortgage to Shared Equity schemes?

If you own your home and are in danger of having it repossessed as a result of financial difficulties, we may be able to help you. The Scottish Government operates two schemes, as part of the Home Owners' Support Fund, to help owners who are experiencing difficulty in paying any loans that are secured against their property – the Mortgage to Rent scheme and the Mortgage to Shared Equity scheme.

Under the Mortgage to Rent scheme we can arrange for a social landlord such as a housing association or local authority to buy your home and for you to continue to live there as a tenant.

The Mortgage to Shared Equity scheme involves the Scottish Government taking a financial stake in your home. You will still own your home and continue to have responsibility for maintaining and insuring it. But you will be able to reduce the amount you have to pay to your lender every month.



How do I know if one of these schemes is for me?

If you are experiencing difficulty in paying any loans that are secured against your home you should tell your lender(s) immediately. You may be able to come to an arrangement with them. If not, you should seek independent advice. There are a range of organisations that can provide you with free impartial advice. Details of how to contact these organisations are provided on the inside back page of this leaflet.

To be considered for either the Mortgage to Rent or Mortgage to Shared Equity scheme you must have:

- failed to reach agreement with your lender(s) on how to manage your arrears or have had a trustee appointed to your estate and your trustee is looking to force the sale of your property; and
- obtained independent advice about your financial situation from a Citizens Advice Bureau, Money Advice outlet or local authority money advice centre.

In addition:

- The value of your home must be less than the maximum levels we have set depending on the size and location of your home. Your independent adviser will be able to provide you with up-to-date information on these values. The information is also available on the Scottish Government's website at **www.scotland.gov.uk** And we can be flexible if you have particular housing needs as a result of a disability.

- You must have been unable to make full payments on a loan secured against your home for at least three months and have cumulative arrears of at least one month. If you have had a trustee appointed to your estate this condition regarding arrears does not apply.
- You must be ineligible for help through other UK Government support schemes such as Income Support for Mortgage Interest.
- You must not normally own a home elsewhere. However, in exceptional circumstances, we will consider your case.
- You must have lived in your home for at least 12 months.
- You must not hold capital in excess of £2,000 if you are under 60 years of age or £4,000 if you are 60 years or older. We explain what we mean by 'capital' later on.

To be considered for the Mortgage to Rent scheme you must also:

- Hold less than 25 per cent equity in your home except where:
 - you have had a trustee appointed to your estate; or
 - you have a mortgage that is not conducted on a capital and interest repayment basis.



To be considered for the Mortgage to Shared Equity scheme you must also:

- Hold 25 per cent or more equity in your home.
- Have a capital and interest repayment mortgage and not have had a trustee appointed to your estate.
- Own a property that is above the Tolerable Standard. This is the minimum standard a property should meet to be fit to live in.

Applications for the Mortgage to Rent and Mortgage to Shared Equity schemes are considered in the order they are received. However, it is possible that in some circumstances there may not be funding available to meet the demands of the schemes. If this is the case, the Scottish Government will agree a process for prioritising applications and will publish it on its website.

What do we mean by 'capital'?

To calculate the amount of capital you have when you apply we include:

- Savings including cash, Premium Bonds, stocks and shares, unit trusts, bank and building society accounts, and fixed term investments.
- The surrender value of any life assurance or endowment policies that are not linked to your mortgage, unless the reason for your financial difficulty is ill-health, the policy holder is terminally ill and the policy is providing life cover.
- Equity in any other property you own.
- Redundancy payments.
- Pension lump sum payments.



How do I apply for the Mortgage to Rent or Mortgage to Shared Equity scheme?

Having met with your independent adviser you need to complete an application form.

It is important that you complete the form in full and provide us with all the supporting information we ask for. If we don't receive this we won't be able to consider your application and we will return it to you requesting further information. This means it will take longer for us to let you know whether you are eligible. And this may put you at greater risk of losing your home.

Remember, we can't consider your application if you haven't taken independent advice from one of the places identified in this leaflet. Your application will need to include a letter from your adviser confirming that you have taken independent advice.

If you are not sure about any of the questions or the information we require, or need assistance completing the form, your independent adviser may be able to help. Alternatively, you can call us on 0845 279 9999 or email us at **homeownerssupportfund@scotland.gsi.gov.uk** and we will be happy to help you. However, we cannot provide you with guidance on whether one of the schemes is the right course of action for you, nor can we provide you with any legal or financial advice.



How will you deal with my application?

When we receive your completed application form and all the supporting information we require, we will undertake an initial assessment of whether you are eligible for further consideration. This might involve arranging a survey of your home to obtain an up-to-date valuation and to identify whether any repairs are required.

If we consider you to be ineligible, we will write to let you know explaining our reasons. You have the right however to ask us to reconsider our decision. We will explain how to go about this in our letter.

If we consider you to be eligible we will decide whether to progress your application under the Mortgage to Rent or Mortgage to Shared Equity scheme.

If we are considering your application under the Mortgage to Rent scheme we will ask the council or housing association who may become your landlord to visit your home and undertake gas and electrical checks.

If we are considering your application under the Mortgage to Shared Equity scheme, we will arrange for your independent adviser to assess how much you could afford to pay towards your secured loan(s). This will allow us to calculate how much equity the Scottish Government needs to take in your property to allow you to remain a home owner. If for any reason we decide that the Mortgage to Shared Equity scheme is not for you, we will consider if you are eligible to participate in the Mortgage to Rent scheme.



Once we have assessed that you are definitely eligible to participate in one of the schemes we will write to you explaining the terms. In the case of the Mortgage to Rent scheme you will be allowed to keep up to £8,000 if you are under 60 years old and up to £12,000 if you are 60 or over after any secured lenders or others with an interest in your home have been repaid. Any money above these amounts will be put towards funding the scheme.

In the case of the Mortgage to Shared Equity scheme we advise you of the amount of equity that the Scottish Government is prepared to take in your home.

If you are in agreement we will proceed with the necessary legal and other arrangements.

Here is an example of a Mortgage to Rent application.

Jim and Kate are both 55 years old and jointly own their three apartment home, which they have lived in for two years. They have been unable to make any payments on their mortgage for three months, and have been unable to reach agreement with their lender on how to manage their arrears. They have received independent advice about their financial situation from their local Money Advice outlet, and are ineligible for any UK Government support scheme. The open market value of their property is £68,000, which is within the published maximum price ceiling for their area. They had no capital when they applied to the Scottish Government's Home Owners' Support Fund and hold less than 25 per cent equity in their property.

£4,000 worth of repairs have been identified as being necessary to the property. The property is valued by the surveyor as being worth £71,000 after these repairs have been carried out. The price that Jim and Kate will receive for their home is £67,000 (£71,000 less £4,000).

The amount owing on the couple's mortgage is £65,000. This means that, under the Mortgage to Rent scheme, their mortgage can be paid off in full. Jim and Kate will receive the rest of the sales proceeds which amounts to £2,000. They will become tenants of the local housing association to which they will pay a monthly rent.



Here is an example of a Mortgage to Shared Equity application.

Jack is 35 years of age and bought his three apartment flat five years ago. It is now worth £120,000. Jack has recently suffered a significant loss of income and has been unable to make full payments to his mortgage lender for three months. He now has an outstanding mortgage (including more than one month's arrears) of £80,000 and his equity is insufficient to allow him to buy a less expensive house. He has been unable to reach agreement with his lender on how to manage the arrears and does not hold any capital.

Following a detailed assessment of his income and expenditure commitments, Jack's money adviser concludes that Jack would be able to maintain a mortgage of £60,000. He submits an application to the Scottish Government's Home Owners' Support Fund.

The Scottish Government carries out an assessment of Jack's application and confirms in writing that he is eligible for the Mortgage to Shared Equity scheme. Jack discusses the Scottish Government's letter with his solicitor and decides that he would like to proceed with his application. He therefore arranges for his money adviser to write to his mortgage lender to check that they are happy to proceed. As soon as Jack's mortgage lender confirms they are agreeable to reducing his mortgage, Jack formally confirms to the Scottish Government that he wishes to continue with his application.

The Scottish Government's solicitor sends Jack's solicitor the standard legal documentation so that Jack can be fully advised on its terms. The Scottish Government's solicitor also checks the titles to Jack's property, which are in order. Jack confirms that he is happy to proceed and the legal documentation is prepared and signed. Jack pays his solicitor for the legal advice he has received. And the Scottish Government pays Jack's mortgage lender £20,000 so that his mortgage can be reduced from £80,000 to £60,000. The Scottish Government then holds an equity stake of around 17 per cent in the value of Jack's flat.



Some frequently asks questions the Mortgage to Rent scheme



How will my home be valued if I am eligible?

Your home will be valued at its current market value as assessed by a professional surveyor we appoint. The surveyor also provides a value based on what the property would be worth if it was sold on the open market, assuming that any repairs identified are rectified. This is called the 'adjusted open market value'. The values arrived at by the surveyor are not negotiable.



How will you decide what repairs are required to my home?

These will be based on the Scottish Housing Quality Standard and on any work identified as a result of gas and electrical checks that the landlord carries out. The Scottish Housing Quality Standard is a national standard that councils and housing associations are working to meet for their properties. Details of the Standard can be found at www.scotland.gov.uk

If the cost of repairs is estimated to be more than £6,000, you will not be eligible for the scheme unless someone is prepared to pay the amount above £6,000. This could be you, your prospective landlord, your lender or someone else with an interest in your home.



How much will my house be bought for?

The price that will be paid for your property is calculated by deducting the total cost of repairs required (up to a maximum sum of £6,000) from the adjusted open market value. We call this the 'purchase price'.



What happens to the purchase price?

The money must first be used to repay all of the loans secured against your home (plus the cost of lifting any inhibitions and, where appropriate, discharging any trustee). If you are aged between 16 and 59 you can keep up to £8,000 of any capital left over after these debts have been repaid. Anything above that amount must be returned to the Scottish Government. If you are aged 60 or over, the same rules apply but you will be allowed to keep up to £12,000.



Can I apply if I bought my home under the Scottish Government's funded shared ownership or shared equity schemes?

If you meet the criteria and have bought a shared ownership or shared equity house, we will consider you for the Mortgage to Rent scheme but not for the Mortgage to Shared Equity scheme.



Will I have security of tenure when I become a tenant?

Your new landlord will normally provide you with a Scottish Secure Tenancy. They will explain your rights and responsibilities as a tenant and you will be required to enter into a tenancy agreement with them on the day your property is sold.



How much rent will I be charged?

You will be charged the same rent as your landlord charges other tenants for similar types of property in similar locations. You should discuss this with your landlord before agreeing to sell your home.



Do I have a choice of landlord?

No. We will try to identify a social landlord that is participating in the scheme and owns houses in the area. Sometimes this may not be possible. And sometimes we may have to approach more than one landlord before we can find one who is prepared to buy your home.



Some frequently asks questions the Mortgage to Shared Equity scheme



What level of equity will the Scottish Government take in my home if I am eligible?

We will use a detailed assessment of your income and expenditure commitments to work out the minimum level of equity that the Scottish Government needs to take in your property in order to reduce your debt to a manageable level. You are required to meet any costs you incur such as legal fees or charges imposed by lenders.



What responsibilities does a shared equity owner have?

You will have responsibility for all maintenance, insurance and repair costs, as well as making your mortgage payments and paying tax to your local authority. You will be responsible for keeping your home in a good state of repair. If your home has shared and common parts (for instance, a flat) you will be responsible for paying any common maintenance or service charges.



Do I pay any rent?

No. The Scottish Government will take an equity stake in the property but will not charge you any rent.



What happens if I want to sell my home in the future?

You can sell your home at any time with vacant possession on the open market. The sale price you receive will be split between the Scottish Government and you, based on the level of equity each holds. For instance, if the Scottish Government held 30 per cent equity in your home and you sold it for £130,000, your share from the sale would be £91,000.



Can I purchase more equity in my home over time?

Yes. After two years you can buy as much additional equity as you can afford as often as you like. And if your financial position improves and you can afford it, we expect you to purchase all the equity within 10 years.



What else do I need to know about this scheme?

Your independent money adviser will have more information on the financial requirements of the Mortgage to Shared Equity scheme. You will also require to take legal advice before committing yourself to the scheme. You should ensure that your solicitor advises you on the terms of all documentation and that you are satisfied with those terms before agreeing to enter into any legal commitments. The shared equity arrangements will include the granting of a mortgage (or 'standard security' as it is known in Scotland) to secure the rights of the Scottish Government. **YOU SHOULD CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR IF YOU WANT YOUR FAMILY TO INHERIT IT.**



Contacts

You must obtain independent advice about your financial situation before applying to take part in the Mortgage to Rent or Mortgage to Shared Equity schemes. We can't consider your application unless you have taken advice from a Citizens Advice Bureau, Money Advice outlet or local authority money advice centre. Contact details can be obtained from:

Citizens Advice Scotland

Citizens Advice Scotland will give you the nearest contact name and telephone number of a Citizens Advice Bureau in your area. All bureaux provide free, confidential and independent advice.

t 0845 4500 351

w www.cas.org.uk

Money Advice Scotland

Money Advice Scotland will give you the nearest contact name and telephone number of a Money Advice outlet.

t 0141 572 0237

w www.moneyadvicescotland.org.uk

Local authority money advice centres

Many local authorities offer money advice services. You will find details in the telephone directory, online or by contacting your local council.

A full list of advice agencies can be found at www.scotland.gov.uk

Further copies of this document are available, on request, in audio and large print formats and in community languages, please contact: 0845 279 9999

اس دستاویز کی مزید کاپیاں آڈیو کیسیٹ پر اور بڑے حروف کی چھپائی میں اور کمیونٹی کی

زبانوں میں طلب کیے جانے پر دستیاب ہیں، برائے مہربانی اس پتے پر رابطہ کریں: 0845 279 9999

এই ডকুমেন্ট-এর (দলিল) অতিরিক্ত কপি, অডিও এবং বড়ো ছাপার অক্ষর আকারে এবং সম্প্রদায়গুলোর ভাষায় অনুরোধের মাধ্যমে পাওয়া যাবে, অনুগ্রহ করে যোগাযোগ করুন: 0845 279 9999

Gheibhear lethbhreacan a bharrachd ann an cruth ris an èistear, ann an clò mòr agus ann an cànan coimhearsnachd. Cuir fios gu: 0845 279 9999

इस दस्तावेज़/कागज़ात की और प्रतियाँ, माँगे जाने पर, ऑडियो टैप पर और बड़े अक्षरों में तथा कम्यूनिटी भाषाओं में मिल सकती हैं, कृपया संपर्क करें: 0845 279 9999

ਇਸ ਦਸਤਾਵੇਜ਼/ਕਾਗਜ਼ਾਤ ਦੀਆਂ ਹੋਰ ਕਾਪੀਆਂ, ਮੰਗੇ ਜਾਣ 'ਤੇ, ਆੱਡਿਓ ਟੇਪ ਉੱਪਰ ਅਤੇ ਵੱਡੇ ਅੱਖਰਾਂ ਵਿਚ ਅਤੇ ਕੰਮਿਊਨਿਟੀ ਭਾਸ਼ਾਵਾਂ ਦੇ ਵਿਚ ਮਿਲ ਸਕਦੀਆਂ ਹਨ, ਕ੍ਰਿਪਾ ਕਰਕੇ ਸੰਪਰਕ ਕਰੋ: 0845 279 9999

此文件有更多備份，如果需要，語音版本和大字體版本及少數種族語言版本也可提供，請聯絡：0845 279 9999

يمكن أن تطلب النسخ الأخرى من هذا المستند كالتسجيل الصوتي والخط الكبير ونسخ بلغات أخرى، يرجى الإتصال على: 0845 279 9999

Aby otrzymać niniejszy dokument w innej wersji językowej, na kasecie lub w wersji z powiększonym drukiem, prosimy o kontakt: 0845 279 9999