



PART A:	MATTERS DEALT WITH UNDER DELEGATED POWERS
REPORT TO:	COMMUNITY SERVICES COMMITTEE
DATE:	26 NOVEMBER 2009
REPORT OF THE:	HEAD OF ECONOMY & HOUSING JULIAN RUDD
TITLE OF REPORT:	'BREATHING SPACE' MORTGAGE LOAN SCHEME
WARDS AFFECTED:	ALL

EXECUTIVE SUMMARY

1.0 PURPOSE OF REPORT

- 1.1 For Members to approve the Council's participation in a Regional Mortgage Assistance Loan Scheme called 'Breathing Space'. The Breathing Space Loan is an interest-free secured loan to assist Yorkshire and Humber homeowners in difficulty with their mortgage or secured loan repayments, and provides an alternative means of assistance to compliment the national and Ryedale Mortgage Rescue Schemes.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that:

- (i) Members approve the Councils participation in the scheme; and
- (ii) Allow Wakefield Metropolitan District Council to discharge these functions for Ryedale District Council under the provisions of the Local Government Act 2000 and Local Authorities (Arrangement for the Discharge of Functions) (England) Regulations 2000 in accordance with their well being powers under Section 2 of the Local Government Act 2000.

3.0 REASON FOR RECOMMENDATIONS

- 3.1 The Regional Housing Board (RHB) has allocated £2 million for a regional mortgage assistance scheme. After considering other options the RHB Chair agreed on 28 May 2009 that using the Wakefield model (the Mortgage Assistance Loan Scheme) was the most appropriate and efficient course of action, and that the scheme could be rolled out throughout the Yorkshire and Humber region under the title 'Breathing Space'. Wakefield Council will be the Accountable Body for the scheme.

- 3.2 The Breathing Space scheme will work in much the same way as the existing regional home improvement loans scheme administered by Sheffield Council on behalf of Yorkshire and Humberside local authorities. Participating local authorities, such as Ryedale District Council, will undertake the initial stages of a loan application. Wakefield Council will process and pay the loan and place a legal charge on the property. The Council will then be responsible for subsequent reviews, support for the individual homeowners, and for recovery of the loan. If, in exceptional cases, deferral or waiving of the loan repayment is required, a regional panel will consider this.
- 3.3 To enable Wakefield Council to act as the Accountable Body for the scheme, this Council is required to delegate certain of their functions to Wakefield Council. Similar arrangements are already in place for the Regional Home Loans Service.

4.0 SIGNIFICANT RISKS

- 4.1 There are no significant risks for the Council in participating in this scheme. This scheme does not involve District Council funding and is to be operated by Wakefield Council in line with well-defined criteria and procedures.

REPORT

5.0 BACKGROUND AND INTRODUCTION

- 5.1 Wakefield Council's Mortgage Assistance Loan Scheme has been providing assistance to homeowners in financial difficulties since April 2009, with funding from the Regional Housing Board. The scheme provides an interest free, secured loan to help meet mortgage and/or secured loan repayments and arrears. It is suitable for cases where the difficulty in meeting the mortgage is likely to be short term or the property is for sale. The scheme helped 25 households in its first year of operation.
- 5.2 Members are aware that the Government launched a national Mortgage Rescue Scheme in January 2009, and that this Council subsequently agreed a £200k package of measures to widen the eligibility criteria for Ryedale residents and so allow greater access to assistance under the Government scheme.
- 5.3 The Wakefield scheme provides an alternative means of assistance to the national Mortgage Rescue Scheme and the local Ryedale scheme agreed by this Committee on 23 July 2009. Under the Government and Ryedale schemes the Council takes the initial applications and refers suitable cases to a Registered Social Landlord. Applicants have to be assessed as in priority need (primarily families with children). Most applicants can only be considered for mortgage to rent, whereby a RSL buys the property and rents it back to the household at an intermediate rent. However, mortgage to rent is a longer-term solution and means that people become tenants. The Wakefield Mortgage Assistance Loan model provides an alternative to the national and Ryedale schemes in that it gives people a chance to remain in ownership of their home, and is not confined to priority need cases.

6.0 POLICY CONTEXT

- 6.1 The scheme will contribute towards the delivery of the Council's Homeless Strategy Action Plan in that it will help prevent homelessness. The scheme will provide an additional means of helping local homeowners and will complement the existing

national and Ryedale Mortgage Rescue Schemes. The range of different schemes then available to help homeowners will mean that support is available that meets the particular needs of most of those requesting assistance.

7.0 CONSULTATION

7.1 There has been no consultation on the contents of this report.

8.0 REPORT DETAILS

8.1 The Breathing Space scheme uses the Wakefield Mortgage Assistance Loan Scheme as a model to prevent homelessness and to support homeownership across Yorkshire and Humber. The scheme will provide loans to owner-occupiers / applicants in difficulty with their mortgage payments, and will provide support and access to financial, housing and debt advice.

8.2 The Breathing Space Loan (the Loan) is an interest free, 3-year fixed-term loan that is secured against the property to help applicants to avoid repossession of their home. Applicants will be required to take advice on their financial situation and the Breathing Space Loan will not be the best option for everyone.

8.3 At the end of the three-year period the Loan will be repayable in full. There are no instalment repayments to make during the three-year period. At the end of the loan period the Applicant may need to remortgage or sell their property to repay the loan.

8.4 The Loan will be appropriate where there is a reasonable expectation that the applicant will be able to meet their mortgage payments after the period of assistance provided by the Loan or where time is needed to allow for the sale of the property and a planned move to alternative accommodation.

8.5 As part of the Breathing Space scheme Ryedale District Council will provide support including referral for debt counselling, to maximise the possibility that the applicant will be able to retain the property when the loan assistance ends. Where it seems unlikely that an applicant will be unable to afford their mortgage repayments in the long term, they will be offered support from the Council's homelessness service to achieve a planned move to affordable accommodation.

8.6 The maximum amount of the loan available is £15,000. The minimum amount is £2000. In calculating the loan assistance that can be offered, Wakefield Council will take into account the amount of arrears outstanding on the prior mortgage and any secured loans at the date of the loan application, and a maximum of 12 months future monthly instalments on the mortgage and any secured loans. Alternatively the Loan may be based on the redemption figure of the mortgage or secured loan, if this is below the maximum loan amount.

8.7 The Loan can provide assistance in respect of a first mortgage, or second or subsequent mortgage or secured loan. Where there are arrears on more than one mortgage the Loan can be used towards more than one mortgage, but the total cannot exceed the maximum loan limit.

8.8 Further details of the Breathing Space scheme, including eligibility criteria and conditions, are set out in Annex A.

9.0 IMPLICATIONS

9.1 The following implications have been identified:

a) Financial

The Regional Housing Board has provided the funding for the loan fund for the region and therefore there will be no capital funding implications. The Loan Support Grants will be met from the Breathing Space scheme.

b) Legal

The Local Authority is participating in a regional scheme called Breathing Space. The scheme facilitates the provision of loans in accordance with powers given under S2 Local Government Act 2000, in respect of mortgage repayments for people within the Council district who, due to a change in their circumstances, are in arrears or are having difficulty with their mortgage repayments. Wakefield Metropolitan District Council (Wakefield Council) administers the Breathing Space scheme on behalf of local authorities in Yorkshire and Humberside. The Panel will consider cases of financial difficulty sympathetically and positively. However any recovery action on failure to repay the loan will be the responsibility of the Council. Court action to enforce repayment (which can result in repossession of the property) may be taken by the Council if the Loan is not repaid to Wakefield Council at the end of the 3-year loan period.

Julian Rudd
Head of Economy & Housing

Author: Richard Etherington, Housing Services Manager
Telephone No: 01653 600666 ext: 383
E-Mail Address: richard.etherington@ryedale.gov.uk

Background Papers:
None

Eligibility Criteria

The Applicant must satisfy the following criteria to be considered for the Loan:

- The Applicant must have an owner's interest in the property on which the mortgage is secured.
- The Applicant must be resident at the property and this must be their only home. Where there are joint owners, it is sufficient in certain circumstances to be approved by Wakefield Council that only one of them fulfils this condition.
- The Applicant has sufficient equity in the property. The maximum value for all secured borrowing, including the Breathing Space Loan must not exceed 90% of the property value. Where the Applicant is within the repayment period of the Right to Buy discount, this will be taken into account as secured borrowing.
- The Applicant is in difficulty with their mortgage payments. The Applicant either has incurred mortgage arrears, or is unable to meet their ongoing mortgage instalments, and so is about to incur arrears.
- The cause of difficulties must be due to a change of circumstances e.g. unemployment, sickness, drop in income, or any other circumstance considered reasonable by the Panel in its sole discretion.
- The Applicant has received advice on their financial situation. Advice can be obtained from an advice agency, e.g. Citizens Advice Bureau, who can discuss all options.
- The Applicant does not have the financial resources to pay their mortgage instalments and/or arrears. A financial assessment will be undertaken to determine this.
- There must be an expectation that the Applicant will be able to meet their mortgage and any secured loan repayments after the period of assistance provided by the Loan, or will sell the property. This will be assessed by the loan officer on the facts of the case, taking into account potential increases in income or reductions in expenditure. Wakefield Council may carry out a credit reference search. Wakefield Council will take into account the whole of the Applicant's financial situation in deciding whether a Loan is appropriate.

Conditions

- The Applicant will be eligible for one Loan only.
- The Applicant will be required to obtain independent financial advice before they enter into the Loan with Wakefield Council.
- The Applicant must agree to receive debt counselling.
- The Applicant must agree to regular reviews to monitor their financial situation.
- The loan will be secured on the property by registering a Legal Charge at the District Land Registry.

- All owners of the property must be party to the application for it to be considered.
- Adequate building insurance for the property must be maintained during the loan period and a copy provided to Wakefield Council if required.
- The property must be kept in good repair throughout the loan period.
- The Applicant (or, in exceptional cases of a joint application, one of the applicants) will occupy the property as his or her only residence throughout the loan period. The property must not be left empty for over 6 months without an appropriate reason.
- The loan must be repaid in full at the end of the three-year term or on first disposal of the property. Where the property is in joint ownership and is subsequently transferred to one of those owners singularly then Wakefield Council should be informed. The Panel in its sole discretion will decide whether this disposal will be an exempt disposal.
- If there is a breach of the above four conditions the owner/s shall on demand from Wakefield Council repay the full loan or lesser amount decided by the Panel in its absolute discretion as being reasonable in the circumstances.
- Where the home is jointly owned all the owners will be jointly and severally liable to pay the loan in full.
- Wakefield Council shall be entitled to demand immediate payment of the loan together with all other sums then owing but unpaid, upon the happening of any of the following events:
 - If in the event of the Applicant's death the property has not been sold or loan repaid within a period of 18 months by the executors of the applicant's estate: OR
 - If someone else moves into the property with the applicant, without the consent of the Wakefield Council: OR
 - If the Applicant lets out the property to another party without the prior approval of the Wakefield Council: OR
 - The applicant ceases to live in the property as their principal residence or the property changes type from an owner occupied residential property: OR
 - If any information provided by the Applicant for the purposes of the loan proves to be incomplete or inaccurate: OR
 - The Applicant takes out an additional charge secured against the property, other than any mortgage or loan taken without the full knowledge and agreement of the Wakefield Council at the time the property is purchased: OR
 - The Applicant takes out a further advance of monies from a mortgage provider who either already has a charge registered on the property or subsequently takes a charge over the property without obtaining Wakefield Council's written consent.

General Terms

- In the event that the loan does not proceed to completion, the Council and Wakefield Council will not be liable in law or otherwise for any claims, costs or loss.
- All assistance in this policy is subject to available financial resources and the final decision to approve or refuse an application for assistance is at the sole discretion of

Wakefield Council. In making an application for any assistance under this policy, applicants will be required to sign and accept the conditions. Applicants should seek independent legal and/or financial advice.

Applications

- Where there are joint owners of a property, only one application can be made.
- Loan applications will normally be considered in order of date of receipt of application. If demand exceeds available funds the loans officer will develop a process to prioritise cases with reference to the priority need criteria at paragraph 10.2 of the Homelessness Code of Guidance for Local Authorities (Department for Communities and Local Government, 2006).
- Enquiries regarding applications for assistance can be made at: Housing Services, Ryedale District Council, Old Malton Road, Malton YO17 7HH, Tel: 01653 600666, Email: housing@ryedale.gov.uk

Exceptional Cases

- Where an application for assistance is made outside the approved policy, this will be considered by a panel of representatives from the councils participating in the Breathing Space scheme, who will determine whether it can be approved or refused on a case-by-case basis.

Loan Support

- The initial set up costs of the Loan will be met from the Breathing Space funds and will not be repayable by the Applicant. Loan support will be available in respect of the following, if charged:
 - Property valuation fee;
 - Legal Fees;
 - Administration costs;
 - Independent Financial Advice up to £300.

Payment of the Loan

- The Loan will be paid directly to the mortgagee (mortgage lender) or client's solicitor where appropriate on completion of the legal charge.
- The Loan will not be paid if the property is repossessed or if all the applicants give up residence in the property before payment of the loan has been issued to the mortgagee (mortgage lender).

Repayment

- The Loan will be an interest free, fixed term loan for 3 years. Repayment will be deferred for up to 3 years. The loan is to be repaid in full by the end of the 3 year term.
- Any sum outstanding after the end of the 3 years fixed term will accrue interest, which will be charged at 2% above the Bank of England base rate which is current on the date that the 3 year fixed period expires.

- The Panel will consider cases of financial difficulty sympathetically and positively. However any recovery action on failure to repay the loan will be the responsibility of the Council.
- Court action to enforce repayment (which can result in repossession of the property) may be taken by the Council if the Loan is not repaid to Wakefield Council at the end of the 3-year loan period.