



REPORT TO: COMMUNITY SERVICES & LICENSING COMMITTEE

DATE: 27TH NOVEMBER 2008

HEAD OF SERVICE: ECONOMY & HOUSING

REPORTING OFFICER: HOUSING SERVICES MANAGER
Richard Etherington

SUBJECT: MORTGAGE RESCUE SCHEME

WARDS AFFECTED: ALL

1.0 PURPOSE OF REPORT

1.1 To seek the views of Members as to whether they would wish to pursue the development and implementation of a Mortgage Rescue Scheme. If Members wish to pursue such an initiative guidance for Officers is requested as to which of the particular schemes that are referred to in this report should be further investigated with a view to being implemented.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members consider the report and decide whether they wish to pursue the development and implementation of a mortgage rescue scheme in advance of the proposed national scheme due later this year and if so which model to pursue.

NB: A recommendation to pursue this would need to be referred to Policy & Resources Committee due to the budgetary implications.

3.0 REPORT

3.1 The number of repossessions nationally is increasing as discounted rate mortgages come to an end and the effects of the credit crunch begin to have an impact. The Government has recently announced its plans to see mortgage rescue schemes administered across the country in an attempt to stem any rise in homelessness which may result.

3.2 The Golden Triangle Partnership (GTP), which comprises the local authorities of Leeds, Harrogate and York, have developed proposals and a specification for a mortgage rescue scheme. An overview of the scheme is given at Annex A.

3.3 The Mortgage Rescue Scheme will involve a Registered Social Landlord (RSL) taking an equity stake in the homes of eligible applicants at risk of repossession, thereby releasing funding to pay off arrears and/or reduce mortgage debt to a manageable level, or simply to allow time for a planned sale. Eligible applicants are those defined by Government proposals, namely

those in priority need under homelessness legislation. Equity stakes will be funded by the GTP and recycled by the RSL within the Golden Triangle on redemption of the mortgage or sale of the property.

3.4 Funding for the scheme is being provided by the Regional Housing Board following a successful funding bid for 2008/09. In order to develop such a scheme in Ryedale it would therefore be necessary to submit a similar bid and for any such bid to be successful. It would also be necessary to enter into an agreement with a partner RSL in order to successfully administer the scheme.

3.5 The government has announced a £200m mortgage rescue scheme which will help up to 6,000 of the most vulnerable households facing repossession over the next two years. This is a limited scheme which cannot help those who have borrowed excessively or acted recklessly. It is firmly targeted on those who can't pay rather than those who won't pay. Depending on their specific circumstances, eligible homeowners will be offered one of three products, following an assessment of their case by the local authority:

- Shared equity which would help householders who have experienced payment shocks and need some help in paying their mortgage;
- Shared ownership which would help those with a bigger financial gap but still able to make a contribution to monthly payments;
- Sale and rent back which would help the most vulnerable on low incomes with little chance of sustaining a mortgage.

3.6 A local scheme could be developed which would require an allocation within the capital programme however the Resources Working Party at it's meeting on the 5th.November did not support the indicative allocation of capital funding that had been made to this project. Final capital allocations will be considered by the Policy and Resources Committee on the 4th.December 2008 and subsequently Full Council on the 15th.January 2009.

4.0 OPTIONS

4.1 Should Members not wish to consider the implementation of some form of mortgage rescue scheme this would deny local homeowners threatened with repossession of their homes the opportunity to save them.

4.2 To seek to develop some form of in-house scheme using the Council's own capital resources. This would require an allocation of some £200k if this is have any meaningful benefit

4.3 To investigate the possibility of securing external funding from the Regional Housing Board and sourcing a partner RSL to deliver a scheme similar to that which is proposed by the GTP.

4.4 To await further details of the proposed government scheme which are due later this year.

5.0 RISK ASSESSMENT

5.1 As with any new initiative there are risks some of which may be summarised as follows:

- Failure to develop some form of mortgage rescue scheme may result in some households becoming homeless which could have been prevented.
- The development of a Council funded scheme could place excessive demands on the capital programme to the detriment of other areas of service provision if the scheme were over-subscribed.
- The GT model is dependent upon Regional Housing Board funding which may not be available particularly as details of the government scheme are imminent.
- Should the Council seek to develop it's own scheme this may not be consistent with that which the government is proposing.
- The possibility of a financial risk to the Council of a negative equity situation developing if the scheme eligibility criteria are not clearly defined or if there is an unexpected fall in house prices.

6.0 CONCLUSION

6.1 The report endeavours to provide a series of options for Members consideration in terms of whether they wish to pursue the implementation of a Mortgage Rescue Scheme and if so the particular model they would wish to consider. There is no doubt that a mortgage rescue scheme affords the opportunity to save priority needs households from homelessness and help meet homelessness prevention targets. The potential models which are available vary in their financial impact on the Council's capital resources, and the degree of difficulty which may be experienced in their implementation due in part to factors beyond the control of the Council. These are considerations which must be taken into account if it is decided to pursue the implementation of a scheme.

OFFICER CONTACT: Please contact Richard Etherington, Housing Services Manager if you require any further information on the contents of this report. The officer can be contacted at Ryedale House, Malton telephone number 01653 600666 Ext.383 or e-mail: richard.etherington@ryedale.gov.uk

