

HOUSING SELECT COMMITTEE			
Report Title	Housing Key Issues Report		
Key Decision	No	Item No.	5
Ward	All		
Contributors	Executive Director for Customer Services		
Class	Part 1 (Open)	Date: 30 October 2013	

1 Summary

- 1.1 Housing Key Issues is a general report that aims to update the Housing Select Committee on current and new issues important to housing that are not covered in a separate more detailed report.

2 Help to Buy

- 2.1 The Help to Buy scheme was announced by the Government in the March 2013 budget. Its intention was to encourage banks and building societies to offer mortgages to homebuyers with small deposits for properties of up to £600,000.
- 2.2 The first part of the scheme began in April 2013. It allowed first-time buyers, and movers who want to purchase a new-build house or flat, to borrow 20% of the property's value from the government. Those loans were interest free for the first three years; all borrowers needed was a 5% deposit and a 75% mortgage.
- 2.3 The second phase of the scheme, originally planned for January 2014, has been brought forward so mortgage products are available from now. It will underwrite up to 15% of a mortgage for loans where a buyer has only a small deposit, of 5% (or more) of the property's value.
- 2.4 Lenders who want to offer mortgages of up to 95% loan to value (LTV) but do not want to take on all of the risk will be able to buy a guarantee from the government for up to 15% of the loan. This allows the lender to claim on the guarantee if the property is ever repossessed and sold at a loss.
- 2.5 The scheme is expected to continue for three years.
- 2.6 A few lenders have started to reveal the pricing of 95% mortgages. RBS and NatWest are offering a two-year, fixed-rate mortgage starting at 4.99% for those with a 5% deposit, with no fee. Halifax will be taking applications at a rate of 5.19% with a £995 fee for those with the same deposit.
- 2.7 That is relatively competitive compared with prices outside of Help to Buy, although borrowers are likely to get a better deal if they save up longer for a deposit.
- 2.8 Only repayment mortgages will be offered under the scheme. There are checks to make sure buyers can afford their mortgage payments and the borrower's income will be verified. The scheme will not include interest-only or self-certified mortgages. The new mortgages will not be available to people with a history of difficulties making debt repayments.

- 2.9 Every September the government and the Bank of England Financial Policy Committee will review the impact of the scheme and examine whether the fees or the price cap should be adjusted. If any future government proposed to extend the scheme beyond its three year life the FPC would need to agree it.
- 2.10 The government will compensate the lender if the property is repossessed and it is unable to recover all its loan from its sale. The deposit would be lost first, and then the government would cover the next 15% of loss. But the lender will also have to take a 5% hit on the government's compensation, to deter it from making reckless loans. It will be valid for up to seven years after the mortgage is taken out. The guarantee will not help the buyer or lender if the property falls in value. It is only applicable if the borrower falls into difficulty with the mortgage and their home is repossessed.
- 2.11 The government has said it will put £12bn into the scheme, which is expected to run for three years. It would lose money in cases where a mortgage holder defaults, and a repossessed property is sold for less than the outstanding mortgage value, even after the mortgage holder's deposit is lost. But it should make a profit on loans where the guarantee is not triggered.
- 2.12 Both first-time buyers and movers can apply for the scheme, but they will need to be able to afford the mortgage repayments and will need a reasonably clean credit history: anyone who has a county court judgment against them for more than £500 in the three years before they apply for a loan will be ineligible. It is not available to people buying second homes.
- 2.13 The scheme is available for both new and existing homes costing up to a maximum of £600,000. Lenders have their own rules about what type of properties they will lend on – for instance, some will not offer loans on homes above shops – and these criteria are likely to still be applied. As the scheme is not available on second homes, borrowers will be asked to sign a declaration that they do not own another property anywhere in the world. It also is not available on buy-to-let properties, and cannot be used in conjunction with the government's NewBuy scheme.

Worked example

- 2.14 A customer takes out a 95% mortgage on a property costing £100,000, providing a £5,000 deposit. The lender takes out a guarantee with the government for 15% of the property's value.
- 2.15 Subsequently, the lender repossesses the property, and only raises £65,000 by selling it. The deposit of £5,000 is lost, and the guarantee then pays out £14,250 – the 15% of the loan covered by the guarantee, less a 5% cut (£750). The remaining £15,000 loss falls on the lender – which would have lost £30,000 without the guarantee.
- 2.16 See Appendix 1 for the Help to Buy advert.

3 GLA 2015-2018 Funding

- 3.1 The GLA has announced that a prospectus will be issued before Christmas for the 2015-2018 funding period. Detailed information is not yet available however there have been indications that bids at social rent levels may be accepted, for potentially a third of new homes delivered.

4 Rogue Landlords

- 4.1 The Department for Communities and Local Government invited Local authorities to bid for funding to tackle rogue landlords active in their borough. The total funding made available was £3million.
- 4.2 Lewisham has identified approximately 50 rogue landlords operating in the borough who repeatedly blight the lives of their tenants. It is therefore a priority that officers put in place clear and effective measures to tackle these landlords.
- 4.3 We have recently restructured our private sector housing resources to re-focus on improving housing and housing practice in the private sector and we see tackling rogue landlords as a key feature of the teams work. We have set up informal arrangements that are working well so far but we want to build on this. We have secured £30,000 funding to start to set up the more formal framework, putting in place the processes in anticipation of receiving further funding for the next two years from DCLG to roll this out across the Council and our partner agencies.
- 4.4 The bid was for £200k over this and the two future financial years. This funding will enable Lewisham to employ a dedicated enforcement co-ordinator to bring Council services and external partners together, supported by a para-legal to take forward prosecutions where appropriate and to ensure all legal avenues are explored and utilised. In pooling the combined resources of enforcement and investigation teams both within the council and key external partner agencies we can tackle these rogue operators from a number of angles, making it difficult if not impossible, for them to operate in the borough.
- 4.5 To date the inter-team arrangements have been largely ad-hoc in nature but this project will draw these agencies into a more formalised framework that will clarify lines of communication and joint working in the fight to eradicate rogue landlords from the borough. All relevant departments and partners will be called in to work as part of a specific “task-force” established purely to focus on the activity of one landlord or lettings agent that is a prolific “rogue landlord”. Enforcement teams both within and external to the council have a range of powers already in place they just need to be joined up and efficiently targeted on individual landlords.
- 4.6 At the time of writing, we are still awaiting notification from the DCLG.

5 FINANCIAL IMPLICATIONS

- 5.1 This report is intended to inform members of current issues and, therefore, has no direct financial implications.
- 5.2 The financial implications of each issue will be considered in specific reports as matters progress.

6 LEGAL & HUMAN RIGHTS IMPLICATIONS

- 6.1 There are no additional legal implications at this time, save to note the following:
- 6.2 The Equality Act 2010 (the Act) introduced a new public sector equality duty (the equality duty or the duty). It covers the following nine protected characteristics: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 6.3 In summary, the Council must, in the exercise of its functions, have due regard to the need to:

- eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- advance equality of opportunity between people who share a protected characteristic and those who do not.
- foster good relations between people who share a protected characteristic and those who do not.

6.4 The duty continues to be a “have regard duty”, and the weight to be attached to it is a matter for the Mayor, bearing in mind the issues of relevance and proportionality. It is not an absolute requirement to eliminate unlawful discrimination, advance equality of opportunity or foster good relations.

6.5 The Equality and Human Rights Commission has recently issued Technical Guidance on the Public Sector Equality Duty and statutory guidance entitled “Equality Act 2010 Services, Public Functions & Associations Statutory Code of Practice”. The Council must have regard to the statutory code in so far as it relates to the duty and attention is drawn to Chapter 11 which deals particularly with the equality duty. The Technical Guidance also covers what public authorities should do to meet the duty. This includes steps that are legally required, as well as recommended actions. The guidance does not have statutory force but nonetheless regard should be had to it, as failure to do so without compelling reason would be of evidential value. The statutory code and the technical guidance can be found at: <http://www.equalityhumanrights.com/legal-and-policy/equality-act/equality-act-codes-of-practice-and-technical-guidance/>

6.6 The Equality and Human Rights Commission (EHRC) has previously issued five guides for public authorities in England giving advice on the equality duty:

1. The essential guide to the public sector equality duty
2. Meeting the equality duty in policy and decision-making
3. Engagement and the equality duty
4. Equality objectives and the equality duty
5. Equality information and the equality duty

6.7 The essential guide provides an overview of the equality duty requirements including the general equality duty, the specific duties and who they apply to. It covers what public authorities should do to meet the duty including steps that are legally required, as well as recommended actions. The other four documents provide more detailed guidance on key areas and advice on good practice. Further information and resources are available at:

<http://www.equalityhumanrights.com/advice-and-guidance/public-sector-equality-duty/guidance-on-the-equality-duty/>

7 EQUALITIES IMPLICATIONS

7.1 There are no specific equality implications for this report (other than those in the legal implications) as its an information report and refers to other reports that, where necessary, will have an Equalities Analysis Assessment.

8 CRIME AND DISORDER IMPLICATIONS

8.1 There are no specific crime and disorder implications.

9 ENVIRONMENTAL IMPLICATIONS

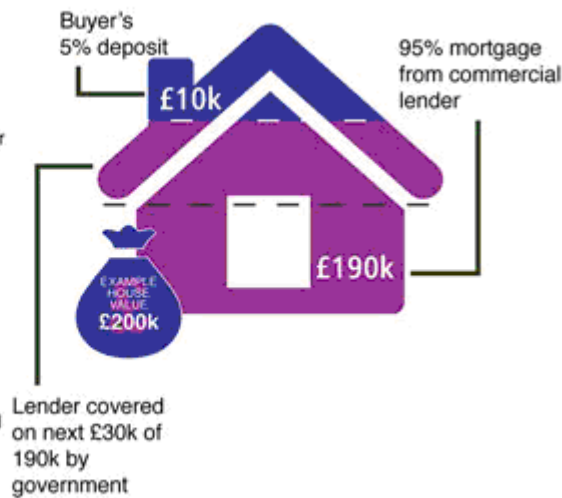
9.1 There are no specific environmental implications.

10 BACKGROUND DOCUMENTATION AND REPORT ORIGINATOR

If you have any queries relating to this report please contact Louise Spires, Strategy, Policy and Development Manager on x46649

Appendix 1 – Help to Buy publicity

- 🏠 You'll need a deposit of as little as 5% for this scheme
- 🏠 Available for new build and existing homes across the UK
- 🏠 You'll need to secure a mortgage for your purchase. The government guarantee encourages lenders to offer better access to low-deposit (80-95%) mortgages
- 🏠 The scheme is not available for second homes, or buy-to-let
- 🏠 This scheme will run for 3 years
- 🏠 Maximum home purchase of £600,000
- 🏠 To qualify for the scheme you must pass lender affordability checks and have no history of difficulties in meeting debt payments



The government provides a guarantee to your mortgage provider, who is then able to offer you a mortgage of 80-95% of the price of the property you are buying. The lender pays the government a commercial fee for each mortgage it guarantees. Borrowers remain fully responsible for their mortgage repayments in the normal way.

