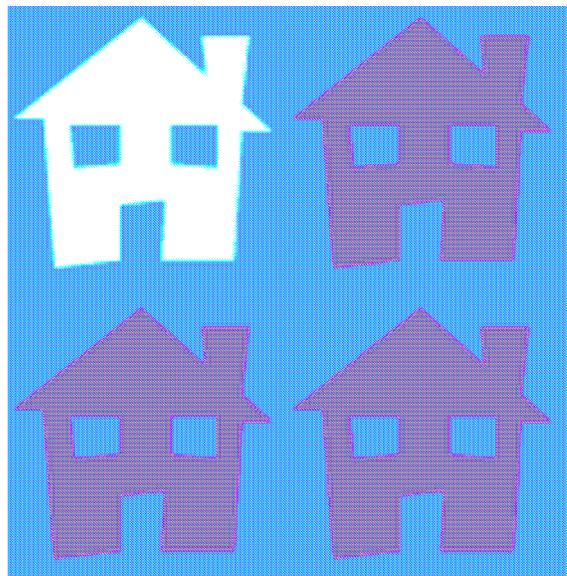




Help is at Hand?

**Scotland-wide advice agency survey on the Scottish
Government's new Home Owners' Support Fund**
(the Mortgage to Rent and Shared Equity Schemes)



Scotland-wide advice agency survey on the Scottish Government's new Home Owners' Support Fund

Introduction

The Mortgage to Rent Scheme was first introduced in Scotland in 2003, and gave homeowners facing repossession the option of selling their home to a local authority or housing association, repaying their mortgage, and becoming a Scottish secure tenant.

In January 2009, the Scottish Government announced it was committing an extra £10m to this initiative, as well as the new Shared Equity Scheme, which enables the Scottish Government to take a financial stake in a debtor's home. Both of these initiatives are collectively known as the 'Home Owners' Support Fund'. The fund has £35m pledged to it over two years, 2009/11.

The Shared Equity Scheme was launched on 16 March 2009, along with an 'improved'¹ Mortgage to Rent Scheme. The new schemes introduced new eligibility criteria including:²

Mortgage to Rent

- Failure to reach agreement with lender on managing your arrears;
- New maximum property values based on the lowest 25% of property prices in regions across Scotland;
- Have been unable to make full mortgage payments for three months with at least one month owing;
- Must be ineligible for help through UK Government Schemes including income support for mortgage interest; and
- Generally have less than 25% equity in your home.

Shared Equity

- Also, for shared equity you must hold at least 25% equity in your home;
- Have a capital and interest mortgage (i.e. not an endowment); and
- Own a property which is above the Tolerable Standard.

The purpose of this report was to ask money advice agencies and CABx across Scotland how these new schemes were operating in practice; and how well were they helping homeowners in Scotland avoid homelessness?

¹ <http://www.scotland.gov.uk/News/Releases/2009/03/16103352>

² <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/investment/hosf>

Summary of findings

- **81% of advice agencies** said that recent changes to the Mortgage to Rent Scheme made it **'more difficult'** for homeowners to access help.
- Of those expressing concern, **over half** believed that recent changes had made it **'very difficult'** for clients to access help under the Fund.
- The **majority of** respondents answering reported **an increase in the number of applications refused** under the Mortgage to Rent Scheme with some quoting 50% to 100% refusal levels.
- **More than half of all respondents said the new maximum property prices were unrealistic and acted as a major obstacle** to preventing those facing repossession getting help under the Scottish Government's Mortgage to Rent Scheme.
- Respondents identified **other obstacles** to accessing the Mortgage to Rent Scheme, including a lack of communication between Fund officials and advice agencies, the requirement to provide more evidence and paperwork, and the fact clients on benefits who were eligible for DWP mortgage interest payments were excluded from the Scheme (although one respondent claimed the Home Owners Support Fund team had recently said they were changing this policy to include such applications so long as they were facing homelessness).
- There were **very few reported applications to the Scottish Government's Shared Equity Scheme**, with many respondents claiming it was too cumbersome and difficult to qualify for.

“ The local maximum price is a post code lottery and has to be reviewed “

CABx

Methodology

Responses were received from 25 money advice agencies (independent and local authority), CABx and law centres across Scotland, in the week commencing 8 June 2009, from the following geographical areas:

- Coatbridge
- Dumfries
- East Dunbartonshire
- East Renfrewshire
- Edinburgh
- Fife
- Glasgow City
- Grangemouth
- Haddington
- Inverclyde
- South Lanarkshire
- Stirling

Advice agencies were contacted via Citizens Advice Scotland and Money Advice Scotland's mailing lists and asked to complete a short written questionnaire, in order to provide a 'snap-shot survey'.

The survey was undertaken by **Advice4Glasgow Ltd**, a consortium of free advice agencies in Glasgow including Govan Law Centre, Money Matters Money Advice Agency, and Pollok CABx. The report was written by Govan Law Centre's Principal Solicitor.

Specific observations from respondents

- 'New criteria such as maximum property price, assistance with mortgage interest, are having negative impact on applications' – *South Lanarkshire*
- 'Of the 8 applications submitted since the changes 4 have been refused (due to being above the maximum property price). Last year 11 applications were submitted and so far none have been refused' – *East Dunbartonshire*

- 'Valuation limits may protect the budget for the scheme but are set too low and are blunt as tools. Property values vary across North Lanarkshire but this is not reflected in the scheme' – *Coatbridge*
- 'We would like to see a change in the capped amounts to take into account the geographical area of East Renfrewshire as we have the highest owner-occupiers in Scotland. Ex-local authority houses in Newton Mearns are far higher than the capped amounts' - *East Renfrewshire*
- 'We are being asked to calculate amounts in the Shared Equity Scheme without proper guidance ... at the Home Ownership Scheme seminar the Fund officer told us to use a 'ball park figure' when calculating future interest rates' - *CABx*
- 'The local maximum price is a post code lottery and has to be reviewed'- *CABx*
- 'The maximum valuation to be reduced or made relevant to local areas rather than regional areas incorporating too vast a disparity in home values' – *CABx*
- 'A review of the eligibility criteria is essential, especially given the turmoil currently facing the UK's financial sector' – *Fife*
- 'In some areas the valuation amount is set so low it excludes people who would previously benefited from the scheme' – *Glasgow City Council money advisor.*
- 'The schemes can only applied through approved Money Advice Agencies – many people in Scotland may not have access to such agencies' – *independent Glasgow money advice agency.*
- 'As generalist advisors we are not qualified to give 'independent financial advice' – *Edinburgh*
- 'Mortgage to Shared Equity is so complicated, time consuming and cumbersome, I don't think I'll be offering it as an option' – *Inverclyde*
- '30% of applications do not meet criteria, the level of refusals are increasing' – *Glasgow independent money advice agency*

- 'Need value of thresholds increased. No Shared Equity applications due to limitations on type of mortgage and amount of equity' – *Haddington*
- 'Should be more accessible not less' – *CABx*

Advice4Glasgow Ltd is a consortium of advice agencies funded by Glasgow City Council, providing free legal and money advice services for residents in the South West of Glasgow, including Money Matters Money Advice Centre, Pollok Citizens Advice Bureaux and Govan Community Law Centre.