

EXECUTIVE COMMITTEE

14th April 2015

REDDITCH BOROUGH COUNCIL MORTGAGE RESCUE SCHEME

Relevant Portfolio Holder	Councillor Mark Shurmer
Portfolio Holder Consulted	Yes
Relevant Head of Service	Liz Tompkin
Wards Affected	All
Ward Councillor Consulted	No
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 The Mortgage Rescue scheme was a Government funded scheme designed to assist households with the threat of homelessness remain in their property. During its lifespan 25 families in the Borough received assistance. In 2013 the Council became a syndicated partner in the scheme and completed a further 5 mortgage rescues.
- 1.2 This report seeks Members approval for the Council to set up its own Mortgage Rescue Scheme (appendix 1) to help more residents avoid homelessness and the negative impacts of repossession and homelessness.
- 1.3 The scheme will be a last resort for those who are threatened with repossession. It will be discretionary and some properties may not be considered as suitable. Eligible applicants will be referred by the Housing Options Team once they have established that the lender's forbearance measures have been exhausted and the applicant is threatened with homelessness through repossession. If an application is approved and the Council buys a property it becomes part of the Council's housing stock and will be rented back to the applicant.
- 1.4 The Head of Housing Services will have discretion to consider applications which fall outside of the normal criteria but in respect of which 'exceptional circumstances' apply.

2. RECOMMENDATIONS

The Committee is asked to RESOLVE that

- 2.1 The Local Mortgage Rescue Scheme and policy (appendix1) be approved.**

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3. KEY ISSUES

Financial Implications

- 3.1 A budget of £500,000 has been included in the Housing Revenue Account for 2015-16 to facilitate the purchase of suitable properties and ancillary costs associated with same.
- 3.2 The properties are to be purchased at 90% of open market value.
- 3.3 The Council will cover the cost of undertaking the Asset management survey, electric survey, gas survey, Valuation report and EPC from the approved budget
- 3.4 Additional costs to bring the property up to the required standard will be capped at £15,000. If a property requires more than this level of expenditure the applicant will not be eligible.
- 3.5 The Council will meet the applicant's legal fees up to a maximum of £600 plus VAT and disbursements on the successful completion of a transaction.
- 3.6 There will be ongoing maintenance and repair costs in respect of any property purchased in line with those costs incurred in respect of the Council's existing housing stock.
- 3.7 The Council will be able to use Right to Buy receipts to part fund this scheme

Legal Implications

- 3.8 This scheme is a discretionary scheme so the Council is not required to provide Mortgage Rescue. However the prevention of homelessness arising from mortgage repossession assists the Council in meeting its statutory duties to homeless applicants under the provisions of the Housing Act 1996, and the requirements of the Homelessness Act 2002.

Service / Operational Implications

- 3.9 The purpose of the scheme is to assist the Council in preventing homelessness.
- 3.10 The Housing Options team will only consider Mortgage Rescue where an applicant is being repossessed due to the property being unaffordable. Appropriate cases will be progressed through the scheme by the Housing Strategy team.

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- 3.11 The applicant's lenders must be willing to accept any Mortgage Rescue offer provided to settle the debt to them in full. Such offers may be less than the total outstanding debt due to them.
- 3.12 Only properties with an open market value of £130,000 or less will be considered. This cap has been determined to ensure properties are suitable to be included in the Council's housing stock. This figure will be reviewed annually to maintain an appropriate level in line with property price increases/decreases.
- 3.13 The income of the applicant and anybody living with them must be below £35,000 in total, excluding any means tested benefits, and there must be no more than £16,000 equity available to the applicant following the completion of any purchase.

Customer / Equalities and Diversity Implications

- 3.14 The Mortgage Rescue scheme will benefit the Council's customers, by offering households an additional option to prevent their homelessness and, where possible, to enable them to remain in their own homes.
- 3.15 This scheme plays a role in meeting the following of the Council's Strategic Purposes:
- Help me live my life independently
 - Help me find somewhere to live in my locality
 - Help me to be financially independent

4. RISK MANAGEMENT

- 4.1 If the recommended scheme is not approved then there will be one less option open to those households that are threatened with homelessness through mortgage repossession. This may have a 'knock-on' effect of increasing the number of households deemed as homeless and requiring further support including the following:
- Temporary accommodation (including B & B charges)
 - Longer term accommodation (thereby decreasing the available housing stock)
 - Assistance with obtaining privately rented accommodation (including provision of deposits, etc.)

In addition there are likely to be impacts on the health, education and general welfare of those households affected.

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- 4.2 In addition, if the Council does not spend its Right to Buy Receipts by 2016 Central Government will recover this sum.

5. APPENDICES

Appendix 1 - Mortgage Rescue Policy
Appendix 2 – Case Studies

6. BACKGROUND PAPERS

7. KEY

AUTHOR OF REPORT

Name: Amanda Glennie

E Mail: a.glennie@bromsgroveandredditch.gov.uk

Tel: 01527 881269