

Purchase Assistance Loans Policy

1.0. Purpose:

- 1.1. The purpose of this policy is to set out how the Council will provide financial assistance to help to relocate qualifying owner-occupiers whose homes are the subject of compulsory purchase proposals into alternative owner-occupied accommodation elsewhere in the Borough.
- 1.2. This new policy replaces the Council's existing Rehousing Grants Policy in all cases apart from those involving applications made in respect of properties that have been included in approved "in principle" Compulsory Purchase Order proposals prior to the date of this policy being approved by the Council. Such applications will have a time-limited retained right to a Rehousing Grant (until 31st March 2008). Residents will need to have 'agreed terms' with the Council by the 31st March 2008 in order to retain the entitlement to the Re-housing Grant, this will apply for a further twelve months.

2.0. Legal Basis:

- 2.1. The legal basis for this policy is in "The Regulatory Reform Order (Housing Assistance) (England and Wales) 2002".

3.0. Eligible Purchasers and Limitations of the Policy

- 3.1. The only people who can qualify for a Purchase Assistance Loan are owner-occupiers whose homes are being purchased by the Council in line with formally approved clearance proposals.
- 3.2. The Purchase Assistance Loan is not means tested and can be taken out in joint names for residents living in the same property.
- 3.3. Only one Purchase Assistance Loan per household and replacement home is allowed. This means that households that are living separately as individual owner-occupiers cannot move into one property as joint owners and have two Purchase Assistance Loans for purchasing that replacement property together.
- 3.4. Purchase Assistance Loans are only available to those owner occupiers who have been in occupation of the property, where the property was the only or principal home of that person both on the date of the in-principle decision to declare the clearance

area and throughout the period of 12 months ending with the date of the acquisition of the property by the Council.

- 3.5. Landlords and Tenants are not eligible for Purchase Assistance Loans.

4.0. Eligible Use of the Loan

- 4.1. The Purchase Assistance Loan can be used to fund the gap between the total compensation payable to the applicant (the “total compensation” being the market value of the property plus the home loss payment) and the value of the new home being bought.
- 4.2. The Purchase Assistance Loan can also be used to fund the cost of repairs to the home that the applicant is moving into up to a maximum value of £5,000. Priority for such funding must be given to remedying any Category 1 hazards (as defined in the Housing Health and Safety Rating System) in the property.
- 4.3. Once all such hazards have been remedied any outstanding balance of the Purchase Assistance Loan that is available to be used on repairs may be used to fund work that is required to achieve the Decent Homes Standard.
- 4.4. If the property is subject to a mortgage retention then the repairs allowance may be used to fund those works.
- 4.5. The maximum allowance of £5,000 can also be used to fund adaptation work (as defined in the Housing Grants, Construction and Regeneration Act 1996) that is required by one or more of the residents. All of the proposed repair and / or adaptation work must be approved by the Council in advance of the Loan being granted.
- 4.6. A Purchase Assistance Loan cannot be used to fund Stamp Duty.

5.0. Replacement Home Criteria

- 5.1. The property must be being acquired for owner-occupation by the qualifying person or a family member as their only or principal home. The Council has the right to make periodic checks to clarify this.
- 5.2. The property must be located in the Borough of Burnley or Pendle, but must not be identified for future clearance in a Council plan.
- 5.3. A Purchase Assistance Loan, when combined with the total

compensation for the property that the Council is purchasing, can only be used to acquire a suitable replacement property.

- 5.4 Subject to paragraph 5.3. above, there is no upper limit on the value of a replacement property.
- 5.4. Prior to purchase, the replacement property should be free from Category 1 hazards (under the Housing Health and Safety Rating System) and must be mortgageable. If any Category 1 hazards do exist then the owner must be able to demonstrate how they will fund the work required to remedy them. It may be possible for a part of the Purchase Assistance Loan to be used to fund this work (see section 4.0. above).
- 5.5. A Purchase Assistance Loan cannot be used where other public funding or subsidy has been provided (e.g. grant from the National Affordable Housing Programme) as this is classed as a “double subsidy”.

6.0. Minimum Loan Amount

- 6.1. The minimum loan available is £2,500.

7.0. Maximum Loan Amount

- 7.1. The maximum loan available is normally £30,000, although in exceptional circumstances this may be increased to £40,000 at the Council’s discretion. The circumstances where this will be considered are for example :
 - Where the owners are living in overcrowded property and a replacement home will need to be bigger and therefore provide a larger financial gap.
 - Where a household requires a larger property to support a member of the household with a medically proven and relevant disability.
 - Elderly person/s not being able to obtain a mortgage.
- 7.2. The Purchase Assistance Loan cannot amount to more than 50% of the value of the replacement home.
- 7.3. The qualifying person must use their Home Loss Payment as a part of the deposit for the new home.

8.0. Loan repayment Criteria

- 8.1. There are no repayments required during the life of the Purchase Assistance Loan.

- 8.2. The Purchase Assistance Loan can be repaid to the Council at any time without any penalties being incurred.
- 8.3. The repayment of the Purchase Assistance Loan will not arise until one or more of the following arises:
- The death of the owner.
 - The owner leaves the property to live elsewhere and has no reasonable prospects of returning (e.g. moving to residential care).
 - The owner acquires another property which will be their main residence.
 - The owner sells the property.
 - The owner repays and extinguishes the loan.
 - Where a mortgage lender takes possession of the property under the terms of that mortgage contract.
- 8.4. When the repayment of the Purchase Assistance Loan falls due, the loan administrator will obtain a valuation of the property. They will then inform the owner (or their executor / agent) of the value of the property, and will obtain their consent to the valuation fees being added to the settlement figure.
- 8.5. The owner (or their executor / agent) can challenge the valuation on the basis of a second valuation from an appropriately qualified independent surveyor, with the cost of this falling on the owner. If no agreement on the value can be reached the matter will be referred to the District Valuer for a binding independent valuation, the costs of which to be shared equally between the Council and the owner.
- 8.6. The Purchase Assistance Loan is the means by which the Council has shared the cost of buying the replacement home. When the Purchase Assistance Loan comes to be repaid, it is appropriate that the Council should share in any increase in the value of the home at that point in time. This approach means that the amount that will be repaid will depend on the increase in property values over the time the loan exists. Should property prices fall, then the PAL repayment will be the equivalent of the original share of the original purchase price.
- 8.7. The general rule that is to be applied when calculating the amount to be repaid is based upon the share of the original purchase price that was funded by the Purchase Assistance Loan. For example, if a Purchase Assistance Loan of £30,000 is used to help the owner acquire a property costing £80,000, the original share that the Loan has bought is 37.5%. The Council could legitimately claim back from the owner 37.5% of the value at the point of repayment. However, in order to protect the owner from excessive rises in property values, the maximum

amount that has to be repaid is to be capped. The cap is to be calculated on an annual basis and will be the bank base rate plus 1% (as calculated by the Council's Director of Finance under normal accounting procedures). The owner will retain any increase in value above the capped repayment share.

- 8.8. Where an owner has carried out improvements to their property using their own finance, they are entitled to retain the benefit of any increase in value that the improvement work has had on the property. For an owner to take advantage of this they must inform the Council's Housing Unit before they undertake any improvement works and must comply with the required permissions (e.g. planning permission and Building Regulations). The Council will record the improvement works and, at the point that the Loan is to be repaid, the independent valuer will assess the increased value that the improvements account for. This amount will be taken off the value of the property before the Loan figure to be repaid is calculated.

9.0. Loan Early Repayment Conditions

- 9.1. Any owner who has taken out a Purchase Assistance Loan and chooses to repay it within three years of entering into the loan agreement will only have to repay the original cash amount borrowed, irrespective of any rise in value in the intervening period.

10.0. Loan Conditions upon Death of the Qualifying Owner

- 10.1. There is no automatic right for a family member or carer who live at the property to continue with the same Purchase Assistance Loan in the event of the owner's death.
- 10.2. If the resident family member(s) or carer(s) are unable to refinance the Loan privately, the Council will consider granting a new Purchase Assistance Loan in their name(s) to enable them to remain as owner-occupiers for as long as they remain resident and in need of assistance. The administration and legal costs incurred by this will have to be paid for by the applicant.
- 10.3. The amount of the new Purchase Assistance Loan would depend on the circumstances of the individual(s) concerned.
- 10.4. The Council will consider each case individually on its merits.

11.0. PAL costs criteria

- 11.1. The Council will pay for the following costs that are incurred as a part of setting up and administering the Purchase Assistance Loan:

- The Valuation fee.
- Legal registration.
- Local land search.
- Loan administration fee
- Land Registry Title.
- Other searches as required.

11.2. The qualifying person will be offered the services of an Independent Financial Advisor before their referral to the Purchase Assistance Loan Administrator. This service will be paid for by the Council. This is an optional service and a qualifying person may choose not to take up the service. However, in such instances the qualifying person must sign to confirm that this was their choice.

11.3. The Council will pay the legal costs of a solicitor and surveyor to represent the qualifying person in their purchase of their new home.

12.0. Repayment of the Loan

12.1. The Purchase Assistance Loan will only be paid on completion of a property purchased under the terms of this Policy.

12.2. The payment will only be made to the solicitor representing the qualifying person. It will not be made to the qualifying person themselves.

13.0. Policy Discretion

13.1. The Council will periodically review this Policy to ensure that it is delivering its objectives in assisting owner-occupiers affected by redevelopment proposals to move to suitable replacement properties.

13.2. In exceptional individual circumstances the Council may wish to approve the granting of a Purchase Assistance Loan outside of the strict criteria set out in this Policy. Decisions on such cases will be delegated to the Head of Housing.