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**MORTGAGE RESCUE SCHEME**

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**Responsible Cabinet Member - Councillor Veronica Copeland,  
Adult Social Care and Housing Portfolio**

**Responsible Director - Richard Alty, Director of Place**

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**SUMMARY REPORT**

**Purpose of the Report**

1. The purpose of this report is to seek approval for the Council to participate in the Mortgage Rescue Scheme as a service provider.

**Summary**

2. The Council currently acts as a referral agency for the local Mortgage Rescue Scheme known as Time2Buy, which operates in the Tees Valley and County Durham area. The scheme is aimed at home-owners who have not been able to meet their mortgage payments, and who are at risk of becoming homeless because they face repossession. Registered Providers, like ourselves, are able to access grant funding from the Homes and Communities Agency (HCA) to assist with the purchase of properties at risk of possession and rent them back to allow people to remain in their own homes. Whilst providers can choose to operate throughout the geographical areas included in the Time2Buy Scheme it is proposed that we operate within the boundary of Darlington Borough Council.

**Recommendation**

3. It is recommended that Cabinet:
  - (a) Agree that the Council participates in the local Mortgage Rescue Scheme, Time2Buy, as a Registered Provider.
  - (b) Agree that we restrict our operations to within the Council's boundaries.
  - (c) Agree to offer a fixed term tenancy initially for a 3 year term.
  - (d) Agree that the Assistant Director Resources completes the necessary documentation for participation in the scheme.

## Reasons

4. The recommendations are supported for the following reasons:-
- (a) The scheme benefits households in Darlington who are at risk of losing their homes.
  - (b) Increasing the Council's housing stock provides more affordable housing in Darlington and is financially advantageous to the Housing Revenue Account.

**Richard Alty, Director of Place**

## Background Papers

No Background papers were used in the preparation of this report

Pauline Mitchell : Extension 2505

S17 Crime and Disorder	Homelessness prevention work reduces the likelihood of crime and disorder.
Health and Well Being	Helping households retain their homes contributes to their overall well being.
Carbon Impact	Purchased properties will be included in the Housing Asset Management Programme and will qualify for a range of energy efficiency measures.
Diversity	The service is open to all eligible households.
Wards Affected	The service is open to all Wards in Darlington.
Groups Affected	The service is open to all members of the local community who meet the eligibility criteria.
Budget and Policy Framework	The scheme attracts HCA grant which allows it to be self-financing.
Key Decision	No
Urgent Decision	No
One Darlington: Perfectly Placed	The service will support outcomes linked to quality of life, narrowing health gaps, reducing offending, emotional health and early intervention.
Efficiency	There are financial benefits for the Council as well as the individuals concerned.

## MAIN REPORT

### Background

5. Time2Buy is a consortium of housing providers set up to provide the Mortgage Rescue Scheme with Fabrick Housing Group, based in Middlesbrough, acting as the accountable body. Administration costs are funded from the HCA grant funds awarded to the Council and in return Time2Buy aims to ensure that the acquisition of properties process complies with the requirements of both the Mortgage Rescue Scheme and the HCA requirements regarding funding, monitoring and evaluating the success.

### Scheme Detail

6. The scheme assists vulnerable, potentially homeless individuals or families facing repossession, who are classed as in priority need in accordance with homelessness legislation. Equity in the property must be 25% or less. It involves a Registered Provider purchasing the property and renting it to the former owner on a fixed term tenancy with three years being the term currently being offered by other providers. Until recently local authorities have been unable to offer fixed term tenancies and Cabinet have only recently agreed to do so. (Minute C59/Oct/12 refers). Time2Buy report that they have sometimes struggled to identify a Registered Provider for Darlington properties and would welcome Darlington Council joining the scheme as a provider.

### Application Process

7. Once a property is identified by the local authority as being suitable a referral is made to Time2Buy. The property is then circulated to the Registered Providers Syndicate for expressions of interest and providers will agree who is most appropriate if more than one registers an interest. If no one registers an interest in 10 working days the case does not proceed. Valuation of the property is arranged to determine open market value and redemption figures are requested from all charge-holders. If the equity in the property is 25% or under, including negative equity the application can proceed. For cases with negative equity an offer must be made to each charge-holder and a shortfall agreement may need to be made. All charge-holders must agree in order for the mortgage rescue to proceed. Funds from the Repossession Prevention Fund may be requested. Upon lender agreement, the Registered Provider will arrange a Decent Homes Survey paid for by Time2Buy and the property can be rejected if the property is in extremely poor condition. Subject to approval by the HCA in outline of the grant funding, a formal offer is then made to the customer and if accepted instructions are then provided to Vela Group whose legal department deals with all purchases. Both parties' legal fees are covered by Time2Buy. Once a tenancy agreement has been signed and repair work agreed, the HCA grant is claimed via Fabrick Housing; these matters are dealt with prior to completion to ensure that the grant funding can be claimed.

## **Financial Implications**

8. Funding for the current scheme amounts to £6.65m between 2012/14 and is equivalent to 150 rescues. The property value cap is £125k in the North-East although permission can be sought for a more expensive property if there is a justifiable case. The property is purchased at 90% of the valuation price and the purchase price, as well as the cost of repairs to bring the property up to Decent Homes Standards up to a value of £20k are grant funded at 47%. The average property value is £86k whilst the average cost of repairs is £7k. The shortfall between the grant and the total costs can be met from the rental income. Whilst properties will subsequently be eligible for the Right to Buy Scheme the investment is protected by the rules around not being able to discount below the cost of provision.

## **Legal Implications**

9. Risks of mis-selling are mitigated by the use of a standard suite of documents produced by the HCA in the 'Mortgage Rescue Toolkit' which ensures that sellers are properly informed of the process and its implications as well as a direct indemnity from the legal advisors to Time2Buy to the Council.
10. The Mortgage Rescue Toolkit also sets out clear guidelines on the acceptance criteria which the Council will adhere to in consideration of all applications.
11. The terms and conditions of the grant funding from the HCA will be subject to legal review to ensure and that the Council meets its obligations under such terms (including for example that any risk of clawback is understood).
12. The administration fee payable referred at paragraph 5 (which is a set sum agreed between the HCA and its selected providers, including Time2Buy) is paid by the HCA directly to the provider and there is therefore no procurement implication for the Council. The total aggregated administration fees will in no event exceed £75,000.

## **Consultation**

13. No formal consultation has taken place but feedback from customers who have been through the mortgage rescue process to date is positive.