



Mortgage to Rent Policy

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Charter Outcomes	Number(s)
The Customer/landlord relationship	1. Equalities 2. Communication
Housing quality and maintenance	4. Quality of Housing 5. Repairs, Maintenance, and improvements
Neighbourhood and community	
Access to housing and support	10. Access to Social Housing 11. Tenancy Sustainment
Getting good value from rents and service charges	

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Approval Date by Committee	
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<p>Notes</p> <p>Policy drawn up with reference to:</p> <p>Housing (Scotland) Act 2001 Policy first approved on 21 October 2009 Policy Reviewed 28 October 2015 Policy Reviewed October 2019 Policy Reviewed October 2024</p>

ANGUS HOUSING ASSOCIATION LIMITED

MORTGAGE TO RENT POLICY

1 INTRODUCTION AND AIMS

- 1.1 The Association in meeting its legal and regulatory requirements aims to work in partnership with other organisations in preventing homelessness within the Angus and Dundee area. This policy details the way in which the Association will work jointly with The Scottish Government through their Mortgage to Rent Scheme in achieving this aim.

2 THE MORTGAGE TO RENT SCHEME

- 2.1 The aim of the Mortgage to Rent Scheme (MTR) is to help homeowners who are in danger of being made homeless due to legal action that could result in their home being repossessed. The scheme helps by offering households the flexibility to change the tenure of their home from ownership to a tenancy in the social rented sector. Before applications for the scheme can be considered, the household must have received advice from certain advice agencies on the options available to them. Applications are only progressed where there are no practical means of enabling the household to remain living in their home, such as rescheduling mortgage payments, or trading down in the owner-occupied market.
- 2.2 The scheme is funded by the Scottish Government and provides resources to social landlords to buy properties accepted through the scheme and rent them to the resident on the basis of a Scottish Secure Tenancy. Grant funding is made available through the Scottish

Government, who administer the scheme, on a case-by-case basis to enable a social rent to be charged and any necessary repairs to be made to the property. All social landlords who are registered with the Scottish Government and local authorities who have a landlord function are eligible to participate in the scheme. The Association will actively promote knowledge of the scheme, with a particular focus on individuals who would be directly eligible for this.

3 Implementation

- 3.1 The aim of preventing homelessness by enabling housing associations and local authorities to acquire houses, with grant subsidy, is one that is fully supported by the Association. However, it is also recognised that it would be prudent to proceed on the basis that properties be acquired through the scheme without the requirement of a capital contribution from the Association. The complex common maintenance responsibilities that can result from involvement in multi-tenure property arrangements within individual blocks of properties are a further consideration.

Financial Issue

- 3.2 Although recent improvements have been made to the grant funding available through Scottish Government for MTR acquisitions, it is still anticipated that proceeding only based on this funding would result in a requirement for capital contributions from the Association. The Association will seek to ensure that the property's rent is set at level which would cover any shortfall in the grant funding through additional rent supported borrowing even if the Association chooses to fund the purchase initially through cash reserves.

Property Issues

- 3.3 The Association will actively consider all requests made by the Scottish Government to consider individual properties through the Mortgage to Rent Scheme.
- 3.4 The timescales for decisions, set by the Scottish Government are very tight; a decision needs to be made within two weeks of initial notification. For this reason, it has been agreed that the Director or the Finance & Corporate Services can make the decision to purchase if the property meets the criteria set out in this policy. All decisions must then be reported in full to the next available Committee of Management meeting.

Case Progression

- 3.5 All MTR cases referred to the Association by The Scottish Government will be considered in the first instance by the Director of Finance & Corporate Services who will circulate the details to all members of the Senior Management Team. If the property is of interest, then full details will be requested from the Scottish Government.
- 3.6 The Association will only be interested in properties which meet the following criteria:
- The property is not part of a block of flats, unless it is a four in a block arrangement, where the other flats are owned by a social registered landlord.
 - The property is near current Association stock, (e.g. same town or estate)-

- The repairs allowed for in the purchase price will bring the property up to the Scottish Housing Quality standard and the Energy Efficiency Standard for Social Housing.
- The property produces a positive cashflow based on the project annual rent and the assumption that it may have to sustain a loan for the balance of the purchase price net of subsidy.
- There is sufficient funding in place for purchase either from cash reserves or private finance.

3.7 Once the full details are available such as the valuation report, survey and estimate of repairs required, the Director of Asset Management, Housing Manager of Housing and a member of the Financial Inclusion Team will arrange to visit the property will arrange to visit the property.

3.8 The Director of Asset Management will assess the general condition of the property and check that the repairs information provided is reasonable. The Housing Manager will carry out normal pre-tenancy checks as per the Allocation's Procedures.

3.9 The Financial Inclusion Team will complete a Moving in Checklist in accordance with the Association's Tenancy Sustainment Policy and Procedures to ensure appropriate financial and benefits advice is provided.

3.10 The Director of Asset Management will also arrange gas and electrical safety checks, and the Housing Manager will determine the social rent to be charged. The rent will be set by referring to the current Association Rent Policy in the normal way. (It should be recognised that the gas and electrical checks will be reimbursed through the scheme if the property is purchased by the Association)

- 3.11 Once the Finance Department has the confirmed repairs costs and the rent figure, then a discounted cashflow will be prepared for the property. The discounted cashflow will assume that the property will have to sustain a loan for the purchase price less subsidy. If this discounted cashflow is positive, then the Finance Department will check that sufficient funds can be raised for the purchase either from cash reserves or private finance.
- 3.12 If there is a positive discounted cashflow and sufficient funds are available, then a recommendation to purchase will be made. The final decision to purchase will be made by either the Chief Executive Officer, or in their absence, the Director of Finance and Corporate Services. All decisions will be reported in full to the next available Board of Management meeting.
- 3.13 If the discounted cashflow is negative, then all assumptions will be reviewed to ascertain whether any can be revised. If the discounted cashflow remains negative, then the Association will not proceed with the purchase.

4 RISK MANAGEMENT

- 4.1 Risk arises from the Association's Mortgage to Rent Policy in several respects:
- Insufficient rental income to meet all costs
 - Maintenance costs through the acquisition of properties in poor condition
- 4.2 The management of these risks will involve a detailed financial appraisal of each proposed acquisition. Detailed property inspections will also be carried out to assess the viability of the acquisitions and to ensure full advantage is taken of the repairs grants provision available through the

MTR scheme. These will be supplemented by legal advice from the Association's own solicitors on potential acquisitions where required.

5 EQUAL OPPORTUNITIES

- 5.1 The Association through the Mortgage to Rent Policy will act in a manner that encourages equal opportunities and complies with all relevant equal opportunities requirements. The Association's Equalities Policy provides further information on these and the Association's approach to equalities issues.

6 FINANCIAL RISK

- 6.1 The financial risks involved in the implementation of this policy are detailed in Section 4 above.