

Comments on the Mortgage to Rent Scheme

Discussion note prepared for the Housing and Homelessness Committee

1. Mortgage to Rent Scheme

The Mortgage to Rent Scheme (MTR) requires that the borrower surrenders the property to the lender, the lender sells the property to an Approved Housing Body (AHB) for the Open Market Value minus the cost of repairs and the borrower becomes a tenant of the Approved Housing Body.

2. Changes to Date

A review of the scheme in July 2015 resulted in the introduction of a centrally management independent valuation process and an agreed protocol for all of the stakeholders. While these improvements have seen a decrease in the timescales it has not resulted in a noticeable increase in the number of submitted or completed cases.

3. Requirements

In order to increase both the uptake of the scheme and the rate of completion we must examine the scheme both at a macro and micro level.

Radical changes will be required to the scheme while further fine tuning of the process will also assist.

4. Suggestions for Consideration

4.1. Macro Level

At this level there are two main issues that need to be examined Eligibility Criteria and Additional Stakeholders.

4.1.1. Eligibility Criteria

One of the most limiting criteria for people at present is the requirement for the property to be suitable to the needs of the household. In July 2015 the changes to the scheme allowed for an additional bedroom to the assessed needs of the household. It must be borne in mind that the main purpose of the Mortgage to Rent Scheme is to keep households in their homes and part of their existing communities and away from the already struggling homeless services.

Due to the shortage of housing supply local authorities are having to be more flexible in their approach to allocating properties to households based on the appropriateness of the property to the size of the household. For example a couple may be allocated a 3 bed property in areas where the local authority do not have access to one or two bed properties.

The Housing Agency propose that the criteria that deems a household over accommodated be removed from the scheme and replaced with a capping regarding the market rent payable for the property. This capping should be 130% of the rent for a property in an area that is appropriate to the needs of the household within the Scheme. The rent payable, which may

be capped by the scheme, should be reasonable for the provision of social housing in a particular area and will require an independent market rent valuation.

4.1.2. Additional Stakeholders

The use of the social leasing and the Rental Accommodation Scheme should be utilised to attract private finance/investors into the scheme to ensure that if there is an increase in the put through of cases that there is a party that can purchase the property and lease it back to the State for the borrowers household.

It is also important to ensure that there are protections added to the schemes to ensure that the property remains in the Social Housing Sector for as long as possible. There should be no break clause for the term of the lease other than to return the borrower or an assignee to ownership. The State should have the first option to purchase the property or renew the lease at the end of the 20 year term.

4.2 Micro Level

There is some further streamlining of the process that would allow for added efficiencies.

4.2.1. Open Market Valuation (OMV)

A commitment is required by all parties that there will not be a request for an additional valuation if the offer is made within 6 months of the initial independent valuation. Lenders must also commit to flag at the earliest possible stage that the valuation is acceptable and not wait until the offer is made to indicate that they are not in a position to accept an offer based on the OMV.

4.2.2. Conveyancing

More emphasis must be put on the conveyancing process by both the lender and the Approved Housing Body. This must include a quicker turnaround on the exchange of contracts and contract queries.

4.2.3. Repairs/Property Upgrade

Some properties require repair or upgrade to bring the property to private rented standards and this process should be managed centrally by the Housing Agency with a dedicated resource within the Agency to adjudicate on the repairs/upgrade levels.

5. Conclusion

The Social Housing Support income limits will exclude many households but this is a wider issue than the MTR Scheme. If new measures in this regard are to be considered they should also be considered in the context of the MTR Scheme and subsequently be applied to MTR borrowers.

It is important that MTR is seen by the borrower as an attractive alternative to losing their home and the certainty that the scheme can provide to households. The above measure would allow for additional households to qualify for inclusion in the scheme. The changes would ensure that the process is streamlined and that the increase in qualified cases can be facilitated.