

# **shelter**

**N O R T H E R N I R E L A N D**

DSD Proposed Amendment of the House  
Sales Scheme to incorporate equity  
sharing

**23<sup>rd</sup> October 2008**

Shelter Northern Ireland Response to DSD proposed amendment of the House Sales Scheme to incorporate equity sharing

**Thursday, 23 October 2008**

Introduction

1. Shelter Northern Ireland welcomes the opportunity to contribute to the consultation on the proposal to amend the House Sales Scheme to incorporate equity sharing.
2. Shelter Northern Ireland believes that housing should be a right for everyone. Housing in all its forms should also be accessible, built in sufficient supply to a decent standard, affordable and provide security of tenure for the occupants.

General Comments

3. Shelter NI is concerned that in bringing forward this Policy amendment, the DSD and the Stormont Executive is using the legitimate aspiration of households to “own“ their home to further reduce the availability of a scarce public asset at a time when the need for social housing is at crisis levels.
4. Shelter NI regards the reference in the Introduction of this document to Semple’s support for introducing equity sharing in social housing in his final report Review into Affordable Housing as entirely inadequate.
5. Semple sets his premise for modifying the House Sales Scheme in the context of a firm belief that this must be “balanced against the needs of existing and future applicants for social housing.”(Final Report pp 40)
6. Semple is clear that the Houser Sales Scheme should be comprehensively reviewed and makes the following key recommendations (Final Report pp40), which may be roughly summarised as
  - i. Finding alternative means for meeting householders aspirations to home ownership (portable discounts etc),
  - ii. Limiting the loss of scarce house types or geographical areas by **excluding** them from the Scheme
  - iii. Protecting Public Investment by lengthening the claw back period and/or by retaining a “golden share”. Semple also refers to a review of the capital valuation applied to social housing in mixed tenure areas.
7. Shelter NI agrees with the need for a comprehensive review of the House Sales Scheme as a long overdue recognition of the negative impact of the right-to-buy on the ability of the Housing Executive (and housing associations) to meet housing need in the medium to long term.
8. Shelter NI is aware of the consultation around the proposed Mortgage Rescue which is in the public domain. Shelter NI would be concerned that there should be confluence between the policies so that there should be no possible inequities in application such as for example in the method of residual rent setting.

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### **Eligibility**

9. Shelter NI recommends a comprehensive review of the House Sales scheme which may impact on the eligibility criteria. Such a review should consider a “discount” at a no loss rate to the Housing Executive or housing associations, Building for Sale by the Housing Executive and housing associations for low income families, the circumstances and arrangements for clawback, the retention of an equity share by the landlord, the exemption of property types and locations, the business case for an equity share in lieu of discount and the terms of trade in such circumstances, the use of portable discounts allied to or as a pump primer to encouraging the development of affordable housing in the private sector. The review must weigh the impact of meeting medium and long term housing need by maintaining the Scheme as it is against the inadequate level of proposed additional public sector social homes to be built in the current Programme for Government.

### **Minimum Equity and Staircasing**

10. Examining the minimum equity as proposed, for example, a property in Belfast is worth say £100k. Rent and rates is probably around £250-300 per month. If an applicant qualifies for the maximum discount of £24k and applies for 25% equity share. The discount is reduced to £12k; the applicant has to find a mortgage of £22k. The monthly repayment of such a loan over 25 years at 5.75% works out at £138, monthly rates (in Belfast) £51 (12 months) and a residual rent of say at least £100. This is around £300 per month. The applicant also must take on the maintenance and insurance of the property. The overall cost is greater to the resident than the original costs of being a tenant. In addition, for a small stake in the equity of the property, the resident has less security of tenure, the HE or HA has lost another dwelling from the social housing stock and the co-owner receives a relatively small capital cash release and loses part of its revenue stream..
11. Shelter NI agrees with Semple when he mentions the importance of financial awareness amongst those contemplating home ownership to fully understand the costs such as water rates, maintenance, house rates, insurance and the impact of interest rate rises. Before embarking on the choice of equity sharing, applicants should be advised about the consequences of choosing this route. It may be possible to find tenants capable of affording a 25% stake.
12. Shelter NI has no concern about additional equity being purchased in 5% increments.
13. The minimum equity issue is bound up with the proposed discount. In seeking to protect scarce public resources, Shelter NI would support a reduction of the maximum value of the discount and instead of applying the discount, consideration given to converting the discount into a further equity share.

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**Discount**

14. Shelter NI would prefer the DSD to look at the option of converting the discount to an equity share. In relation to the doubling the discount with the share of the equity, Shelter NI recommends the DSD to monitor whether applicants regard this issue as a turning point in their decision to purchase.

**Range of Responsibilities of Resident**

15. There have been examples of housing bought through Co-ownership, where the residents were unable or unwilling to carry out basic maintenance to their property resulting in serious repairs. Since the properties belong to the NIHE/ housing associations who may have to take the property back in the event of the resident running into financial problems, Shelter NI would encourage the DSD to allow the responsibilities for maintenance to be shared via a contract between the co-owners and that cost should be reflected in the residual rent charged to the resident.
16. If you would like us to further develop the issues of the maximum level of discount/ converting to an equity share or if you need any other further information please contact

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