

Response to Consultation

Date: 17 April 2009

Consultation: House Sales Scheme – Equity Sharing Guidance

Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents 40 housing associations. This includes all 34 associations registered and regulated by the Department for Social Development (DSD). Collectively, these associations provide 30,000 good quality, affordable homes for renting or equity sharing. Further information is available at www.nifha.org

Background

NIFHA's members are responsible for about twenty five percent of all social housing stock in Northern Ireland. We are conscious that the Department for Social Development's high level guidance for the equity sharing policy will impact on the work of our members and would like to highlight the following key concerns.

General Comments

Para 1.1

I thought that the policy came into effect on 31 December 2009?

Does this also suggest that housing associations should consult with those who have applied for full purchase and advise them they have an alternative – this has not been the case. We would need clarity on the terminology where a tenant may “choose” to buy part of the dwelling.

Para 1.2

In contrast to NIHE tenants, Housing Association tenants have to pay service charges anyway. All social tenants already pay rates, though they are usually collected with their rent.

Last two sentences should read as follows:

“For equity sharing there will be an ongoing rental payment as well as the mortgage repayments to be budgeted for. Further equity valuation and legal fees will be payable when the tenant decides to buy more equity.”

Para 1.4

I would stress that associations cannot place guidance on their website until everything has been agreed internally.

Para 1.6

I think it would be clearer to use the terms owner, part-owner and tenant. Secondly, the definition of tenant used in the draft overlaps with the definition of leaseholder.

Para 2.1

Why should a tenant have to justify reasons for part purchase rather than full purchase? Is this not all about choice? The proof required from a tenant in relation to inability to afford full purchase is very onerous.

Para 2.2.

Do these “exceptional circumstances” mean that discretion will be given to purchase proportions of less than 5%?

Para 2.5

First sentence replace “or” with “nor”

Para 2.6

Apart from the first sentence, this paragraph should be deleted because:

- a landlord could be criticised if it did not do what “may be helpful”
- the forecasting is difficult and a landlord could later be criticised (sued?) for getting it wrong.

Para 2.7

Worked examples should be provided by DSD

Para 3.1

Delete “amount” and insert “proportion”

Under the fourth bullet point first line should read:

“where equity is not bought in multiples of five percentage points, discount should be applied.....”

At the fifth bullet point replace “cost” with “value” and delete the word “excessively”.

Within this document it is also very important to be clear about the meaning of market value and not have this confused with cost.

Para 3.3

On the bottom line insert the word “discount” after “maximum”

Para 3.4

Discount on low **value** dwellings

On the second line replace “cost” with “value”

Rates – Para 4.4

The change from rates based on standardisation of social rented tenure to the general system must be highlighted in this section

Para 5.1

This issue of discretionary percentages will not ensure consistency

Para 5.2

Perhaps consideration should be given to omitting the last sentence here?

Para 5.3

Again this is inconsistent and contradicts the proposals in Para 2.2 with regard to 5 percent stair casing.

Avoid use of the word “prolonged”

Para 6.3

We assume the part-owner would be fully responsible for property insurance. This should be emphasised (in para 7.4 too) as well as recommending contents insurance.

Para 7.3

There is some reference to the enhancement of the leaseholder. What does this mean?

Para 7.4

For future equity share purchase – will the tenant/leaseholder use the district valuer or can they make their own choice?

Section 9.0

It need to be clearer that this refers to those lifts installed for specific disabled person as opposed to standard lifts in blocks of flats.

Paras 10.1 and 10.2

Insert the word “legal” at the end of the first line. Although it is helpful that these draft paragraphs at least address the legal charge issue, they are unacceptable because they place all the responsibility on housing associations and none on the Department. The Department needs to amend the Scheme forthwith to state that in certain circumstances the legal charge issue may mean that a housing association has not got the legal power to sell the equity share. This draft guidance also needs to reflect this point.

The word “legal” should be inserted before “charges”

Should you have any queries in relation to any of the points raised above, please contact me.

Submitted on behalf of NIFHA by:



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