

# Response to Consultation

**Date:** 21 November 2008  
**Consultation:** Proposed Mortgage Rescue Scheme for Northern Ireland

## Introduction

The Northern Ireland Federation of Housing Associations (NIFHA) represents 40 housing associations. This includes 33 of the 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](http://www.nifha.org)

## Background

NIFHA's members are responsible for about twenty five percent of all social housing stock in Northern Ireland. The current credit crunch has placed increased pressure on all forms of tenure, particularly in relation to costs associated with renting and/or buying homes.

Having studied the consultation papers and comparative documents from England and Scotland, as well as holding an informal meeting with staff from the Department for Social Development, NIFHA would like to highlight the following key points.

## General Comments

- A. NIFHA supports the aims and principles of the proposed scheme in order to help those facing problems with their mortgage repayments and at risk of repossession, particularly in the current difficult economic climate.
- B. We strongly agree that the foundation of the mortgage rescue scheme should be sound advice given by independent agencies such as the Citizen's Advice Bureau and/or Housing Rights Service.
- C. The consultation document provides no assurance that finance will be made available to fund this scheme or any indication as to where this money will come from. The scheme must be properly resourced and not divert resources from the Social Housing Development Programme. Grant must be made available to assist Associations to purchase properties or workable arrangements must be made for appropriate housing associations to draw on their Disposal Proceeds Funds for the Mortgage to Rent option. The timescale within which housing associations must use their Disposal Proceeds Funds may need to be extended.
- D. The demand for the two mortgage rescue options may greatly exceed the resources available. If so, it is essential that every effort is made to manage public expectations – especially when the schemes are officially launched. In NIFHA's opinion, it would be wise to draw the eligibility criteria tightly in the first instance and widen them later if sufficient resources are available. We recommend that the focus should be on households who would be awarded "full duty" status under the homelessness legislation if their home was repossessed.

## Specific Comments

1. NIFHA welcomes the consultation document's suggestion of an inter-agency working group to consider the operational issues of this scheme. The housing association movement considers this essential and would be willing to take part.
2. In relation to mortgage to rent, greater thought must be given to the tenancy type to be given to the applicant. The current proposals are too loose and could give rise to inequalities. Under the current law and DSD guidelines, any new tenant of a self-contained housing association property should be given an introductory tenancy which automatically becomes a secure tenancy after satisfactory completion of twelve months' tenancy. This needs to be reviewed in light of the circumstances of any applicants through the mortgage rescue scheme.
3. The consultation also suggests that tenants under mortgage buy out would be entitled to buy back the property on the same basis as other tenants under the House Sales Scheme and be entitled to discount. It is difficult to see how this would work if no subsidy is made available to Associations. Due consideration must be given to those clients who wish to relocate or sell their remaining share of the dwelling.
4. It is also important that adequate systems are put in place to monitor the overall level of benefit provided. It is likely that this will require statistics for "affordable" housing under the mortgage rent scheme, which will be reported separately from "social" housing.
5. The document does not take full account of the additional financial implications with the transfer of the dwelling to an association. For example, the mortgage settlement costs, surveys, certificates and legal fees put additional pressure on the client at the outset and the document does not make any allowances for these costs. It may be possible to consider a specialist flat rate, similar to the legal package provided by co-ownership housing.
6. There does not appear to be a definite structure on how assessments will be carried out and who will do this. We would expect that this will require significant staff training across a number of organisations. However, it is suggested that the scheme will operate on a first come, first served basis. This gives rise to serious equality issues, as this may not necessarily encourage assisting those most in need of assistance.
7. Proving that someone must have lived in the property for twelve months prior to application can be challenging and it needs to be stipulated that this is the owner of property. Other matters such as demonstrating the housing requirements of the client can be difficult e.g. that an applicant is unable to trade down in local area. These issues must be reviewed within the context of the proposed scheme.
8. The definitive percentages for equity sharing may prove restrictive and NIFHA would recommend that this is reviewed in order to make the scheme as flexible as possible so that more people can take advantage of the scheme in relation to their own financial circumstances. We would

also recommend that the Department should adopt the £16,000 maximum capital limit in order to keep the scheme consistent.

9. The Department should also identify how they propose to carry out the valuation of a home and assess the cost of any necessary repairs. It is also important to note that the reference to “reasonable standard” for purchase is wide open to interpretation and could cause problems in the long term for those housing associations who participate in the scheme.
10. The consultation paper refers to the selection of most suitable housing associations. We would welcome open discussions on this issue as it is necessary to identify how and why specific associations may be selected.
11. There are various figures and statistics quoted but in most instances we are unclear about the points being made. There does not appear to be any correlation between the information given and its potential impact on the nine equality categories. NIFHA is concerned that hypothesizing is not the most appropriate way to consider such a scheme and to make assumptions in relation to any one group or another may be stereotyping. The document does not clearly state the basis for the decision that an EQIA is not required.
12. The lack of an appeals mechanism may leave housing associations open to challenge, particularly in relation to discrimination and it is important that this matter is addressed before the scheme is finalised.
13. Whilst we appreciate it is difficult to have a comprehensive grasp of the equality impact of a policy that is not yet in place, we feel it is unacceptable that consultees should be expected to answer the screening questions and hereby request a copy of the Department’s screening document in relation to this consultation.
14. NIFHA considers that a wider range of case scenarios should have been quoted in the consultation paper. The two examples used are similar.
15. We would also point out that the initial eligibility proposal refers to three ways in identifying a prospective beneficiary but only lists two. It does list some additional criteria, but it would seem that these are linked to the main points raised.

**Submitted on behalf of NIFHA by:**



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