

**Changes by the Scottish Government to  
the Empty Homes Loan Fund to Include a  
Loan to Sell Option**

**August 2014**



## Introduction

Welcome to the latest in a series of regular briefings prepared by the Housing Strategy and Development Team on the big issues concerning housing. These briefings will be shared with staff, tenants and elected members and keep everyone up to date with regards the ever changing policy context that we are operating within.

The Housing Strategy and Development section is responsible for:-

- Providing the strategic housing authority role across West Dunbartonshire
- Supporting the development of a culture of continuous improvement in Housing services and to facilitate opportunities to excel;
- Developing and implementing effective strategies for Housing and Community Safety Services within West Dunbartonshire;
- Developing the Council's housing strategy to ensure that it supports the delivery of our strategic priorities;
- Performance management within Housing and Community Safety services; and
- Promoting effective management and the involvement of tenants across all aspects of Housing Services.

For further information on Housing Strategy please telephone 01389 737889 or e-mail: [housing.strategy@west-dunbarton.gov.uk](mailto:housing.strategy@west-dunbarton.gov.uk)

## Briefing Note

### Changes by the Scottish Government to the Empty Homes Loan Fund to Include a Loan to Sell Option

#### Background:

The Empty Homes Loan fund as it stands has proven to not be as popular with empty homes owners as anticipated and take up through participating Councils for the fund has been very low. Feedback from projects and the Empty Homes Partnership has indicated that a barrier to greater take up of loan offers is that owners do not wish to rent out their property for the minimum 5 year period stipulated and would rather sell on completion of the refurbishment.

The Scottish Government have taken this on board and have relaxed their conditions to allow existing projects to offer loan-to-sell loans to owners. Under the loan-to sell the owner would receive a loan in order to bring their property up to a habitable standard. Following refurbishment, the property would be put up for sale in a refurbished condition hopefully making it more attractive to buyers than being sold requiring refurbishment. On the conclusion of a sale, the loan would be repaid to the Council immediately.

In order to ensure that loan-to-sell only targets properties that could be regarded as affordable; the selling price of the property post refurbishment must be constrained to the local price thresholds used for the Scottish Governments Open Market Shared Equity Scheme. Prices for WDC are as follows:

2 beds	3 beds	4 beds	5 beds	6 beds
£65,000	£75,000	£90,000	£155,000	£190,000

These thresholds vary by geographical area and size of property and have been set to equate to entry level properties on the open market, so they are affordable on the open market.

#### Key Points:

The Empty Homes Partnership will assist Councils wishing to participate with adapting the loan fund process to take on board the loan-to-sell. The loan-to-let as set up at the minute allows us to loan up to £15,000 towards the internal upgrade of a property, with the loan-to-sell we can offer more to the home owners and assist them with necessary external works if needed also.

As with the loan-to-let we would have a procedure set into place and the owner would be provided with a Schedule of Works necessary to bring their building up to a more saleable standard. The timings of the loan repayments to the Scottish Government are fixed so therefore we would want to restrict loans to properties that have a strong chance of selling.

The risks in relation to this increase as the 60% re-payment deadline draws closer in 2019/20 but by this time the scheme will have been running for a few years and we will have had ample time to test the market.

Small alterations to the loan fund agreement between the Scottish Government and the Council and the Council and the homeowner will require to be made to ensure the safe running of the scheme.

Stuart Law at the Scottish Government is managing the Empty Homes Loan Fund and the new Loan to Sell initiative. He has set up a useful question and answer forum on the Empty Homes Knowledge Hub webpage in order that he can respond to queries about the scheme from Empty homes staff nationally. We submitted the questions below and have listed Stuart's responses.

**Q For the loan to sell would we therefore be able to offer owners more than the £15,000 to carry out works and would this be expanded to include external works also?**

A Loans in excess of £15k would be permitted and external works would be permitted (both would be allowable under loan-to-let also).

**Q What if when renovated the house/flat still does not sell on the market, what would happen with the repayment of the loan?**

A The timings of the loan repayments to Scottish Government are fixed as these are based on our re-payment schedule to Treasury. You would therefore want to restrict loans to properties that have a strong chance of selling. The risks in relation to this will increase as the 2019/20 60% repayment period draws closer, however, this allows ample time to test the market.

**Q Questions were also asked about sales in depressed areas but I said it would most likely be the same as the existing loan fund and you wouldn't loan in areas or to properties that would prove too risky on the return.**

A Correct

**Q What are the proposed changes to Clause on in the agreement that you mentioned?**

A I have attached a template for the amended Schedule 1 - as you will see, the change is restricted to the paragraph following

Paragraph 9.3 and 9.5 will also change (additions underlined below)

9.3. Until the Loan has been repaid in full, the Borrower must provide the Lender with a completed monitoring report in such a format as the Lender requires for each new tenant/owner moving into any dwelling renovated as a result of the Project and either leased at an

Intermediate Rent or sold at a price equal to or lower than the relevant maximum threshold price. Each monitoring form must be completed by the Borrower or the Borrower's partnership body or other agent and by the tenant/owner and must be returned to the Lender within 20 Business Days of the tenant/owner moving into the home.

- 9.5 Where required to do so by the Scottish Ministers, the borrower must complete, and must ensure that any new tenants/owners complete, a monitoring form in the format required by the Scottish Ministers within twenty business days of any such tenant/owner taking possession of a property that forms part of the Project.

## **Conclusion**

Participating in the loan-to-sell option along with the already running loan-to-let option would allow empty homes work to offer a more flexible solution to empty home owners requiring assistance. The loan-to-sell is a small alteration to the mechanics of the loan fund as it stands but it will helpfully provide a solution for those owners who would like financial assistance but do not wish to become landlords.

While we have no guarantees that this scheme will prove a great success it is an opportunity to diversify empty homes work and hopefully in turn provide more satisfactory housing to those in need.

### **For further information contact:**

**Kathryn Kelly, Empty Homes Officer, Housing Strategy and Development**

**01389 737 576**

[kathryn.kelly@west-dunbarton.gov.uk](mailto:kathryn.kelly@west-dunbarton.gov.uk)