

Equity Loan Model Principles

LOAN DETAILS	
Who is eligible for the Homeowner Rehousing Loan	<ul style="list-style-type: none"> • A resident homeowner who has lived in the property being acquired as their only or main address for at least 12 months. • The homeowner is prepared to invest the full value of the sale of their existing property and their 10% home loss payment into the purchase of their new property. • The outstanding value of any existing mortgage on the property is transferred to the new property.
Amount of loan/ ownership levels	<ul style="list-style-type: none"> • Amount of loan to be calculated as: Loan Value = New Property Value – (Value of current property + Homes Loss Compensation) • The loan will allow households to retain 100% ownership of the property. • The maximum loan will be based on a like for like property i.e. 3 bed for 3 bed. • The maximum loan value will be the difference between the independent valuation of the homeowner's property and the value of a property with the same number of bedrooms being developed as part of the regeneration scheme. • The loan will be secured as a charge against the property and be registered with the Land Registry.
How is the loan provided and repaid?	<ul style="list-style-type: none"> • The interest free secured loan will be granted when the purchase of an alternative property has been agreed and paid at the time the property transfers to the resident homeowner. • The loan and repayment are based on the value of the property. • As part of the loan agreement NSDC will defer repayment of the loan until: <ul style="list-style-type: none"> ○ owner wishes to pay NSDC back ○ sale or transfer of the property ○ death of the homeowner, or whichever occurs first. • The homeowner will repay, as a minimum, the full value of the loan on the date it was secured. • On sale/ transfer of the property the proceeds of the sale will be split according to NSDC/homeowners' ownership percentages at the time the loan was entered into. <p>Example:</p> <ul style="list-style-type: none"> • Mr. and Mrs. Smith's new home is valued at £100,000 Their current property value is £75,000 (75%) They take up a loan of £25,000 (25%) <p>Their Loan to Value on their new property is 25% In 10 years time the house is valued at £160,000 Mr and Mrs Smith wish to repay the 25% loan. The loan repayment £25,000 Share of equity (25% of £60,000) = £15,000 Total repayment = £40,000 Mr and Mrs Smith retain = £120,000</p>

	<ul style="list-style-type: none"> • The loan can be reduced through part payments or can be repaid in full without selling the property. • Part payments will be accepted at a minimum of 10% of the original loan – using the example above - £2.5k minimum transaction – this is to minimise administrative burdens associated with part payments. • An independent valuation must be undertaken at the homeowner’s expense when reducing or repaying the loan. The value of the repayment to be made will be calculated by reference to the current market value at the time of repayment as in the above example. • A mechanism for dispute resolution to be included within the loan terms.
Exempt Disposals	Homeowners will be allowed to pass the property on through inheritance to a spouse or civil partner – detailed provisions will mirror as closely as possible the right-to-buy arrangements in the Housing Act 1985 for ‘exempt disposals’.
Interest	<ul style="list-style-type: none"> • Interest is not being charged on the loan.
Home Improvements	<ul style="list-style-type: none"> • The council will not benefit from any increase in the value of the property that is because of any significant home improvements made by the owner. • Home improvements should be recorded, and receipts kept securely and shared with the council for record so that these can be discounted is appropriate when the property is finally valued. Improvements will only be discounted where these continue to add value to the property. • The value added by any improvement will be considered by an independent valuation agreed at the time of sale.