

RENT FIRST SCHEME

Le Poliguen Way, Llantwit Major



In partnership with
Hafod Housing Association



FREQUENTLY ASKED QUESTIONS & ELIGIBILITY CRITERIA

For more information about the Aspire2Own scheme and properties please contact:



01446 709476



housingstrategy@valeofglamorgan.gov.uk www.valeofglamorgan.gov.uk/Aspire2Own



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WHAT IS THE RENT FIRST SCHEME?

'Rent First' was a pilot scheme, developed by the Welsh Assembly Government in 2011. The scheme aimed to enable people to rent a property first and then purchase it, if they wish to, at a later date.

The Rent First scheme provides a mid-market housing solution; it aims to provide a housing solution to people who are in a financially stable position and yet are unable purchase a house at the present time due to economic uncertainties, house prices and lack of deposit for a mortgage.

Under the Rent First scheme, rent will be charged at a lower amount than the market rent for an equivalent property. The tenant will be able to purchase the property after a period of three years, providing that they have a satisfactory rent account for at least twelve months.

In addition, the scheme could also assist in providing assistance towards a deposit if or when the tenant decides to purchase the property as any increase in equity at the time of sale will be split 50/50 between the Housing Association and the tenant. Please note that the house must increase in value for there to be a share of any equity, and there is no guarantee that it will.

WHAT PROPERTIES ARE INCLUDED IN THE SCHEME?

The only Rent First Scheme in the Vale of Glamorgan is a development of 4-bed townhouses located in [Llantwit Major](#).

This scheme was developed in 2011 and the properties available subsequently are re-lets of existing properties, i.e. those where residents have moved out and the property has become re-available. These are therefore not new properties and will have been lived in before. The properties are owned and managed by Hafod Housing Association.



WHO WILL QUALIFY FOR THE RENT FIRST SCHEME?

To be eligible for the scheme applicants must:

- Be over 18.
- Be a UK citizen or EU/EEA passport holder or have 'indefinite leave to remain' stamped in your passport.
- Must have lived or worked in the Vale of Glamorgan for the last 6 months. Priority will be given to applicants with a relevant local connection to Llantwit Major or adjacent communities.
- For those leaving the Armed Forces, have lived in the Vale of Glamorgan for 6 months prior to joining the armed forces.
- Be a first time buyer or consider yourself to be first time buyer in your own right.
- Meet the affordability criteria.

WHAT IS MEANT BY A 'FIRST TIME BUYER IN YOUR OWN RIGHT'

A first time buyer for this scheme is viewed as a person/s that have never owned a property (mortgaged or un-mortgaged) before, never jointly or part owned a property, or never had your name on a mortgage or title deeds.

Consideration however will be given, on a case by case basis, to applicants who are first time buyers in their own right, where a property may previously have been owned jointly, but is now sold, for example as a result of a divorce.

WHAT IS CONSIDERED A RELEVANT LOCAL CONNECTION?

A relevant local connection will include:

- Having family members who live in Llantwit Major or the adjacent communities.
- Working in Llantwit Major or the adjacent communities.
- Having a job offer in Llantwit Major or the adjacent communities
- Having gone to school in Llantwit Major or the adjacent communities

WHICH ARE THE 'ADJACENT COMMUNITIES'?

Communities adjacent to Llantwit Major include the Community Council areas of:

- St Donats
- Llandow
- Llanmaes
- St Athan

WHAT ARE THE AFFORDABILITY CRITERIA?

Applicants must have sufficient savings to cover the costs of the scheme, for example to cover solicitor's fees and financial advice. This will be checked via the Rent First Application Form.

Applicants must have sufficient income to cover the rent, save for a deposit and to eventually raise a mortgage to purchase the property in the future.

As a guide, the following household income would be expected:

	Minimum	Maximum
Single wage earner	£35,000	£55,000
Two wage earners		£65,000

The figures above are the salary / salaries per annum and before tax.

There is flexibility in the above criteria; if applicants are on a lower salary than those stated above, but can evidence that they currently pay rent at a similar level to the amount required for the rent and savings on the Rent First scheme this will be taken into account. Please include information relating to this on your application form.

WHY DO APPLICANTS HAVE TO HAVE AN INCOME OF A CERTAIN LEVEL?

Firstly we want to make sure that the household would be able to afford to pay the rent, this is because we would not want to put people in a position where they couldn't afford their living costs.

Secondly the scheme is aimed at applicants who would eventually like to purchase the property. Mortgage lenders lend according to the applicant's income and what they can afford to repay.

Example of a House Purchase

Estimated property value of £170,000

A 20% deposit would be £34,000

Therefore, the tenant would need to be able to raise a mortgage of £136,000

Mortgage lenders often lend at 3.5 times the main earners salary. Which means a an income of £39,000 ($£39,000 \times 3.5 = £136,500$)

However it's worth bearing in mind that mortgage companies, when calculating the amount they will lend to 2 wage earners multiple the higher wage earner x 3.5 and lower by x 2. Therefore double incomers would need to earn approx £46,500.00

This is why there is a different income expected from a single applicant compared to a joint application.

HOW WILL APPLICANTS BE PRIORITISED?

Preference will be given to:

- Applicants whose housing needs cannot be met through the market place in their local area; i.e. cannot afford to buy on the open market.
- Applicants with a relevant local connection.
- Applicants who are in need of a four bed property or those for whom the property would best meet the current housing needs of the applicant.
- Applicants who are registered with the Councils Aspire2Own scheme.

WHO WILL NOT QUALIFY FOR THE RENT FIRST SCHEME?

The scheme is not available to those who:

- Are not UK or EU / EEA passport holder or whose passport is not stamped with 'Indefinite Leave to Remain'.
- Own, have previously owned or have a financial interest in a property.
- Have benefited from a low cost home ownership initiative in the past.
- Can afford 100% of the price of a suitable property.
- Are tenants of the Vale of Glamorgan Council or a Housing Association who are in rent arrears or in breach of their tenancy agreement.
- Do not meet the affordability criteria (Applicants with County Court Judgements (CCJ's) against them will not be eligible for the scheme as this may affect their ability to raise a mortgage in the future).

WHO ARE HAFOD HOUSING ASSOCIATION?

Hafod Housing Association Ltd were established in 1968. They are a non-profit making social landlord registered with the Welsh Assembly Government and administered by a voluntary board.

Hafod Housing Association is one of the largest providers of affordable housing in South East Wales with over 3,500 homes in management. The properties are mostly located in Bridgend, Cardiff, Merthyr Tydfil, Newport, Rhondda Cynon Taf, Torfaen and the Vale of Glamorgan. The majority of homes are for rent however they also offer home ownership including Flexible Tenure Retirement Schemes and the current Rent First pilot scheme in Llantwit Major.

You can find out more about Hafod Housing Association by visiting their website:

<http://www.hafod.org.uk/>

WHAT WILL THE RENT BE ON THESE PROPERTIES?

	4 Bed Property
Weekly Rent	£189.95
Monthly Rent	£825.38

HOW MUCH WOULD NEED TO BE SAVED FOR A DEPOSIT IN ORDER TO PURCHASE THE PROPERTY?

The amount off deposit needed will depend on a number of factors:

- The purchase price of the property - which can only be determined when the tenant decides they wish to buy the property.
- The percentage of deposit required – which is dependent on the mortgage provider

Therefore the information provided below is meant as a guide only.

	4 Bed Property
Estimated Sale Price:	£200,000
10% Deposit	£20,000
Mortgage Required	£180,000

WHAT WOULD THE FINANCIAL OUTGOINGS BE PAYING FOR THE RENT AND SAVING FOR A DEPOSIT?

As per the explanation above, the information provided below is meant as a guide only.

Costs	Weekly	Monthly
Rent	£189.95	£825.38
Savings for a Deposit*	£65.00	£282.44
Total	£254.95	£1,107.82

* Based on saving for 5 years.

IF YOU DECIDE TO BUY THE PROPERTY AT A LATER DATE - HOW WILL THE PURCHASE PRICE BE DETERMINED?

The purchase price will be the greater of the minimum purchase price; this price is set out in the 'Purchase Option Agreement' which is signed on commencement of the tenancy.

Or

The value that is determined by an 'Independent Market Valuation'; this is a valuation undertaken by a Royal Institute of Chartered Surveyors qualified valuation surveyor.

If this is the preferred option of the tenant, the valuation must be paid for by the tenant.

IS THE TENANT OBLIGED TO PURCHASE THE PROPERTY?

The tenant is under no obligation to purchase the property. However, this is a 'rent to buy' scheme; applicant should be aiming for home ownership and have the capacity to save for a deposit.

WHAT IS THE OPTION TO BUY PROPERTY AGREEMENT?

The 'Option to Buy Agreement' is a legally binding document that Hafod Housing Association requires successful applicants to sign at the same time as the tenancy agreement is signed.

The document details the requirements of the agreement; such as the need to maintain a good rent account. It also details the purchase price, how any equity through improvement would be split and the conditions of sale.

There is a fee of £250 due when signing the Option to Buy Agreement.

Applicants should read the 'Option to Buy Agreement' carefully and seek their own independent advice before signing.

WHAT ARE THE COSTS INVOLVED IN PURCHASING A PROPERTY?

Buying the property, that you have initially rented, will involve having to pay all the normal costs associated with purchasing a property on the open market. These include:

- Valuation and survey fees
- Solicitor fees
- Land registry costs
- Search fees
- Mortgage deposit (dependent on mortgage lender)
- Stamp duty (if applicable)

In addition to the above one-off costs associated with purchasing a property, you will also be responsible for ongoing expenses such as:

- Monthly mortgage payments
- Council tax payments
- Utility bills; gas, electricity, water etc
- Property maintenance and repair costs
- Building and contents insurance
- Life insurance or mortgage life insurance
- Service charge and ground rent (for leasehold properties)

It should also be noted that as a home owner you will not be entitled to receive Housing Benefit to help with your mortgage costs.

It is the purchaser's responsibility to clarify and consider all possible costs associated with buying and running a property.

WHAT HAPPENS IF YOU WANT TO SELL THE PROPERTY?

If the owner wishes to sell the property in the future, they must give first refusal to Hafod Housing Association who may wish to buy back the property.

Hafod Housing Association will then have a six week period within which to decide whether they wish to purchase the property. If they decide they do wish to purchase the property they will have 8 weeks to complete the purchase.

If Hafod Housing Association do not wish to purchase the property then it can be sold on the open market.

HOW DO I APPLY FOR THE RENT FIRST SCHEME?

1. You will need to complete the Council's Rent First Application Form and send it, along with the supporting documentation, to the Council's Housing Strategy Team:

Email: Housingstrategy@valeofglamorgan.gov.uk
Post: Housing Strategy
Vale of Glamorgan Council
Civic Offices
Holton Road
Barry
CF63 4RU

WHAT HAPPENS NEXT?

2. All application forms received by the Council will be checked against the eligibility criteria.
3. Applicants will be informed of the outcome of this assessment.
4. Those applications which meet the eligibility criteria will be sent to Hafod HA with written agreement from Council to proceed and a copy of the earnings and affordability assessment. This will be sent securely by encrypted email.
5. Hafod Housing Association will complete the application process, which will include meeting with the applicant to discuss the rent, savings plan for a mortgage deposit and the process for the property sale. An affordability assessment may also be undertaken to ensure the applicant can afford the rent.
6. A visit to the property can be arranged at this point with Hafod HA's Home Ownership Officer.
7. If the applicant wishes to progress to rent this property they will need to inform Hafod HA at this point.
8. Applicants can then sign the relevant paperwork including the tenancy agreement, Purchase Option Agreement' and Option to Buy Agreement. The £250 deposit is payable at this point.

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