

Local Authority Mortgage Scheme (LAMS) Policy

September 2015

CONTROL SHEET FOR LOCAL AUTHORITY MORTGAGE SCHEME

Policy Details	Comments / Confirmation (To be updated as the document progresses)
Policy title	Local Authority Mortgage Scheme
Current status – i.e. first draft, version 2 or final version	Final Draft
Policy author	Rebecca Slack
Location of policy – i.e. L-drive, shared drive	L- drive
Member route for approval	Executive
Cabinet Member (if applicable)	Councillor Ann Syrett
Equality Impact Assessment approval date	
Partnership involvement (if applicable)	
Final policy approval route i.e. Executive/ Council /Planning Committee	Executive
Date policy approved	
Date policy due for review (maximum three years)	
Date policy forwarded to Strategy and Performance (to include on Intranet and Internet if applicable to the public)	

LOCAL AUTHORITY MORTGAGE SCHEME (LAMS) POLICY

1. Introduction

1.1

The recent recession has had an adverse effect on the economy and the housing market. One of the effects was a reduction in the number of first time buyers, partly as a result of the tightening of mortgage lending criteria. At the time, most mortgage lenders were only prepared to lend a maximum of 75-80% loan to value, which meant that the buyer required a deposit of 20-25%. This was a major barrier for many first time buyers, although they could afford the mortgage repayments. Whilst the situation has improved, many first time buyers remain unable to secure the necessary deposits without support schemes such as LAMS.

First time buyers are integral to movement in the housing market and therefore the local economy.

1.2

Bolsover District Council has agreed to join a national scheme known as the Local Authority Mortgage Scheme (LAMS) to assist first time buyers to access the housing market.

1.3

The requirement for a policy relating to LAMS and how the council will operate the scheme is outlined in appendix B of the LAMS legal white paper.

2. Scope

The scheme covers properties which are within the administrative area of Bolsover District Council. This covers all property types, including bungalows, houses and flats and may be either new or second hand properties.

3. Principles

3.1

The Council's Corporate Plan 2011-15 and the Economic Development and Housing Strategy 2015 both support this action to enable first time buyers to purchase their own homes.

3.2

The aim of the scheme is to assist first time buyers to purchase a property by providing an indemnity to the lender, which will result in a smaller deposit being required. If willing first time buyers are able to access the market,

rented and affordable housing could be freed up for other people, the local housing market will be stimulated and the local economy will benefit.

4. Statement

4.1

The Local Authority Mortgage Scheme is a national scheme to help first-time buyers who, whilst they can afford mortgage payments, do not have access to a 20-25% deposit as is required by most mortgage lenders.

4.2

The council will provide a financial indemnity in the form of a guarantee for the partner mortgage lender, Leek United Building Society. This means that if a potential buyer meets the strict credit criteria applied by the lender, and also meets the criteria set out by the Local Authority to qualify for the scheme, they only have to find a 5% deposit and the council will indemnify up to 20%. The indemnity provided by the council allows the buyer to obtain a 95% mortgage on similar terms to a 75% mortgage as the risk to the lender is reduced.

4.3

The indemnity will run for 5 years on each property (this can be extended by a further 2 years if a mortgage were in arrears in the last 6 months of the initial 5 year period) , after which time the lender will continue with the mortgage on the same terms.

4.4

LAMS is supported by a non-cash backed guarantee which is only called upon if repossession is to take place under the scheme. Any loss in excess of the indemnity is attributable to the lender. In the case that the indemnity has to be paid, the council undertakes to make payment within 30 days.

4.5

LAMS will be audited by Capita Asset Services.

4.6

No additional resource or training is required at council level as once the scheme is operational, the lender will simply apply standard mortgage application and approval processes.

4.7

Criteria

- The scheme is only open to first time buyers
- The total indemnity is £500,000
- The maximum individual indemnity offered to a first time buyer under the scheme is 20%

- The maximum loan size is £150,000 per property
- The applicant must have a 5% deposit and meet the lender's criteria
- The property to be purchased must be within the administrative area of Bolsover District Council
- The scheme covers both new and second hand properties

4.8

Individuals will apply for assistance by applying for a mortgage with the partner mortgage lender. There is no selection process or nomination process at council level. The scheme will be advertised to raise awareness, but the council will not be involved in any promotion of the scheme as this is a FCA regulated activity and will be managed by the lender. All financial advice will be provided by the lender.

4.9

Should an individual have a complaint in respect of the scheme it will be handled in accordance with the Complaints Procedure, or if it relates to the lending process will be forwarded to the lender for response under their Code of Conduct for Mortgage Lending and usual complaints procedure.

5. **Responsibility for Implementation**

The Local Authority Mortgage Scheme will be implemented by the Joint Housing and Growth Manager in partnership with Leek United Building Society.

6. **Glossary of terms**

First time Buyer

Someone who has never had a mortgage or owned a property

Indemnity

Protection against possible damage or loss, especially a promise of payment, or the money paid if there is such damage or loss.

Loan to Value

Relates to how much mortgage you have in relation to how much your property is worth; for example if the property is valued at £200,000 and you have 75% loan to value you will have a loan of £150,000