

# Individual Executive Member Decision

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## Review of 'First Step - Next Step' Equity Loan Scheme– Supporting Information

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### 1. Introduction/Background

- 1.1 The 'First Step' Equity Loan Scheme was initially approved by Executive on 8<sup>th</sup> October 2009, as part of the Council's response to the recession. £500,000 of S106 funding was allocated as commitment to the scheme with £100,000 later ring fenced specifically for HOLD applications (Home Ownership for Long-term Disabilities)
- 1.2 The Scheme was refreshed in 2010; 6 months post implementation to take into account feedback regarding the limited take up of the Equity Loan. The Scheme was renamed 'First Step – Next Step' and the following key amendments were approved:
- Size of the maximum equity loan increased from £10,000 to £20,000
  - Scheme extended to applicants wishing to purchase a Shared Ownership property.
  - Scheme extended to current and former homeowners with a defined housing need

### 2. Current Principals of the Scheme

- 2.1 'First Step – Next Step' is an Equity Loan Scheme. An Equity Loan means that funding is secured against a % of the value of the home. For example, if the loan was for £10,000 and the property cost £100,000 this would be a 10% equity loan. The Equity Loan is secured as a 2<sup>nd</sup> Charge against the property.
- 2.2 No interest is charged on the loan; however the applicant is liable to repay the % equity stake when the home is sold or after a 10 year period which ever is sooner. The amount to be repaid is calculated on the price of the home at point of sale or valuation if the home is not being sold but the 10 year repayment period has expired.
- 2.3 To be eligible for the scheme an applicant must meet the following criteria:
- Be a first time buyer and not own or have an interest in any other property
  - Be a current home owner looking to move to resolve a housing need.
  - Live or work (minimum of 16 hours per week) in West Berkshire
  - Have a minimum household income of £20,000 and a maximum of £60,000
  - Have a minimum 5% deposit
  - Be eligible for a Newbury Building Society mortgage.

- 2.4 The property they are wishing to purchase must not exceed the maximum purchase price which is set at :
- £180,000 for a 1 bed property
  - £230,000 for a 2 bed property
  - £250,000 for a 3 bed property
  - £280,000 for a 4 bed property
- 2.5 The scheme is currently administered to support applicants in securing sufficient deposit. For example, if the Newbury Building Society was offering 90% property value mortgages, an applicant is seeking to purchase a property for £200,000 they would obtain £180,000 mortgage, provide a minimum of £10,000 deposit and seek a Equity Deposit Loan for the remaining deposit of up to £10,000.
- 2.6 The Scheme currently permits that an applicant can not borrow more than 3.75% their annual salary.

### 3. Scheme to Date

- 3.1 Since the scheme was launched in 2010, it has received 137 applications of which 28 have proceeded to Loan Approval.
- 3.2 £343,042.50 have been approved for lending and secured by way of 2<sup>nd</sup> charge. This equates to an average Loan of £12,251.
- 3.3 To date 16 applicants have re-paid their 'First Step – Next Step' Equity Loan. The value of these 16 loans totalled £192,770 and they have resulted in repayment of £232,470 creating a further £39,700 available for future Equity Loans.

### 4. Proposed Amendments

- 4.1 It is proposed that the maximum Equity Loan value is increased to £30,000 from £20,000. Currently the average Loan is for £12,251 however Loans have only be approved to support an applicant in achieving the minimum deposit. (Refer to 9.3)
- 4.2 It is proposed the maximum property purchase price is reviewed as house prices within West Berkshire have significantly increased since the scheme was launched in 2010. The average house price in West Berkshire in 2010 was £227,219 and is now £271,179 this represents 19.34% increase. [Land Registry Data]

Recommend maximum property prices:

- £215,000 for a 1 bed property
  - £275,000 for a 2 bed property
  - £300,000 for a 3 bed + property
- 4.3 Feedback from the Newbury Building Society is that a number of applicants have been refused an Equity Loan by the Council and in consequence have been unable to access home ownership. These applicants have met the eligibility criteria however they have a shortfall between the maximum mortgage available to them (4 times their annual salary) and the property value. To ensure these applicants are able to access Home Ownership it is proposed that 'First Step – Next Step' is

extended to include bridging the gap between an applicant's maximum mortgage and the property value up to the maximum loan amount.

In cases where an applicant uses the Equity Loan to bridge the gap there would be an expectation that the household was accessing accommodation suitable for their households needs as opposed to accessing accommodation with an additional bedroom.

- 4.4 It is proposed to increase the maximum borrowing amount for 3.75 times to 4 times of an applicants annual salary, this will be in line with products offered via the Newbury Building Society.

## 5. Conclusions

- 5.1 'First Step-Next Step' was initially a well-received product, however more recently the inability to 'Bridge the Gap' has limited the use of the product. It is recommended that the proposed amendments are approved, subject to a further review being undertaken in twelve months time to monitor progress.

- 5.2 Subject to the above amendments being approved, a new leaflet, poster and marketing campaign will be undertaken to promote the scheme.

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**Background Papers:** Former Executive decision in respect of 'First Step,Next Step'

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**Subject to Call-In:**

Yes: X      No:

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**Wards affected:** This Scheme is available to households across the whole District and therefore all wards are affected.

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**Strategic Aims and Priorities Supported:**

The proposals will help achieve the following Council Strategy aims:

**X SLE – A stronger local economy**

**X HQL – Maintain a high quality of life within our communities**

The proposals contained in this report will help to achieve the following Council Strategy priorities:

**X P&S1 – Good at safeguarding children and vulnerable adults**

**X HQL1 – Support communities to do more to help themselves**

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**Officer details:**

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## Appendix B

### Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage Two, Equality Impact Assessment is required.

<b>Name of policy, strategy or function:</b>	'First Step, Next Step' Equity Loan Scheme
<b>Version and release date of item (if applicable):</b>	Version 3
<b>Owner of item being assessed:</b>	June Graves
<b>Name of assessor:</b>	Cathy Dodson
<b>Date of assessment:</b>	7.1.16

<b>Is this a:</b>		<b>Is this:</b>	
<b>Policy</b>	No	<b>New or proposed</b>	No
<b>Strategy</b>	No	<b>Already exists and is being reviewed</b>	Yes
<b>Function</b>	Yes	<b>Is changing</b>	Yes
<b>Service</b>	Yes		

<b>1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?</b>	
<b>Aims:</b>	The aim is to support household able to secure a mortgage from the Newbury Building Society in accessing Home Ownership.
<b>Objectives:</b>	The objective is to identify households who have sufficient income to secure a Mortgage via the Newbury Building Society but need financial assistance with partial deposit or bridging the gap between their maximum mortgage offer and property value.
<b>Outcomes:</b>	Residents of West Berkshire with an identified housing need will be able to access homeownership.
<b>Benefits:</b>	Successful intervention will reduce the overall number of households within the District in housing need.

<p><b>2. Note which groups may be affected by the policy, strategy, function or service. Consider how they may be affected, whether it is positively or negatively and what sources of information have been used to determine this.</b></p> <p>(Please demonstrate consideration of all strands – Age, Disability, Gender Reassignment, Marriage and Civil Partnership, Pregnancy and Maternity, Race, Religion or Belief, Sex and Sexual Orientation.)</p>		
Group Affected	What might be the effect?	Information to support this.
Age	To be eligible for the scheme applicants need to secure a mortgage via the Newbury Building Society. Persons of certain age may not be able to secure a mortgage due to lack of time available to still be in employment – This would not be an direct discrimination of the 'First Step, Next Step' Scheme. Household identified as falling into the category could be supported into housing via alternative methods	Monitoring of expression on interest in the product.
Disabled	As above – non working disabled persons may be unable to secure a mortgage. An alternative scheme of "HOLD" Home Ownership for Long Term disabilities may be available to these residents	Monitoring of expression on interest in the product.
Gender Reassignment, Marriage, Civil Partnership, Pregnancy and Maternity, Race and Religion and Sexual Orientation	No evidence that these groups will be unduly affected	These groups are not a distinguishing factor in the application process for 'First Step, Next Step'
<p><b>Further Comments relating to the item:</b></p>		
<p>None</p>		

3. Result	
Are there any aspects of the policy, strategy, function or service, including how it is delivered or accessed, that could contribute to inequality?	No
Please provide an explanation for your answer:	
Will the policy, strategy, function or service have an adverse impact upon the lives of people, including employees and service users?	No
Please provide an explanation for your answer: The Policy will enhance the prospects of qualifying applicants as they will access Home Ownership	

If your answers to question 2 have identified potential adverse impacts and you have answered 'yes' to either of the sections at question 3, or you are unsure about the impact, then you should carry out a Stage 2 Equality Impact Assessment.

If a Stage Two Equality Impact Assessment is required, before proceeding you should discuss the scope of the Assessment with service managers in your area. You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

4. Identify next steps as appropriate:	
Stage Two required	
Owner of Stage Two assessment:	
Timescale for Stage Two assessment:	
Stage Two not required:	X

Name: Cathy Dodson

Date: 6.1.15

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Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.