



Mortgage To Rent Policy

Policy Ref: HMP09

Prepared By	Investment Director
Date of Review	January 2023
Date of Next Review	January 2026
Reviewed By	PHA Board

1. Introduction

1.1 Statement of Objectives

The Mortgage To Rent Policy aims to ensure that the Association grows its housing stock by appropriately acquiring properties under the Scottish Government's Mortgage to Rent scheme and in the process prevents homelessness for qualifying homeowners.

Our objectives include:

- assisting where possible with the prevention of potential homelessness through working in partnership with others;
- ensuring that homeowners are advised of the correct procedure for application to the Mortgage to Rent scheme;
- ensuring that appropriate timescales are adhered to in accordance with the Scottish Government's Mortgage To Rent guidelines;
- assessing the strategic fit and financial viability of potential Mortgage To Rent acquisitions;
- ensuring that appropriate budgets are available to support the acquisition of viable Mortgage to Rent acquisitions; and
- increasing the Association's rented stock available to meet housing need.

1.2 Compliance with Regulatory Standards

In terms of the Scottish Social Housing Charter, the Scottish Housing Regulator has identified several key indicators relevant to Mortgage To Rent by which it will measure landlord performance, including the following:

- Homeless persons – people who are homeless or at risk of homelessness get prompt and easy access to help, advice and information; and are offered continuing support to help them get and keep the home they are entitled to.
- Tenancy sustainment – tenants get the information they need on how to obtain support to remain in their home; and ensure suitable support is available, including services provided directly by the landlord and by other organisations.
- Quality of housing – tenants' homes, as a minimum, when they are allocated are always clean, tidy and in a good state of repair, meet the Scottish Housing Quality Standard (SHQS) and any other building quality standard in place throughout the tenancy.
- Repairs, maintenance and improvements – tenants' homes are well maintained, with repairs and improvements carried out when required, and tenants are given reasonable choices about when work is done.
- Value for money – tenants, owners and other customers receive services that provide continually improving value for the rent and other charges they pay.

1.3 Expected Outcomes

Key outcomes of operating an effective Mortgage To Rent Policy include:

- responding timeously to Mortgage To Rent referrals;
- ensuring that tenancies are sustained;
- ensuring that properties are well maintained, safe, secure and in line with the SHQS; and
- delivering value for money.

1.4 Corporate Fit

1.4.1 Legislation and best practice

We will comply with all relevant legislation and associated regulations, including:

- The Housing (Scotland) Act 1987, 2001, 2010 & 2014;
- The Homelessness etc. (Scotland) Act 2003;
- The Welfare Reform Act 2012; and
- The Scottish Social Housing Charter.

Our Mortgage To Rent Policy is consistent with our:

- Group Corporate Plan;
- Business Plan;
- Housing Allocation Policy;
- Tenancy Sustainment Policy;
- Repairs & Maintenance Policy;
- Asset Management Strategy;
- Risk Management Policy;
- Group Financial Regulations; and
- Group Standing Orders.

1.4.2 Equalities

Our Mortgage To Rent Policy complies with PHA's Equality Policy to ensure equality of treatment for all tenants without discrimination or prejudice.

1.4.3 Confidentiality

PHA recognises that confidentiality is important to tenants and will treat their tenancy information in the strictest confidence under the General Data Protection Regulation (GDPR) and in line with PHA's Privacy Policy.

1.4.4 Business Plan and risk management

Our Business Plan includes provision for the acquisition of properties through the Scottish Government's Mortgage To Rent scheme, or through open market acquisition. We seek to prevent homelessness, promote tenancy sustainment and support viable property acquisitions – we mitigate risk by carefully assessing each referral and carrying out a financial viability test for potential acquisition, including projected lifecycle costings.

1.4.5 The Board

The Investment Director has responsibility for overseeing the implementation of the Mortgage To Rent Policy, with the Housing Services Manager and Asset Manager responsible for key aspects of the day-to-day service delivery with delegation of specific tasks to appropriate staff.

The Board will receive regular updates on the implementation of Mortgage To Rent Policy so that they can have assurance that it is operating effectively in practice.

Function / task	Responsibility
Mortgage To Rent Policy – review, amendment & approval	Investment Director responsible for making recommendations to the PHA Board for approval.
Mortgage To Rent Procedures – development, monitoring & review	Investment Director and Asset Manager to develop operational procedures that reflect the principles set out within the Mortgage To Rent Policy.

2. Key Principles – Mortgage To Rent Policy

2.1 Context

- 2.1.1 The Scottish Government’s Mortgage to Rent scheme seeks to prevent homelessness. It provides a mechanism for social landlords to acquire properties from homeowners in mortgage difficulties who are at risk of repossession, allowing them to remain in their home through becoming tenant.
- 2.1.2 A technical assessment is carried out to assess the viability of each property referred. A survey pro forma issued by the Scottish Government is used to identify the condition of the property and estimated costs to bring it up to the Scottish Housing Quality Standard (SHQS). This information is used by the Scottish Government to determine the level of subsidy and other resources required to support an acquisition.

2.2 Eligibility for Mortgage to Rent scheme

- 2.2.1 Eligibility criteria are set by the Scottish Government and amended from time to time. The Scottish Government is also responsible for administering the scheme.
- 2.2.2 To be eligible for the Mortgage to Rent scheme, under the current Scottish Government rules the following criteria must be satisfied:
- the owner/s must have obtained advice about their financial situation;
 - the owner’s home must be in danger of being repossessed and their lender must have commenced legal action (even if there is agreement to delay the action to allow the Mortgage to Rent application to take place), or a trustee is forcing the sale of the property;
 - all joint owners must agree to the application;
 - the property must be the owner’s only or main residence or that of someone in their household;
 - the owner must have lived in the property for at least twelve months;
 - the household has a reason for remaining in the local area;
 - the owner is unable to sell the property and buy somewhere else cheaper locally;
 - the property is clear of any legal action that would prevent it from being sold;
 - owners under 60 years of age should not have capital amounting to more than £2,000, and for those 60 years and over the limit is £4,000;

- the value of the property must not be higher than the average value in the local area (except where there are more than five people living there, or where it is more expensive due to the specific needs of a member of the household, for example a person with a disability); and
- the property requires no more than £85,000 worth of repairs (unless the owners can fund additional repair work).

2.2.3 Where these criteria are met, the Scottish Government can determine that an application is eligible and make a referral to an appropriate social landlord, such as Partick Housing Association.

2.3 Prioritising Mortgage to Rent referrals

2.3.1 PHA seeks to target its limited resources effectively by prioritising Mortgage To Rent referrals that strategically fit with our area of operation and that are likely to be financially viable in the long-term.

2.3.2 A prioritisation checklist has been developed (see Annex 1). This seeks to prioritise Mortgage To Rent referrals ranked on the following basis:

- Priority 1: location;
- Priority 2: property type;
- Priority 3: property size;
- Priority 4: stock condition; and
- Priority 5: other considerations.

2.4 Mortgage to Rent procedure

2.4.1 As part of the Association's Mortgage to Rent procedures (see Annex 2) a log is maintained of all Mortgage To Rent referrals and acquisitions. This is circulated routinely to the Finance Director so that the level of Mortgage To Rent activity can be monitored and appropriately reflected within the Association's budgetary commitments and projections.

3. Miscellaneous

3.1 Alternative Formats

On request, the Association will provide translations of all our documents, policies and procedures in various languages and other formats such as computer disc, tape, large print, Braille etc, and these can be obtained by contacting the Association's offices. The Association is a member of the Happy to Translate scheme.

3.2 Next Review

We will review the Mortgage To Rent Policy every three years or sooner if required by statutory, regulatory or best practice requirements.

**Mortgage To Rent and Open Market Acquisitions
Prioritisation checklist**

PRIORITY 1: Location

1. Factored stock within existing area of operation with strong / sustainable demand.

PRIORITY 2: Property type

1. Tenement flats / maisonettes – within factored blocks.
2. Cottage flats – four-in-a-block properties, preferably within factored blocks.
3. Cottage type houses – semi detached, end terrace and mid terrace, etc.
4. Not multi storey flats or certain types of non-traditional/systems-built construction.

PRIORITY 3: Property size

1. Ideally 2, 3 or 4 apartments.
2. Other property sizes may be considered, but only in target locations with sustainable demand.

PRIORITY 4: Stock condition

1. Do not generally fund excess repairs, unless modest and in target area.
2. Ideal acquisition if all or majority of components scored '1s' on single survey.
3. Possible acquisition if components scored mostly '1s' and some '2s' on single survey.
4. Unlikely acquisition if components scored mostly '2s' on single survey.
5. Very unlikely acquisition if components scored '3s' on single survey, especially in relation to dampness, condensation or structural alterations / defects.
6. Exercise caution where there are flat roofs – discuss with Property Services first.

PRIORITY 5: Other considerations

1. Do not generally acquire properties where occupant has chaotic lifestyle issues and / or poor standard of housekeeping / decoration.
2. Exercise caution where there is a third-party property factor – if acquisition proceeds need to look at service charges.
3. Must pass financial viability test.

Procedure for Mortgage to Rent Acquisitions

1. Partick Housing Association is notified of a potential Mortgage to Rent property by Scottish Government by e-mail. Where it is considered that a property is likely to be worthy of detailed consideration, the Asset Manager will notify Scottish Government by e-mail seeking further property particulars. In principle, the Association will consider all reasonable referrals within our area of operation. The Asset Manager considers the property in accordance with the Mortgage to Rent prioritisation checklist (Annex 1) and advises the Investment Director, Operations Director and Property Services Manager by e mail if property requires to be inspected. A file for each potential acquisition is created and the Mortgage to Rent spreadsheet is updated by the Investment Director weekly – this includes details of the appropriate annual rent charge for the property based upon the Association’s Rent Setting & Service Charges Policy and the matrix of rent charges that are updated and circulated annually.
2. The Asset Manager instructs a survey of the property. The homeowner is contacted to arrange access. The Maintenance Officer carries out the survey using the pro forma provided by the Scottish Government, detailing the repairs required for the property to achieve the Scottish Housing Quality Standard (SHQS) as well as any essential works relating to the Energy Efficiency Standard for Social Housing (EESH). An independent surveyor will use a stock condition pro forma to set out the anticipated lifecycle costs associated with maintaining the property. A gas and electrical safety check is also instructed.
3. The Asset Manager returns all appropriate survey documentation to the Scottish Government, as well as annual rent details. The Scottish Government evaluates the information provided and in accordance with the Mortgage to Rent scheme guidelines and, if acceptable to all parties involved, issues a formal offer to purchase to Partick Housing Association.
4. In principle the Association will acquire properties, subject to budget availability, if the level of subsidy made available covers the contingent repairs liability for meeting the SHQS. The Asset Manager will input the independent surveyor’s lifecycle costing assumptions into the Association’s viability model – acquisition will generally be considered as viable if it generates a surplus figure of more than £15,000 at the end of the 30-year viability model. Any formal offer to acquire a property is authorised by the Investment Director, or in their absence by another member of the Leadership Team. Where significant ongoing maintenance liabilities or a relatively small surplus is identified, an acquisition may be considered unviable and, in such circumstances, the Asset Manager will notify the Scottish Government that the Association does not wish to proceed. The Asset Manager will also instruct Finance to issue an invoice to Scottish Government reclaiming associated abortive costs (if there are associated legal costs, details of these will be provided to Finance by the Asset Manager).

5. The Scottish Government's solicitor issues conveyancing details to Partick Housing Association's solicitor and a date of entry is agreed in consultation with the Asset Manager. The Asset Manager raises a BACS request with Finance for the purchase of the property. The Finance team logs on a spreadsheet relevant details of all Mortgage to Rent BACS payment transactions and receives a copy of correspondence including details of subsidy received from Scottish Government.
6. The Housing Services Manager confirms impending Mortgage to Rent acquisitions to the Housing Officer who contacts the homeowner to confirm the date of entry and agree appropriate time, prior to date of entry, for signing the tenancy agreement. The Housing Services Manager creates the tenancy on the computerised housing management system and thereby adds the property to the Association's stock database with the relevant property reference number and property attributes. The Investment Director updates the Mortgage to Rent spread sheet. Following conclusion of the sale, the Asset Manager will confirm to Finance details of allowances received via the Scottish Government in relation to the purchase subsidy and repairs subsidy.
7. The Money Advice Officer will seek to visit, meet or speak to all new Mortgage to Rent tenants and offer advice on potential benefit entitlements and income maximisation measures within 28 days of the date of entry. The Housing Officer will carry out a new tenancy settling in visit within 8 weeks of the date of entry in line with the Tenancy Sustainment Policy.
8. The Property Services Manager, in consultation with the Asset Manager, instructs identified repairs to be carried out within a target period of 13 weeks from date of entry and will instruct the administration staff within the Property Services team to update records for cyclical maintenance and inform contractors as appropriate for annual maintenance checks (e.g. gas). The Maintenance Officer advises the Housing Services Manager when all works are completed. The Asset Manager also forwards details of the independent surveyor's lifecycle costing assumptions to the Property Services Manager so that details can be entered into the Association's property database.
9. The Asset Manager produces for the PHA Board, a summary of all Mortgage to Rent acquisitions as part of the housing stock numbers update which forms part of the Annual Return on the Charter report.