



Mortgage to Rent Policy

Introduction

The Mortgage to Rent scheme (MTR) provides help to those in mortgage difficulties by offering them the flexibility to change the tenure of their home from ownership/shared ownership to a tenancy in the social rented sector.

MTR is an initiative funded by the Scottish Government who will provide resources to social landlords who participate. Resources will be made available on a case-by-case basis and will be for the acquisition of the property, and to meet repair costs. The scheme will be administered centrally by the national Co-ordinator based within the Scottish Government. Funding will be made available to the Association to carry out any necessary repairs and to charge a social rent.

This scheme will not be the best option for everyone in this type of situation and owners should get independent legal and financial advice before they apply.

The Mortgage to Rent Scheme (MTR)

The process is as detailed below:

- Lender/borrower/advice agencies/housing association can make referral to Scottish Government:
- Application form submitted to Scottish Government
- Initial Assessment by National Co-ordinator
- Market value determination by District Valuer
- Property search
- Consent letter from owners
- Detailed assessment in conjunction with potential landlord
- Repairs survey and estimate of costs by landlord
- Annual rent and SST terms
- All parties agree terms

Landlords will be chosen by Scottish Government based on their proximity to the property being sold.

The eligibility criteria for the scheme is:

- The property is the borrower's sole or main residence
- The open market value of the property is lower than the local authority average house price (although in some cases this will be waived)
- The borrower is unable to trade down in the local area
- The borrower has a need to stay in the local area

The Scottish Government has included in the scheme a maximum repairs subsidy of £6,000 to bring the property purchased up to the required letting standard. The guidance details what repairs the scheme will pay for and this guidance should be applied in relation to the Association's own standards on a case-by-case basis.

Any capital the borrower may have (above capital levels allowable to qualify for Housing Benefit) after all sale proceeds have been met may be used to reduce the subsidies of the scheme.

A rental subsidy will be available to enable the Association to purchase the property and yet be able to charge a social rent to cover their outlay.

An administration allowance will also be payable to the Association to assist with the cost of conveyancing, surveys and gas and safety checks. The Scottish Government will meet the borrower's conveyancing costs

The purchase price of the property will be the open market value subject to the assumption that the house is improved to the standard specified by the Mortgage to rent scheme minus the cost of repairs.

Should the borrower dispute the valuation it is open to them to commission a second independent valuation by a chartered surveyor. The National Co-ordinator will consider whether the second valuation is acceptable. Properties will be let on Scottish Secure Tenancy terms following purchase by the Association.

Attached to this policy is independent guidance on the Mortgage to Rent scheme from Shelter.

The Association benefits by purchasing properties at an economic cost and providing a secure tenancy in a property the applicant already occupies with an economic rent. This reduces disruption to the household and the costs involved in moving properties.

The MTR Scheme also reduces the problem of homelessness by keeping applicants within homes they already occupy rather than the full repossession process being applied and the applicant having to call upon the Council for assistance with obtaining new accommodation.

Appendix 1

Mortgage to rent scheme – Shelter documentation

The Scottish Government's Mortgage to rent scheme

If you are in danger of having your home repossessed, the Scottish Government's mortgage to rent scheme could allow you to remain in your home as a tenant. This page explains how the scheme works and who is eligible to apply.

What is the mortgage to rent scheme?

The mortgage to rent scheme is run by the Scottish Government as part of the Homeowner Support Fund. The scheme aims to help people, whose homes are at risk of being repossessed, to stay in their homes by buying their home and renting it back to them.

If you apply successfully for the mortgage to rent scheme, your home will be bought by the council or a housing association, but you will continue to [live there as a tenant](#) with the house rented back to you. Your new landlord will receive funding from the Scottish Government to carry out any necessary repairs so they can charge you a reasonable rent.

How do I apply?

Before you apply, you must get advice about your financial situation from either the Citizens Advice Bureau, a debt advice service or a solicitor, or your local council or other advice agency. An adviser should be able to give you an application form and help you fill it in.

You can also get a form direct from the [Home owners' Support Fund website](#) or contact:

Tel: 0300 244 1093

email: hosf@scotland.gsi.gov.uk

Who can apply?

You can apply to the mortgage to rent scheme if the following criteria apply:

- you have been unable to make full payment on a loan, that is secured on your home, for 3 months and have gradually built-up arrears of totalling one month

- a trustee appointed to your estate is going to force the sale of your house
- failed to reach agreement with your mortgage lender over how to manage your arrears
- have received independent financial advice, from either Citizens Advice Bureau or Money Advice centre
- all joint owners of the property agree to apply to the scheme and have signed the application form
- the property is your only or main home, or the only or main home of someone else in your household
- you or someone else in your household has lived there for at least a year
- neither you or your partner (including a same sex partner) has capital of more than £2,000 if you're under 60, and £4,000 if you're over 60. Capital includes savings, shares, premium bonds, redundancy payments and other investments but doesn't include personal pension schemes or any savings plans that are linked to your mortgage, such as an ISA or endowment policy.
- the value of your property must not be higher than the levels set by the Scottish Government for your area. Your money adviser will inform you of this value.
- your property needs no more than £8,500 worth of repairs done to it. If you can fund some of the repair work yourself, you will still be eligible to apply
- you must not be eligible for help from any other UK Government schemes, however, if there is still a threat of repossession then your application may be considered
- Your home is suitable for the needs of your household, for example, it isn't overcrowded, and it meets the needs of anyone in your household who's disabled.

You won't be eligible for the mortgage to rent scheme if you own your home with someone else and they are forcing the sale of the property (for example, due to [relationship breakdown](#)).

How does the process work?

Your application will be reviewed by the mortgage to rent team. They will carry out an initial assessment of your application, to see if it meets the relevant criteria. If your application is considered eligible for the scheme, a more detailed assessment will be carried out. At this point, the most appropriate potential landlord will be identified, and a survey of the property will be done. If the detailed assessment is positive, the process of selling the property will begin.

How much will my home be sold for?

You will be paid the open market value for your home, considering the costs of any repairs that need to be done. This is the amount of money you could have expected to get had you sold the home yourself to a private buyer. Your selling costs (for example, your solicitor's fees) will also be covered.

You must use the money to pay off any loans secured against the house, beginning of course with your mortgage and any mortgage arrears. If your debts are higher than the amount your house is sold for, you will still be [responsible for paying the difference](#).

What if there is money left over once I've paid off my debts?

Any money left over after you have repaid your mortgage and any loans secured on your property is called equity. Any equity will be added to the amount of capital you have, along with the surrender value of any savings plans linked to your mortgage. If this brings your capital to more than £11,360 (if you're under 60) or £17,040 (if you're 60 and above), you will have to pay the extra money to the mortgage to rent scheme to help with costs.

When will I become a tenant?

Once the buying process is completed, you will become a tenant of the new landlord. Your tenancy will begin on the date that the sale is finally concluded.

What rights will I have as a tenant?

As you will be renting your home from the council or a housing association, you will be a [Scottish secure tenant](#), or, in rare circumstances, a [short Scottish secure tenant](#).

Will I be able to claim housing benefit?

You can apply to the council for [housing benefit](#) in the normal way. The council may claim that, because you are paying rent for a property you used to own, you won't be eligible for housing benefit, so you will have to prove that you had no option but to sell your home. The mortgage to rent team can contact the council on your behalf to back up your case.

Will I be able to buy my house back?

No, you will not be able to buy your house back via the right to buy.

What if I'm turned down for the scheme?

If the mortgage to rent team decide that you are not eligible to take part in the scheme, you will be sent a letter telling you this and also explaining the reasons why. You will not be able to appeal against the decision. However, you will be able to lodge a complaint. Where can I find out more?

Visit the [Scottish Government's Home Owners' Support Fund](#) for more information.