

# **SLIGO BOROUGH COUNCIL**

## **TENANT PURCHASE SCHEME FOR LONG-STANDING LOCAL AUTHORITY TENANTS**

### **INFORMATION BROCHURE FOR TENANTS**

**Closing Date for applications is 31<sup>st</sup> December 2011 -**  
*(Applications will not be accepted after this time and all sales must be completed by 31<sup>st</sup>  
December 2012)*

## TENANT PURCHASE SCHEME FOR LONG-STANDING LOCAL AUTHORITY TENANTS

If you are a local authority tenant for over ten years, the Tenant Purchase Scheme for Long-standing Tenants gives you the opportunity to buy the house you are living in at a special reduced price. If you qualify to buy the home you are living in, you will get a 3% discount for every year (up to year 15) that you have been a tenant of the local authority – the maximum discount that you could get is 45%. This is a limited scheme available to long-term tenants and it is only open for applications in 2011.

### QUALIFICATION

#### Do I qualify to apply?

- You must be a tenant of the local authority for a minimum of ten years in a row to qualify for this scheme. During your time as a local authority tenant you may have lived in more than one local authority property.
- You may have succeeded to the tenancy and become the official tenant. If you were fully resident in the property as a member of the household (and on the rent book) for at least a year before succeeding to the tenancy and becoming the official tenant, then the time that the previous tenant lived in the property may also be taken into account.
- If you have been a tenant of the local authority for less than ten years, you may qualify to buy under the 1995 Tenant Purchase Scheme. Contact your local authority for further details.

#### Do the years that I paid towards the rent count if I was not the official tenant?

No. If you paid rent to your parents or another person who was the tenant of the local authority, but you were not an official tenant (your name was not on the

tenancy agreement), this time does not count towards your years of tenancy. Except, in the event of you succeeding to the tenancy, as explained above.

### **How is the new long-standing tenant purchase scheme different from the 1995 Tenant purchase scheme?**

The 1995 scheme has different qualification criteria and the maximum discount available to buy your house is less than the discount under the tenant purchase scheme for long-standing tenants. To qualify for the 1995 tenant purchase scheme, you must be a local authority tenant for at least one year and the maximum discount available is 30% of market value. You are allowed a discount of 3% of the market value of the house for each year you are a tenant (up to a maximum of 10 years or 30%).

### **Are any houses not for sale?**

In general, all houses are included in the scheme except:

- apartments or flats;
- houses given to elderly persons;
- Traveller accommodation; and
- new houses which have been reserved for the Incremental Purchase Scheme

The local authority may at their discretion leave out houses for the following reasons:

- their structural condition;
- if there are plans to carry out refurbishments; or,
- because the local authority has decided to keep certain properties available for rental.

The local authority may also refuse to sell a house to tenants if they or members of their household have been or are now active in anti-social behaviour. The local authority may also refuse the sale if it would not be in best interest of estate management.

## **APPLICATION PROCESS**

### **How do I apply?**

You can apply at once by filling in the application form and giving the local authority the necessary documents.

### **How do I send in my application?**

You can:

- hand in your fully completed form to the public counter of the housing department  
or
- post the form to following address: **Sligo Borough Council City Hall Quay Street Sligo ]**

There is a non- refundable application Fee of €65.00 to be submitted with the application

### **Is there a closing date for the applications for the scheme?**

Yes, the closing date is **31st December 2011**. If you apply after this date your application will not be processed. This scheme is only available this year (2011).

### **What date must the sale have been completed by?**

In order to qualify for the additional discounts available under the Tenant Purchase Scheme for Long-standing Tenants the sale of the property must be completed by the **31<sup>st</sup> December 2012**

## **PURCHASE PRICE**

### **What discounts are available?**

If you have been a long-term tenant of the local authority, this scheme offers the highest discount you can get off the market value of your local authority house. You

will get a discount of 3% of the market value for each year you have been a tenant of the local authority, up to a maximum of 15 years. The maximum discount that you could qualify for is 45% off the market value.

**How is the purchase price worked out?**

The local authority will carry out a valuation of the house. The price of the house will be its market value in its existing state of repair and condition, less the percentage discount which is available to you. (The market value means the price that someone would pay for it if buying the house on the open market). Any increase in the market value because of improvements you made to the house will be taken off before the purchase price is worked out.

**When do I find out how much it will cost me to buy the house?**

The local authority will tell you the purchase price once the valuation and calculations are worked out. The local authority will ask that you write to let them know that you accept the purchase price.

**Is there a grant available under this scheme?**

No. The €3,810 discount (same as the £3,000 new house grant, which has ended) given under the 1995 scheme is not available under the 2011 tenant purchase scheme for long-standing tenants.

## Purchase Price workings - Examples

### Example 1

- Tenant of the council for 12 years
- Market price of the house €100,000
- Discount available 12 years x 3% = 36%
- €100,000 x 36% = €36,000
- €100,000 - €36,000 = €64,000
- Purchase price of the house = €64,000

### Example 2

- Tenant of the council for 17 years
- Market price of the house = €180,000 - €5,000 (material improvements) = €175,000
- Discount available 15 years x 3% = 45% (max. discount)
- €175,000 x 45% = €78,750
- €175,000 - €78,750 = €96,250
- Purchase price of the house = €96,250

### Example 3

- Tenant of the council for 14 years
- Market price of the house €90,000
- Discount available 14 years x 3% = 42%
- €90,000 x 42% = €37,800
- €90,000 - €37,800 = €52,200
- Purchase price of the house = €52,200

## Can I dispute the local authority valuation of my house?

If you do not agree with the local authority valuation, you can have your own valuation carried out by an independent valuer (at your own expense) and send a valuation certificate or report to the local authority. If there is a big difference between the local authority's valuation and the valuation you send in, the local authority may refer the matter to arbitration.

### **Does the local authority have to ensure that the house is in good condition?**

The local authority does not have to bring a house up to a certain standard before sale. Houses are sold as they are and the purchase price reflects this. There is no warranty as to the state of repair.

## **FINANCING**

If you are interested in buying your home, you will need to consider if you can afford to buy the property and if you can afford the monthly mortgage repayments. This involves looking at your budget over a year. You need to look at all the income coming into the house and all spending, even bills that occur only occasionally or once a year, to work out if you have enough income to meet mortgage repayments after you have paid all other costs. You need to be careful not to borrow more than you can afford to repay.

### **How do I finance the purchase of the property?**

You have to pay the purchase price in full when the sale is completed and you are responsible for raising the necessary finance. If you need to get a mortgage, you can apply to a bank or building society. A mortgage is a long term loan that is secured against your home. If you have tried to get a mortgage from at least two banks or building societies and you are unable to get a mortgage from them, you may be able to apply to your local authority for a mortgage.

When you accept the purchase price, the local authority will ask you to show how you intend to pay.

Here are some options:

1. Loan from a bank or building society

If you wish to finance the purchase by taking out a mortgage from a bank or building society you will need to give documents to the bank or building society as required.

The local authority will give you a detailed letter confirming details of the Tenant Purchase Scheme for Long-standing Tenants and how you qualify to buy your home. You can give this letter to the bank or building society when applying for a mortgage. If you get a mortgage with a bank or building society, the local authority will need a copy of the 'letter of loan approval' that is given to you by the bank or building society.

2. Loan from the local authority

You may apply to your local authority for a mortgage loan if you have been unable to get a mortgage from at least two lenders (banks or building societies). You will have to complete a separate loan application form and provide documents necessary to assess your ability to repay a mortgage once you have paid all your other costs.

The loan available from the local authority is the 'House Purchase Loan'. The maximum loan term available is 30 years, but this depends on your age. The interest rate charged is variable, so it may increase or decrease during the term of the House Purchase Loan. You repay your House Purchase Loan by monthly direct debit through your bank.

**Do I need a deposit?**

In general, if you are applying for a mortgage from a bank or building society, you will need a deposit. This is usually based on a percentage of the purchase price of the house. For the house purchase loan from the local authority, you need to have a minimum deposit of 3% of the purchase price of the house.

General requirements for a local authority “House Purchase Loan” are set out in the below.

You must

- be a first time buyer(s) who has never either on your own or with someone else, purchased or built on your own behalf a house (in Ireland or elsewhere). Certain exceptions can be considered.
- be aged between 18 and 70 years;
- earn under €50,000 if you are applying on your own and up to €75,000 between both of you if you are applying with someone else. The primary earner on the application must be in continuous employment for at least two years (this can be self employment) and, where a second income is taken into account, that earner must be in continuous employment for at least one year. Certain exceptions can be considered.
- have a deposit of at least 3% of the purchase price
- have been unable to secure an adequate mortgage from at least two lenders (banks or building societies) before making an application to the local authority.

**How much will I need to earn to acquire a Local Authority Loan?**

It is considered that household with a total income of less than €25,000 is unlikely to be able to service even a modest house loan.

**Can I use a lump sum towards the purchase price of the house?**

Yes, if you have savings you may want to use them towards the purchase price of the house. You will have to show documentation to prove the source of the lump sum/cash.

**Are there any other costs involved in the purchase?**

Stamp duty is payable on the sale of the house. This will be a maximum of €100.

If you get your loan from the local authority, you may have to pay them an administration fee.

**Do tenant purchasers qualify for tax relief?**

Yes. You may qualify for the usual income tax relief on mortgage interest. Mortgages taken by the 31<sup>st</sup> December 2011, (subject to qualifying mortgage criteria), qualify for mortgage interest relief until 31<sup>st</sup> December 2017.

Mortgages taken out from 1<sup>st</sup> January 2012 to 31<sup>st</sup> December 2012 will qualify for mortgage interest relief at the reduced rates of 15% for first-time buyers and 10% for non first time buyers, on the first €3,000 interest paid per person. Your local Inspector of taxes will give you full details.

**Is mortgage protection insurance required?**

If you get your mortgage with the local authority, a condition of your mortgage will be that you take out a Mortgage Protection Insurance (MPI) policy with them. The cost of this will be added to your monthly mortgage repayments.

Mortgage protection insurance is a special type of life assurance taken out for the term of the mortgage to cover certain circumstances such death or serious illness causing disability. Banks and building societies also normally require and arrange mortgage protection insurance.

**Do I need household insurance?**

Yes, the mortgage loan will be secured on the title deeds of your home. Therefore, structural insurance (inclusive of fire and flood) will be needed. It is also recommended that you consider taking out contents insurance.

**Can I purchase through Shared Ownership?**

No. You cannot purchase the property through the shared ownership scheme.

## **TRANSFER OF OWNERSHIP**

### **How is the sale completed?**

All sales will have to be completed by 31<sup>st</sup> December 2012. The sale is completed using a Transfer Order which transfers ownership from the local authority to the purchaser. The purchase price must be paid in full prior to the transfer order being signed. If you are getting your mortgage from the local authority, you will also need to complete your mortgage contract at this time.

The local authority will also check that your rent account is up to date, as the sale will not be completed until the rent account is up to date.

### **Do I need to get a solicitor?**

Independent legal advice is recommended as the purchase of your home is a long term commitment.

### **Who is responsible for the maintenance after purchase?**

You will be fully responsible for the up-keep and maintenance of your house once the sale is completed. You may wish to get independent architectural advice prior to this, to ensure that you are satisfied with the condition of the house.

### **Can I sell or rent out the house?**

For a period of 20 years from purchase date the house must, unless the local authority otherwise allow, be occupied as a normal place of residence by you, your family or your successor. If you wish to sell, re-mortgage or transfer the ownership of the house within the 20 year period you must get the consent of the local authority. You may need to show proof that you have alternative accommodation to the local authority before they can grant consent.

**What happens if I do not purchase my house under this scheme?**

This is a limited scheme which you can only apply for in 2011. When the scheme ends, you may be eligible for the 1995 Tenant Purchase Scheme. The 1995 Tenant Purchase Scheme offers a maximum discount of 30% off the purchase price.

The Department of the Environment, Heritage and Local Government, which is responsible for the legislation for tenant purchase schemes, has indicated that they intend to wind-up the existing 1995 tenant purchase scheme. However, the details of this have yet to be confirmed.

## TENANT PURCHASE SCHEME 2011 – MAIN STEPS

