

Remortgage / Additional borrowing policy (postponement of charge)

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Version box

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3	May 2021	JE	None	JE	May 2021
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TWO RIVERS HOUSING

Remortgage / Additional Borrowing Policy (Postponement of Charge)

1. Statement of Intent

- 1.1 This policy outlines the approach taken by Two Rivers Housing (TRH) when a leaseholder (Including shared owners) or a freeholder who has purchased through the preserved Right to Buy or Right to Acquire, and is in the first five years or purchase, wish to remortgage, change lender or borrow additional money.
- 1.2 Many lenders would wish TRH to take a second or third charge on the mortgage. This may leave the association vulnerable to losing money in the event of default of loan or mortgage payments by the homeowner.
- 1.3 We will allow homeowners to borrow up to 80% of the value of their share of the property (in prescribed circumstances), to help prevent negative equity and prevent potential homeless applications.
- 1.4 We will charge a reasonable administration cost to consider any additional borrowing, remortgage or postponement of charge. This may include legal fees.
- 1.5 All rent and any monies owing to TRH must be paid in full before any application can be considered.
- 1.6 We will not unreasonably withhold permission for additional borrowing.
- 1.7 We will have the right to inspect any work that has been paid for through additional borrowing to prevent fraudulent applications.
- 1.8 We will allow like for like re-mortgaging, without consent, if no additional borrowing is applied for (including mortgage/arrangement fees).

2. Legislative and Regulatory Context

2.1 Legislative context

- S143 – 160 Housing Act 1985.
- Reform Housing and Urban Development Act 1993.
- S185 Housing Act 2004

3. Scope

- 3.1 This policy applies to all homeowners, including those who purchased through:
 - shared ownership products;
 - Right to Buy (if within the first 5 years of purchasing);
 - Right to Acquire (if within the first 5 years of purchasing);
 - Preserved Right to Buy (if within the first 5 years of purchasing);
- 3.3 This policy should be read in conjunction with other relevant policies and procedures, individual leases, and conveyances.

4. Terms of Permission - Shared Ownership Leaseholders

- 4.1 A shared ownership leaseholders can only borrow additional finance for the following purposes:
- purchasing further shares/ additional equity in the property; and
 - home improvements.
- 4.2 A shared ownership leaseholder cannot borrow additional finance for purposes such as:
- debt consolidation;
 - car purchase;
 - holiday; and
 - any other circumstance TRH consider would place them in a weak financial position.
- 4.3 Where an initial inquiry is approved in principle the shared ownership leaseholder must then provide:
- a current valuation report carried out by a qualified Chartered Surveyor; This can be a mortgage valuation from an FCA registered lender.
 - admin fee;
 - confirmation of the balance outstanding on the mortgage;
 - copy of loan offer from approved lender;
 - reasons for additional borrowing; and
 - at least 2 quotes for the home improvement(s) they wish to carry out.

5. Terms of permission – Right to buy, Acquire and Preserved Right to buy.

- 5.1 Tenants who buy their property under RTA, RTB, and PRTB receive a discount off the open market valuation. The discount is secured as a charge on the property. This discount charge must rank second immediately after any advance made by an approved lending institution for the purpose of the property (the mortgage).
- 5.2 In all but limited statutory exceptions some or all discounts must be repaid if the property is sold or transferred to an additional party within the first five years from the date of purchase.
- 5.3 Where the discount repayment period is still in effect legislation dictates that in certain circumstances for an approved purpose TRH must issue a deed of postponement (postponing its charge in favour of a mortgagees second mortgage) but in other cases has discretion to do so.
- 5.4 Legally, additional borrowing can only be granted for:
- the cost of works to the dwelling;
 - service charges; and

- further advances to repay original mortgagees that rank in higher priority than the discount charge.

5.5 Where TRH has discretion, TRH may (in exceptional cases only) be able to postpone its charge on the property. These situations will be dealt with on a case by case basis and will attract additional fees.

5.6 Permission for additional borrowing will can only be granted if the homeowner provides:

- a current valuation report carried out by a qualified Chartered Surveyor (This can be a mortgage valuation from a regulated lender)
- admin fee;
- confirmation of the balance outstanding on the mortgage;
- copy of loan offer from approved lender;
- reasons for additional borrowing; and
- at least 2 quotes for the home improvement(s) they wish to carry out.

6. Fees

6.1 We will recover the cost of any legal advice, plus a reasonable administration charge for the work that is required.

7. Equality and Diversity

7.1 TRH is committed to the principle of equality of opportunity in the delivery of its services. TRH aims to ensure that all its customers are dealt with fairly and equitably and where possible that it takes into account the diverse nature of their cultures and backgrounds.

7.2 TRH will actively work towards promoting good relations, eliminating discrimination, and addressing existing disadvantage in relation to different groups based on race, colour, ethnic and national origin, nationality, gender, disability either mental or physical, religion, sexual orientation, marital status, HIV/AIDS, responsibility for dependants, trade union activity and age.

8. Monitoring and Review

8.1 This policy will be reviewed by the Head of Homeownership and Sales at least every three years, or when changes to legislation takes place.