

MAKING SHARED EQUITY ACCESSIBLE TO DISABLED PEOPLE

This is an information booklet aimed at RSLs seeking to understand the exceptions to the standard shared equity criteria, in order to assist disabled people to access shared equity products.

You will find information on:

- **What exceptions can be made to the standard eligibility criteria?**
- **Dealing with initial enquiries**
- **Making best use of the standard application form**
- **Assessing for exceptions**
- **Making exceptions for existing home owners**
- **Means testing and affordability**
- **Benefits based borrowing**
- **Developing or accessing knowledge, skills and resources**

ASSESSING ELIGIBILITY AND MAKING EXCEPTIONS

What exceptions can be made to the standard eligibility criteria?

The Scottish Government's equity schemes are primarily aimed at first time buyers on low incomes. There are standard eligibility criteria, assessed from information supplied on a standard application form, some of which needs to be supported by evidence. The standard approach may enable access by some disabled people. Others need their particular circumstances to be considered, and exceptions to be made which recognise these. This section looks at the permissible exceptions (Table 1) and gives suggestions on how to use these to support disabled people to access shared equity, and to support good practice in making decisions on these issues.

The exceptions in the table below apply to the New Supply Shared Equity and the Open Market Shared Equity Pilot.

Standard criteria	Exceptions which can be made for households with particular needs due to disability
First time buyers	They may not need to be first time buyers; they could already be home owners.
Maximum annual income levels set by the grant provider – which may vary by area, and may vary for New Supply and Open Market schemes	Maximum annual income levels may not apply. Income should be assessed to determine how much, after exceptional housing and living costs, should be taken into account when calculating a reasonably affordable mortgage.
Standard income multipliers are used for calculating the expected mortgage contribution to a purchase, usually 3 times an individual annual salary or 2.5 times joint annual salaries.	Disabled people may have non traditional income sources, especially benefits. Income Support for Mortgage Interest is an important benefit that people can only access once they are an owner. The income multiplier approach is not applicable.
Evidence of 3 mortgage quotes is required.	One mortgage quote from one lender may be sufficient as long as a justifiable explanation is provided. Few lenders understand and are willing to quote on the basis of Income Support for Mortgage Interest.
Purchasers must be able to buy a stake of between 60 – 80% of the value.	The stake can be as low as 51%, based on a calculation of the amount the disabled applicant can reasonably contribute.
Purchasers can buy a stake in a property which has up to two bedspaces more than their current need (as conventionally assessed).	Purchasers may buy a property which is more than two bedspaces larger their current household size.
Applicants cannot buy a property on the open market that is more than the published price threshold for their housing needs.	There can be flexibility on the price threshold where this is needed to acquire a suitable property.

Table 1 : Exceptions from standard criteria which can be made for disabled people

Dealing with initial enquiries

If information provided at the initial enquiry stage is ill-informed or only partly informed then an immediate barrier is erected for the disabled person who does not fit the standard criteria. It is essential that this does not happen. Ways of offering an enabling enquiry service can include:

- Customer facing staff who are trained to deal sensitively and appropriately with enquiries from disabled people and their families including the offer of face to face advice.
- Checking whether the person or someone in their household is disabled before informing them that they are not eligible under the standard criteria. Frank's story in Case Study 11 illustrates why this is important.
- *Listening* to the enquiry and soliciting information to assess whether an exception should be considered. The table in Annexe 2 suggests some trigger questions.
- An 'initial enquiry' process which records the query and advice given, and which is reviewed or audited for quality of advice and outcome.
- This could mean offering additional written or verbal advice and information on:
 - Evidence required from existing home-owners
 - Means testing and affordability
 - Benefits based borrowing
 - The RSL's systems for providing or accessing specialist advice.

Case Study Initial enquiries: disability awareness, listening and asking good questions

Frank lives with his mother, who bought her Council flat many years ago. He lives in an Open Market Shared Equity Pilot area. He has mild learning disabilities and autism. He moved back to his mother's home a year ago from a privately rented flat, because he had been unable to cope with the neighbours or the landlord. He has been on waiting lists for social rented housing for 7 years. Frank had a job, but he gave this up and he has been on Incapacity Benefit for the last 9 months, unable to work due to stress and anxiety. Frank's father died four years ago and left £5,000 in a Trust for Frank.

Scenario A: Frank's Mum phones the Housing Association to say he needs his own home, is fed up waiting for a rented house and she's heard he could get help to buy one. The Customer Services Officer asks about his income and finds out that Frank gets benefit money every two weeks, and it works out about £120. The staff member tells her that one bedroom flats cost about £100,000 so Frank would need a mortgage of £60,000. She advises that people on benefits cannot usually get a mortgage, and she does not think he could afford to pay a mortgage if he only has £60 a week to live. Frank's Mum says she's heard it could be possible, but she accepts the advice and does not pursue it further.

Scenario B: Frank's Mum phones the Housing Association to ask about help to buy a flat. The Customer Services Officer checks which benefit Frank is receiving and how long he has received this. She asks if he is getting any Disability Living Allowance and

is advised that Frank has applied for this, and they are hopeful, now that he has a formal diagnosis of autism. The Customer Services Officer is aware that disabled people may be able to get help with the costs of a mortgage through the income support system. She explains this and offers to send out more information, a shared equity application form and suggests that they wait to hear about the DLA before filling it in. She marks the form, so that when it is returned it is flagged to be considered for exceptions. She makes a note that Frank and his Mum will probably need more specialist advice, and contacts the RSL's financial inclusion and welfare rights teams in the first instance to check whether expertise and support can be provided.

NB At this stage the RSL has not decided whether it can make an exception or not. However staff with interview skills, able to ask the right questions, makes sure that the shared equity option is not closed off before making fuller enquiries about Frank's disability and the potential for the benefits system to assist him to become a homeowner.

Making best use of the standard application form

All RSLs which are selling new supply shared equity properties or administering the Open Market Shared Equity Pilot must use the Standard Application Form questions set out in the Administrative Procedures [Annexe A of the procedures].

The standard application form asks for some, but not all, of the information an RSL needs in order fully to assess whether an exception could or should be made to the standard criteria. In some places it asks for general information e.g. in relation to income from benefits. More specific information may be needed in order to assess whether a shared equity solution is viable for the disabled person. The standard application form is an essential base however for further assessment.

The standard application form asks questions about particular needs, adaptations, income sources and ability to obtain mortgage quotes. The responses will, in many cases, flag up where further advice may be needed or exceptions may need to be considered.

Assessing for exceptions

Table 2 suggests additional questions that can supplement the standard questions, how responses may be interpreted and next steps for the RSL to take in providing advice and assessment of eligibility. However it is not possible to document all the possible ways in which a disabled person's situation may demand that an exception be made.

Those questions not included in the standard application form could be asked verbally, or contained in a supplementary questionnaire (Annexe 4 offers a possible format). The aim is to find out:

- Does this household have housing needs which to date the rented and home ownership markets have not been able to meet?

- Is shared equity on the basis of the standard criteria affordable for the applicant?
- If not, can any adjustments be made within the parameters of the scheme which would make it affordable and sustainable?
- Can these be justified?
- What help might the applicant need in order to investigate feasibility and affordability of the option?
- How much can the applicant reasonably contribute to the shared equity arrangement?

Several exceptions may need to be made for one applicant, and some will be linked. For example an applicant whose main income is from Income Support may need exceptions from the income multiplier criteria and the requirement for 3 mortgage quotes.

Making exceptions for existing home owners

Many existing home owners may live in housing that is unsuitable for their needs. Where a household member is disabled there are many more reasons why they may need to move, and why they cannot afford the house type or location that they need to live in.

The applicant needs to provide written support for their need to move. The standard application form suggests this could be from a doctor or an occupational therapist. RSLs should also accept written professional support or evidence from:

- Community Psychiatric Nurse
- Social Worker
- Health visitor, physiotherapist
- Care and Support Provider
- Professional support, advocacy or housing advisor, including local authority or RSL housing officer
- Housing list administrators e.g. a note of priority status for rented housing application.

The RSL should guide the applicant, or prospective applicant, towards the least onerous way of providing the necessary evidence of their need to move.

Means testing and affordability

RSLs generally have a longer term interest in the housing career of those to whom they sell than commercial housing developers. It is not in the RSL's, or the applicant's, interest to maximise a capital receipt for a sale if, in so doing, the purchaser cannot afford or sustain ongoing housing and living costs. In a climate of concern about sub-prime borrowing, RSLs need to be satisfied that they are responsible sellers, while also safeguarding public funds.

The main sources of income for a shared equity stake are capital (e.g. savings, shares, property, investments, gifts, grants) and revenue (e.g. wages, salaries, other earnings, benefits, pensions, tax credits). The RSL must carry out a calculation of means to determine:

- the amount of personal savings that should be contributed;
 - the size of mortgage which can be obtained and afforded;
- and therefore,
- if the applicant could afford to purchase without recourse to shared equity; or
 - the size of equity stake they can afford.

Calculating personal contribution from capital

When Housing Associations are determining an applicant's level of savings and what they may retain, it is very important, particularly with disabled applicants who may be homeowners with significant equity, to bear in mind the full definition of personal savings. The calculation of contribution then required is: (Total amount of personal savings - £5000) x 90%

Personal savings includes: cash; premium bonds; stocks and shares; unit trusts; bank or building society accounts and fixed-term investments; the surrender value of any endowment policies; **property**; redundancy payments; and pension lump sum payments. (Administrative Procedures, page 14). In other words equity released from a property sale should not be considered differently from any other personal capital in terms of calculating the amount the applicant can retain.

Case study : Calculating personal contribution and equity stake

Mr and Mrs Wren are in their late 50s. Both have mobility problems and receive Incapacity Benefit and Disability Living Allowance. The couple's home, which they own, is no longer suitable for their needs and they are interested in a shared equity property valued at £132,000. They have savings of £40,000 and estimated equity of £50,000 once their current mortgage is repaid. The couple have insufficient income to support a new mortgage; however once their savings have been contributed towards purchase of their main home, they are likely to become eligible for income support..

The couple's equity should therefore be included in their savings and they should be considered to have £90,000 savings. The procedures state that they can retain £5,000 plus 10% of the remaining £85,000 – a total of £13,500. This means they will be required to contribute £76,500 unless they have professional support of their need to retain more. This equates to a stake of 58% and leaves the couple sufficient savings should they need to bridge the period between completing the purchase of their new home and selling their current one.

Calculating income and allowing for exceptional housing and living costs

Research shows that disabled people and families experience additional housing or living costs compared to non-disabled people and have lower incomes. Disability Living Allowances (DLA) are directed at meeting some of the costs, but it is widely acknowledged that these are insufficient in many cases. RSLs should be clear about their policy and approach to making allowances for additional costs.

Examples of additional costs or impact on income include:

- need for additional rooms or space;
- additional fuel costs due to need for additional heating or laundry;
- contribution to care costs, and additional health therapies;
- requirement more frequently to replace domestic appliances and furnishings or to purchase specialist items e.g. laundry equipment to manage continence;
- additional maintenance costs e.g. to décor or fittings as a result of damage by equipment or behaviour;
- additional servicing and maintenance costs for specialist equipment;
- costs of regular medication for those not on benefits
- unstable or intermittent employment due to ill health or disability.

RSLs can reflect these in their means testing and affordability calculations of a disabled applicant's income for the purposes of shared equity eligibility. These are some examples of approaches taken by RSLs.

- Assume that applicants in receipt of DLA experience additional housing costs, or difficulties with day-to-day living, that may affect their income or their ability to afford a suitable house.
- Disregard the disabled person's non-means tested disability benefits e.g. DLA, from income calculations, unless the applicant directs that they wish these to be included;
- Establish from the applicant if their disability affects the size of mortgage they need, or can afford, or the level of savings they require to retain.
- Ask the applicant to put the details in writing. Make a decision based on the facts provided OR seek independent professional verification OR ask the applicant to supply a letter of independent professional support of the impact of disability on the applicant's household income.
- Make a decision on the level of adjustment, which can be justified based on this evidence.

Case study Allowing for exceptional housing and living costs

Mr and Mrs Scott lives with their adult daughter, Karen, aged 22. Karen is severely disabled and requires support with all aspects of daily living and personal care. Mrs Scott works part time and Mr Scott works full time. They have joint earnings of around £40,000 per annum. Karen has income support and disability benefits adding a further £12,000 per annum. The family have around £30,000 equity in their current home. Their local RSL is planning to build a purpose built wheelchair accessible bungalow on which they have had a provisional valuation of £200,000. Karen's occupational therapist has confirmed that Scott's current home is not suitable for their needs and cannot be adequately adapted. Suitable adaptable houses on the open market cost in the region of £200,000 – 250,000 which the family cannot afford.

Income calculation:

- Karen's income is disregarded, on the basis that her income is needed to meet her daily living costs, she has to contribute to her care costs and her benefits are not at a level intended to contribute to housing costs.
- Mr & Mrs Scott advise that their household budget includes £4,500 a year of to pay for extra physiotherapy for Karen, specialist footcare and for additional therapeutic equipment.
- They provide a letter from their local GP and physiotherapist confirming the additional healthcare, and that these costs are not met from the NHS.
- .On the basis of this the RSL decides to disregard £4,500 from their joint earnings figure. The family can therefore afford a 'rule of thumb' mortgage of 2.5 x £35,500 or £88,750.

In addition, a personal contribution is required of £22,500 (retaining £5,000 of £30,000 equity, plus 10% of £25,000), giving a total contribution of £111,250. This will enable them to purchase a 56% stake in the property.

BENEFITS BASED BORROWING

Applicants whose income is principally from benefits may nevertheless be able to afford to purchase a stake in a shared equity property, and want to do so. This may include:

- homeowners with sufficient equity to purchase a minimum stake;
- people with access to financial support from family members or Trust funds;
- people with minimal personal savings but who can access a mortgage based on benefits;
- or a combination of these situations.

RSLs can, and should, raise awareness about how the benefits system can enable eligible disabled people to buy a more suitable home. Applicants will usually then need information on the steps to take if they wish to pursue this. Ownership Options provides information on its website, and makes this available in leaflet form. Some RSLs, such as Clyde Valley Property Services,

have provided an active first stage awareness and information service to disabled people by customising this information and widely distributing this in their area of operation. However RSLs should bear in mind that some will seek, or need, this information to be explained verbally.

In order fully to advise an applicant who relies on benefits, or to seek advice from a specialist service, the RSL needs to find out more about the benefits the applicant, or prospective applicant is receiving. Together with information on the standard application form this could allow some 'rules of thumb' to be applied, guiding a decision on eligibility for the shared equity scheme with minimum bureaucracy. Annexe 2 suggests some initial questions while Annexe 3 offers a more detailed format for gathering information.

Eligibility criteria for disabled people on benefits

This is a suggested 'rule of thumb' for deciding on the eligibility of disabled people whose principal income source is benefits, and who cannot access sufficient capital for the stake required from equity in an existing home or other sources.

Group 1

- Need to move in order to obtain housing suitable for the needs of the disabled person (irrespective of current tenure)

AND

- Have been in receipt of Income Support, Incapacity Benefit, Income Based Job Seekers Allowance or Pensions Credit for 39 weeks.

AND

- In receipt of Disability Living Allowance – either care or mobility components, at any level

AND

- With savings or access to funds of circa £2,500 for set up costs.

Members of this group should be eligible for help from the Income Support Mortgage Interest (ISMI) scheme, with loan interest costs for loans up to £100,000. This should enable many applicants in this group to access a mortgage to secure at least the minimum stake of 51%, depending of course on property values in the locality.

Group 2

- Aspiration to become a home-owner and within RSL target or priority group (e.g. current tenant)

AND

- Have been in receipt of Income Support, Incapacity Benefit, Income Based Job Seekers Allowance or Pensions Credit for 39 weeks.

AND

- In receipt of Housing Benefit

AND

- With savings or access to funds of circa £2,500 for set up costs.

Members of this group should be eligible for help from the Income Support Mortgage Interest (ISMI) scheme, up to the level of Housing Benefit they are currently receiving. Every £100 per month of Housing Benefit could support an interest only loan of approximately £18,000 (depending on interest rates).

It is possible for some disabled people who do not fit exactly into these groups to be eligible for help with housing costs through the benefits system. If in doubt, RSLs should seek specialist advice from one of the agencies listed in Annexe 1.

Accessing mortgages and mortgage advice

Depending on the size of the household, a person on benefits may struggle to get one or more acceptable mortgage quotes. Where the person's income is largely derived from benefits, this should be accepted as justification for being unable to supply 3 mortgage quotes. It also flags up the need to make a more detailed assessment, provide more detailed advice and, sometimes, provide or refer to more specialist support or brokerage. Ownership Options is aware of at least two lenders prepared to lend on the basis of current and anticipated benefit income. However RSLs can do much to encourage lenders and local independent financial advisors to develop the confidence and expertise to support disabled people with accessing suitable mortgages.

Amount of benefits based mortgage contribution

Income Support for Mortgage Interest does not cover all housing costs, does not cover capital repayments, is based on a standard rate of interest which may vary from the rate the mortgage holder is being charged and is only payable if the person has been receiving or entitled to receive Income Support for 39 weeks.

This leads to some further suggested 'rules of thumb' in deciding on a sustainable level mortgage for someone on benefits:

- The ISMI based mortgage amount should be the minimum amount needed to enable the applicant to purchase a 60% stake;
- Applicants with savings and equity which would enable them to buy a 60–80% equity share, leaving them reliant on benefits should not be required to seek an additional ISMI based mortgage.

For any household, but particularly a household whose income is principally from benefits, the RSL needs to be sure that the applicant has considered the costs and responsibilities attached to home-ownership, whether they can afford these and the impact it may have the household's usual budget. RSLs should offer written advice notes, which include guidance on the need to budget with suggested headings and amounts. Disabled people may need to budget for additional cost headings, including contributions to care costs. These headings should be incorporated into general advice notes.

Case study Helping prospective owners to think about house purchase and affordability

Link Homes provides Passport Advice Notes as part of its administration of the Open Market Shared Equity Pilot. These recommend to applicants that they 'Budget' and then 'Budget again'. The guidance details common budget headings to be considered for both start up and continuing costs, along with indicative amounts for some budget headings.

Advance Housing and Support provides detailed information to applicants on the approximate start up fees required to purchase a property. Its guidance makes suggestions on the selection of suitable property. This includes questions prompting applicants to think about location, type of property and attributes of the property, in terms of their current and changing needs. It also prompts people to think about the costs of upkeep.

Developing or accessing knowledge, skills and resources

Making shared equity accessible to disabled people needs knowledge and skills in a wide range of areas, and, importantly, the capacity to put these together: communication and marketing, property design and development, mortgage or loan finance, welfare benefits, legal issues, housing tenures and pressures and housing support.

Ways of developing in-house knowledge, skills and resources or accessing these externally include:

- Provide first level training in shared equity for disabled people, for any staff directly involved in shared equity development, marketing and sales, and for other staff with skills and knowledge to contribute.
- Use and expand the potential of internal resources such as welfare rights expertise, tenants' groups, and financial inclusion initiatives.
- Identify in-house 'experts' and invest in training and mentoring to enable specialist advice to be offered by the RSL.
- Develop the infrastructure to support financial inclusion in shared equity for disabled people. This includes access to informed financial advice and appropriate mortgage products.
- Collaborate with other RSLs and/or local advice providers such as the DPHS to develop or access local expertise in the technical aspects of widening access to shared equity e.g. benefits and welfare rights, legal issues, ongoing maintenance, designing for wheelchair users, providing information or services for disabled people.
- Employ specialist assistance from organisations with experience of issues facing disabled people to provide detailed support as required, to mentor the RSL in offering this or to provide it directly.

KEY ACTIONS: ASSESSING ELIGIBILITY AND MAKING EXCEPTIONS

1. Focus on assisting the disabled person to find a suitable and affordable housing solution, and ways of overcoming the barriers to this.
2. Have a clear process for managing initial enquiries that ensures disabled applicants are given accurate information and have access to proper assessment of their eligibility.
3. Use the standard application form to gather essential information for determining whether further assessment and help may be required using the exceptions criteria.
4. Develop a systematic approach for gathering supplementary information. Use this, and the standard application form data, to determine if the exceptions criteria will enable access to the scheme, to carry out affordability testing and to provide or refer for specialist advice if necessary.
5. Remember that property equity should be included in calculating the savings a home owner can retain.
6. Decide your policy and procedures on making allowances for exceptional housing and living costs. Disregard income from disability benefits.
7. Learn the basics about benefits based borrowing, raise awareness and have processes in place for gathering information to assess eligibility.
8. Be able to help prospective purchasers to think about affordability.
9. Use in-house expertise where available; develop it through training and practice; employ specialist assistance to complement and supplement available knowledge, skills and resources.

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Extract from draft guide: Equal Shares – a guide to making shared equity accessible to disabled people.