

## **Weslo Housing Management and The Mortgage to Rent Scheme**

Weslo Housing Management is a company limited by guarantee, with charitable status, which owns and manages 2100 houses in West Lothian and Bo'ness.

In 1996 we introduced our own flexible tenure scheme which allowed Weslo to buy a property from an owner who was experiencing financial difficulties. The owner would then become a tenant and rents were typically 40% higher than social rents due to the absence of grant. The tenant could then buy back the property at a later date if they wished for the same percentage of market value as we paid for it. Under this scheme we acquired 43 properties.

We have participated in the national Mortgage to Rent scheme (MTR) since its inception in 2003. Since that time we have received 50 applications. Of these 30 have successfully settled, 12 have been withdrawn and 8 are in progress. 30 transactions have settled at a value of £2.8 million utilising £1.8 million of Grant from the Scottish Government.

The average valuation has increased from £62,600 in 2004 to £108,000 in 2008. Grant subsidy from the Scottish Government for these properties has increased from £36,700 in 2004 to £73,000 in 2008.

Applications have principally been from residents in West Lothian and Bo'ness but there have been three from out with the district. One in Edinburgh, which has settled and two in North Lanarkshire, which were both withdrawn.

There is a fairly standardised process to be followed for applications. Once the details are received from the MTR team a joint visit is undertaken by Weslo's Housing Manager and Technical Manager to:

- check family circumstances
- inspect general house condition
- determine potential suitability as a tenant
- identify specific repairs required and estimated costs
- arrange for electrical and gas inspections to be carried out.

In addition, a local reference rent is established, which is in line with similar social rents for properties in the area. These details are then returned to the Mortgage to Rent team within 14 days. It then takes a further 14 days for these details to be processed by the Mortgage to Rent team and a formal offer is then issued.

The offer letter details:

- market value
- purchase price
- repairs subsidy
- purchase subsidy
- possible shortfall, if any.

The offer letter is then signed by Weslo and returned to the Mortgage to Rent team, within one week, who check it and then pass the case to solicitors to undertake the Conveyancing for the transaction. The case then either settles or fails to conclude for some reason.

The timescales for the last part of this process are much more difficult to predict. The timescales from initial application to conclusion vary from 9 weeks to 114 weeks with the average being 23½ weeks.

Applicants must be in mortgage difficulty and also in danger of having their home repossessed. This is a condition of the scheme.

It is also quite common for applicants to have other debt or indeed multiple debts. In many cases applicants are found to have had other secured loans on the property for a variety of purposes. For example to start a new business, to carry out home improvements, to consolidate existing loans, to lend money to other family members or to buy so called 'luxury' goods.

Sometimes debt is triggered by a major change in individual or family circumstances. For example, the failure of a business, loss of employment with a reduction in working hours and salary, long-term ill health problems, accident or disability or a relationship breakdown.

Applications may be withdrawn because suitable payment arrangements have been made with the lender, or the applicant fails to respond to the solicitor or to the Mortgage to Rent team's correspondence.

There may also be a change or reversal in their circumstances. There are cases where the excess repairs are unable to be funded, or there may be major structural alterations required due to, for example, unauthorised alterations.

The problems of multiple debt or the complexity of the case can affect the financial viability in many instances, and this can involve the requirement for other loans to be discharged by lenders. As a result timescales can be longer, which increases costs for the applicant who is already in financial difficulty.

There can also be higher than normal legal fees for Conveyancing due to multiple debt and the complex problems this produces. MTR cases are seldom straightforward Conveyancing transactions!

From the landlord's point of view it is important to budget for potential increased legal costs. In some cases there may have been unauthorised alterations carried out. This can lead to problems with the cost of remedial work and having to obtain retrospective local authority consents. The landlord should accept technical recommendations in these cases, and be prepared to manage the risk as far as possible.

There are often excessive repairs costs due to the property having been neglected. Very often the cost of repairs is above the repairs subsidy of £6,000. This can lead to a reduction in, or the complete removal of, any equity in the property.

One solution to this is for landlords to consider providing a shortfall fund to assist in these circumstances. Weslo has a rolling fund of £20,000 to assist in such cases and at present £7,500 of the fund has been used in order to make cases viable.

On occasion, the house itself is in poor condition and has not been looked after properly by the owner. In these circumstances the landlord must make a decision on the person's suitability as a tenant. It is our view that a sympathetic view should be taken in these cases as there are very often extenuating circumstances which may have contributed to the problem in the first place.

In such circumstances we will give the applicant the opportunity to improve the condition before making a final decision.

Mortgage to Rent, whilst not without its difficulties is without doubt a very successful scheme and has allowed a large number of families in West Lothian to remain in the family home and avoid the distress and stigma of repossession and homelessness. It also means that there is less pressure on the Council's already overstretched homelessness provision.

Landlords should however note that excess repairs can be a problem and consider setting up some form of shortfall fund to assist with this. There can also be abortive costs when an application is withdrawn or simply does not conclude. Some of these costs can however be recovered from the Scottish Government.

There may also be longer legal timescales due to the complexity of many of these cases. However, on the plus side, as well as families being allowed to remain in the family home, properties will have been brought up to a good repair standard. It is also financially advantageous to the Landlord to participate in the Mortgage to Rent scheme.

The tenancies that have been created as a result of Mortgage to Rent have been conducted well and all tenancies are still in place with no major difficulties attached.

And last, but not least, 30 families have avoided the possibility of repossession and homelessness.