ICSH Submission on the Review of the Mortgage to Rent Scheme

To the Department of Housing, Planning, Community and Local Government

25th November 2016

1. About the Irish Council for Social Housing (ICSH)

The Irish Council for Social Housing (ICSH) is the national representative federation for non-profit housing associations in Ireland (also known as Approved Housing Bodies - AHBs). The ICSH represents over 250 members who, as well as providing over 32,000 homes, also deliver a range of complimentary services to tenants including families, older people, formerly homeless households and people with disabilities.

The ICSH was established in 1982 to support and promote the work of housing associations and to develop their distinctive role in the Irish housing system to deliver high quality homes.

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2. Introduction

The Irish Council for Social Housing (ICSH) welcome the opportunity to make a submission on the review of the Mortgage to Rent Scheme. Following the implementation of the recommendations in the Keane Report (2011), a number of housing associations have been at the forefront in assisting in the development and implementation of the Mortgage to Rent scheme. Whilst the scheme was never intended as a solution for the vast majority of arrears cases, meeting the needs of households with unsustainable mortgages and acute arrears, has proved challenging for housing associations within the current framework. It is important that this review looks at the scheme, not just in the context of increasing the scale, but recognises needs of the households and individuals at the centre of it and the impact when the process breaks down.

A number of housing associations remain committed to the Mortgage to Rent scheme and its objectives, but the implementation of the scheme is resource intensive. Housing associations have invested significant staff and volunteer time and resources into the administration of a scheme that meets the housing need for a small number of households. The recommendations below are underpinned by the ongoing experience of the ICSH members participating in the Mortgage to Rent scheme since its inception.

3. Centralised administration of CALF and P&A for Mortgage to Rent

Members involved have recommended that the administrative aspect of the funding would benefit from centralisation within the Housing Agency. This would address the difficulties and delays experienced by members for this part of the process, generally improving the efficiency and effectiveness of the scheme. Local authorities would have a strategic function in terms of their planning responsibilities, assessment for social housing support and allocation of properties. As part of the application and confirmation of social housing support, local authorities should also be required to provide:

- Confirmation of the applicants social housing support prior to referral to the Housing Agency;
- Confirmation of Garda clearance and;
- Estimation of rent for the applicants.

The repairs cap approved by the Housing Agency should also be increased from €10,000 to a minimum of €20,000.

4. Awareness and training

Training for local authority staff is required on the whole Mortgage to Rent process, focussing on the interface they have with applicants and the information provided.
An important information tool is the booklet ‘A guide to Mortgage to Rent’ which should be updated to reflect changes in property values as well as any changes from the review. Members have reported poor understanding of the scheme from homeowners and note the information should be made available to them at the outset.

Members have also experienced inconsistencies across local authorities how CALF and P&A funds are to be administration and in the information and supporting documentation that is required from housing associations.

Information provided to members regarding the properties has been inaccurate e.g. incorrect number of bedrooms notified, with resultant changes required in valuations and market rents.

Training is also required for staff in Banks administering the Mortgage to Rent process to address delays and errors in the process (below).

5. Protocol and process delays

Delays have been reported by members in all stages of the process, regardless of the timelines anticipated in the protocol. Lengthy delays are experienced while banks make decisions regarding acceptance or decline of offers and while processing LOA to customers. One member reports a delay in responding of a period of months, after which the vendor requested a re-valuation, raising the sale price by €30,000 thus requiring a complete re-negotiation and redrafting of contracts.

Solicitors are also reporting long gaps between issuing pre contract enquiries and receiving replies to same. This causes unnecessary delays in getting transactions over the line. Members have also reported planning issues that have arisen and delayed the process. In addition, the bundling of properties required for Housing Finance Agency (HFA) loan applications means that all properties must be complete before any in the bundle are purchased.

Stages 8 to 15 in the process can take longer due to delays from other parties and when information is returned there are crucial gaps in key information. Further training for all stakeholders is required to address this.

Where there are lengthy delays, there should be a review of market rent before final agreement.

Vendors should be required to give a response within a shorter timeframe of receiving the offer from a housing association and should be bound to the sum agreed for at least six months.
If the OMV is not supported by the Market Rent, the Housing Agency should inform the lender and agree the reduction before circulating the property.

6. Valuations

One of the key outcomes of the last review of Mortgage to Rent in 2014 was that the Housing Agency would undertake one valuation to save duplication. Members report current practice whereby Banks are still carrying out their own leading to disagreements on value and Banks rejecting offers based on the valuation provided by the Housing Agency.

7. Surveys

Members have recommended that a mechanical survey should also be required to provide an accurate assessment and profile of the property.

One member has reported the need for increased flexibility on the 30 day requirement for the survey due to time constraints on the surveyor side then compounded at times with difficulty gaining access to the property.

As a housing association is taking ownership of the property they will be expected to provide a standard of maintenance that may include having to replace windows, doors, boilers, insulation. The Scheme should specify what can be deducted before an offer is made. Members have recommended provision of greater clarity on what is meant by essential repairs.

8. Costs

Members have had to meet additional costs of purchase from own funds e.g. lending Bank’s legal fees and final valuations which is in addition to the initial survey and the housing association’s legal costs. This exceeds the Development Allowances available by around €5,000 per property (after taking development allowances into account).

Consideration should be given to a development allowance to address this.

In the transfer of the properties to housing association, banks should be encouraged to provide capital for the acquisition instead of housing associations having to go to a third party e.g. the Housing Finance Agency.