

Leasehold Remortgaging Policy

	Contents	Page
1.0	Introduction	2
2.0	Legislative/ regulatory context	2
3.0	Scope	2
4.0	Policy statement	2
5.0	Maximum borrowing	2
6.0	Rents, service charges and other debts	3
7.0	Charge on a property	3
8.0	Shared ownership leaseholders	3
9.0	RTB, PRTB and RTA leaseholders	4
10.0	Fees	4
11.0	Confidentiality	4
12.0	Equality and diversity	4
13.0	Complaints and appeals	4
14.0	Risk	5
15.0	Monitoring and evaluation / quality assurance	5
16.0	Author	5
17.0	Date for review	5

1.0 Introduction

- 1.1 This policy outlines the approach taken by Metropolitan Housing Partnership (MHP) when an MHP leaseholder wishes to remortgage, change lender or borrow additional money.
- 1.2 Granta Housing Society is a member of the Metropolitan Housing Partnership (MHP). As a member of the partnership Granta Housing Society adheres, where possible and practicable, to the same policies. When MHP is referred to in this policy this also includes Granta Housing Society, unless specifically stated otherwise.

2.0 Legislative and Regulatory Context

- 2.1 Legislative context
- Section 156 Housing Act 1985 as amended by section 120 Leasehold Reform Housing and Urban Development Act 1993
- 2.2 Regulatory context
- Housing Corporation Capital Funding Guide

3.0 Scope

- 3.1 This policy applies to all landlords within Metropolitan Housing Partnership.
- 3.2 This policy applies to all leaseholders, including those who bought under:

- Key workers schemes
- Shared ownership
- Right to buy
- Right to acquire
- Preserved right to buy
- Homebuy

3.3 This policy should be read in conjunction with other relevant policies and procedures.

3.4 This policy should be read in conjunction with the individual lease.

4.0 Policy statement

4.1 A leaseholder can remortgage, change lender or borrow additional money as long as certain conditions are met and any fees due paid.

5.0 Maximum borrowing

5.1 The maximum amount that can be borrowed by a shared ownership leaseholder will be set by the individual business. The maximum amounts that can be borrowed may vary according to the conditions of the individual lease but must never exceed the value of the share in the property.

5.2 Maximum amounts as at date of policy sign off:

Business	% of equity share
MHO	80%
Clapham Park Homes	100%
Spirita	80%
Granta	80%

5.3 Example:

Current valuation	£200,000
Shared owners share in property	40%
MHO/Spirita maximum	80%
Maximum £200,000 x 40% = £80,000 equity £80,000 x 80% = £64,000 maximum	£64,000

Note: The amount that can be borrowed is the total borrowing allowed, after including what is outstanding on the mortgage.

Warning: Not all leases allow 100% equity. It is always advisable to check the lease. For example Royal Mint properties have 40% preserved equity.

6.0 Rent, service charges and/or other debts

6.1 All accounts must be up to date. If there are any charges outstanding the application cannot progress.

7.0 Charge on a property

7.1 A 'second' charge will not be approved under any circumstances.

8.0 Shared ownership leaseholders

8.1 A shared ownership leaseholder can only borrow additional finance for the following purposes:

- Purchasing further shares/ additional equity in the property
- Home improvements

8.2 A shared ownership leaseholder cannot borrow additional finance for purposes such as:

- Debt consolidation
- A car purchase
- A holiday

(This list is not exhaustive)

8.3 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 (FRICS or MRICS)
- Admin fee
- Confirmation of:
 - The balance outstanding on the mortgage
 - Copy of loan offer
 - Reasons for additional borrowing

8.4 Where a lender is reluctant to provide copies of original documents the lender can provide the information in writing on headed paper.

9.0 Right to Acquire (RTA), Right to Buy (RTB) and Preserved Right to Buy (PRTB) leaseholders and Postponement of charge

9.1 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).

9.2 In all but limited statutory exceptions some or all of the discount must be repaid if the property is sold within the first 5 years from the date of purchase.

9.3 Where the discount repayment period is still in effect legislation dictates that in certain circumstances for an approved purpose MHP must issue a deed of postponement (postponing its charge in favour of a mortgagee's second mortgage) but in other cases has discretion to do so.

9.4 The legislation defines approved purposes where written consent to postponement must be given as:

- The cost of works to the dwelling
- Service charges
- Further advances to repay original mortgagees that rank in higher priority than the discount charge.

9.5 Where MHP has discretion, MHP 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.

10.0 Fees

10.1 An application to remortgage will attract fees. These will vary depending on the business and the complexity of the application.

11.0 Confidentiality

11.1 This policy is written in accordance with the principles of the Data Protection Act. (For more information please refer to the [Confidentiality Policy](#))

12.0 Equality and diversity

12.1 In the implementation of this policy, MHP will adhere to Diversity Policy, and as such will not discriminate against any resident on grounds of their race, ethnic origin, gender, sexuality, marital status, disability, age, religion or class. (Please refer to the [Diversity Policy](#))

13.0 Complaints and appeals

13.1 If any person believes that they have not been treated in accordance with this policy, or they are unhappy about anything related to the policy, they may complain through the complaints procedure. (Please refer to the [Complaints and Compliments Policy](#)).

14.0 Risk implications

14.1 The purpose of this policy is to minimise the risk to either the leaseholder or the RSL:

- In the event of a lender exercising the 'mortgagee protection clause' which is designed to cover part of a lender's loss should the lender have to take possession of the property on default
- Associated with the postponement of charge if the sum advanced exceeds the current value of the property.

15.0 Monitoring and evaluation/ quality assurance

15.1 The implementation of this policy will be monitored on a quarterly basis through:

- Number of cases
- Complaints and appeals.

16.0 Author

16.1 This policy and procedure was drawn up by: Leasehold specialists within MHP and Policy & Performance and edited for Granta by Mair Walker.

16.2 MHP always welcomes comments and feedback. Please contact the Housing Services Manager, Policy and Performance.

17.0 Date for review

- 17.1 This policy was approved by the Housing Operations Group on the 6th June 2008 and by the GHS Housing Operations Director in July 2008.
- 17.2 The policy will be reviewed 3 years after commencement, unless there is a significant change in legislation in which case it may be reviewed earlier.