



Prynu Cartref
Cymru
Homebuy
Wales

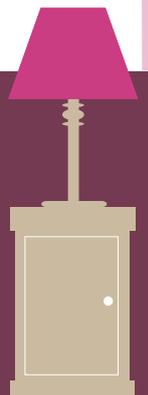
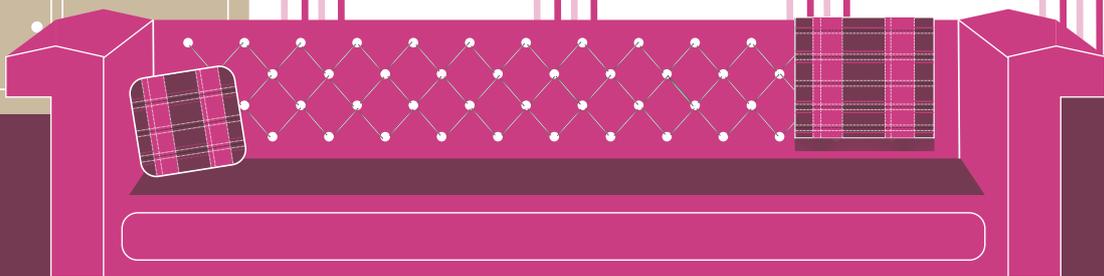
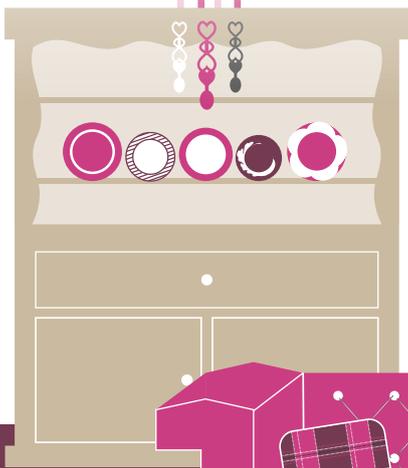


Llywodraeth Cymru
Welsh Government

Homebuy Wales

Dwyfor Affordability

Pilot Area



www.gov.wales/homebuy

What is *Homebuy Wales*?

This booklet is a guide to the operation of the *Homebuy Wales* scheme in the Dwyfor Second Homes and Affordability Pilot area. *Homebuy Wales* helps people to buy a home on the open market. The scheme is funded by the Welsh Government, is managed by Gwynedd Council and is delivered in Dwyfor, on behalf of the council, by Grwp Cynefin who administers the Tai Teg register.

This guide does not cover all the rules of the scheme but sets out the main features. For more information, please Tai Teg on:

Tai Teg | Hafan

Tai Teg can also be contacted on:

Phone: 03456 015 605

E-mail: info@taiteg.org.uk

Homebuy Wales is not intended for people who can afford to buy a property suited to their needs without assistance, or those who are adequately housed but wish to move to a more expensive location.

Funding for *Homebuy Wales* will be limited, so everyone who qualifies to obtain assistance may not be able to do so. Grwp Cynefin will keep a waiting list if the demand exceeds the money available.

Before deciding to buy a property, you should take your own independent financial advice to get a clear idea of the costs and obligations of home ownership.



Important – Information on repaying the *Homebuy Wales* loan

When you sell the home that you buy through the *Homebuy Wales* scheme, you have to repay the loan you took from Grwp Cynefin.

Under the terms of the loan there are no interest or other credit charges so the loan has no annual percentage rate (APR). But the amount you will have to repay when the loan comes to an end is linked to the value of your home at the time you sell it. You may have to repay less than you borrowed, but it is likely that you will have to repay more.

If you have to repay more than you borrowed, the effect will be similar to a loan under which you pay credit charges at the rate at which your home has increased in value. For example, if your home increases in value by 4 per cent a year, the sum you will repay will be equivalent to borrowing under a loan with an APR of 4 per cent.

The percentage you borrow is based on the market value of your new home when you buy it.

When you repay your loan in full or in part, the amount you pay back is worked out as a percentage of the market value at the time you choose to repay.

If the market value of your home rises, so does the amount you owe on your equity loan. And if the value of your home falls, the amount you owe on your equity loan falls too.

If you have undertaken any work on the property, which has increased the value, Grwp Cynefin do not consider this increased sum as part of the amount to be paid back, following valuation of your home and confirmation from the valuer.

However, the amount you will have to repay your bank or building society will not reduce. Remember that house prices can go down as well as up.

How does *Homebuy Wales* work?

Homebuy Wales is funded by the Welsh Government, which has responsibility for Registered Social Landlords (RSLs)/ Housing Associations throughout Wales.

If you qualify for the scheme, you will normally need to contribute 70% of the purchase price of a home through a mortgage and/or personal savings; although you can be considered for a loan from 10% to 50% of the purchase price, depending on your circumstances. You will need to raise at least a 5% deposit to purchase your home. (This is a requirement of the mortgage lender.) Grwp Cynefin will lend you the rest.

To fund your percentage of the purchase price you will need to arrange a mortgage from an approved lender. For the purposes of the *Homebuy Wales* scheme your mortgage must be obtained from a building society, a bank, a friendly society or an insurance company. Applicants should, under no circumstances, incur any costs in obtaining a mortgage (for example, for a property valuation) until the lender offering to provide the mortgage has confirmed that it is one of these types of lender. Mortgage repayments are usually made on a monthly basis, with the amount sometimes varying if there are changes in interest rates.

There are no monthly payments on the loan from Grwp Cynefin that covers the remaining percentage of the purchase price. Instead, you repay it when you sell your home. The amount you repay will be the equivalent percentage value of your home at the time you sell it. If you want to, you may repay the loan before you sell, in which case what you repay will be based on the value of your home when you pay back the loan. It is important to remember

that the loan must be repaid when you sell the home.

If someone who buys through *Homebuy Wales* dies and a member of their family or their partner is left, they may take ownership and continue to live in the home. If so, the costs of running the home and keeping up the mortgage repayments will normally transfer to whoever goes on living in the home. If not, the home will be sold to repay the outstanding loan. You may wish to take out insurance that pays off the mortgage on death, although you do not have to.

Who qualifies for *Homebuy Wales*?

To qualify for the scheme, you must first be approved (in writing) by Tai Teg.

In considering your application, Grwp Cynefin must use the eligibility Criteria currently in place at the time you apply. As a guide, you will need to meet at least the following requirements:

- You must be able to show Grwp Cynnefin either that you are not adequately housed or that you can no longer afford to occupy your current home.
- You cannot buy a home suitable for your needs without help from *Homebuy Wales*. Grwp Cynefin will not support your application if you could afford to buy a home without help.
- You must be able to obtain a mortgage to cover your contribution, be able to raise at least a 5% deposit and have savings to cover the other costs of buying a home, such as legal costs. The mortgage must be from a qualifying lender such as a bank, building society

or insurance company. Other lenders may be acceptable but you need to check first with Grwp Cynefin whether the lender can provide a mortgage for the *Homebuy Wales* scheme.

- You must have a household income of more than £16k (gross) per annum, which is the minimum household income threshold for the scheme.
- You must have a household income of less than £60k (gross) per annum, which is the maximum household income threshold for the scheme.
- You must not be in rent arrears, or in breach of your tenancy agreement, if you are a tenant of a Housing Association or Local Authority.
- You must not be receiving Housing Benefit or have received it during the 12 months before you apply for the *Homebuy Wales* scheme.
- If you currently own your home or part-own a property, you can only be considered for *Homebuy Wales* if Gwynedd Council accepts you are in housing need. If so, you would have to sell your interest in that home at the same time as buying a home through *Homebuy Wales*.
- In the Affordability and Second Home pilot area in Dwyfor, Gwynedd access to the scheme will be restricted to people who meet additional local residency rules that have been agreed with the Local Authority.

If the person joining you already owns a home, that property will have to be sold at the same time as buying through *Homebuy Wales*. Any likely profit from that sale will also be taken into account in considering the *Homebuy Wales* application.

A joint application will not qualify unless all parties are to jointly own the home. We take into consideration both applicants' income. If one applicant is unable to get a mortgage, your application may still be considered on a joint basis. However applications will be considered on a case by case basis. A Deed of Trust providing rights of occupation for a qualifying applicant is unacceptable as an alternative to becoming a joint legal owner. No more than four people can jointly buy a home through *Homebuy Wales*.

If one applicant is unable to get a mortgage, your application may still be considered on a joint basis. However, applications will be considered on a case by case basis.

What kind of property can you buy through *Homebuy Wales*?

You may buy a property provided it meets the following requirements:

- it is within the Affordability and Second Home pilot area in Dwyfor, Gwynedd
- the size of the home is suitable for your current housing needs
- the purchase price of the home is within the price limits for the scheme. (Price limits vary according to family size because the bigger your family, the bigger the house you will need. Please check with Grwp Cynefin which price limits apply in your case)
- it is in a reasonable state of repair and immediately habitable (you will have to obtain a survey report, such as a Homebuyer's Survey and Valuation Report – Grwp Cynefin will not need to see a full structural survey)
- it is for sale with vacant possession (that is, no-one is a tenant there)

- it will be your sole residence
- if offered on a leasehold basis (mainly flats) the lease has a remaining term of at least 60 years.

New properties under construction and being marketed by developers may be considered for the scheme if the sale price is fixed and exchange of contracts can be achieved within 6 months of the Housing Association saying that you can look for a home (the approval to look for a home must be in writing).

The following properties **do not** qualify for the scheme:

- property containing any element of commercial use
- caravans, houseboats and other mobile homes
- properties offered to you at a discount by a Housing Association, Local Authority or other public body.

What happens after you buy through *Homebuy Wales*?

When you buy through *Homebuy Wales*, you will own the property outright. Like other home owners, you will be responsible for all the repairs and maintenance, as well as making your mortgage repayments and paying your Council Tax. You will also need to take out buildings insurance, in case your home is damaged by fire or a similar hazard. This is a normal requirement when getting a mortgage and gives you protection against losing your home in a disaster. If you buy a flat, the owner of the block normally takes out the insurance and shares the costs between the owners of the flats. Also, if you buy a flat, you will usually have to pay service charges to cover maintenance costs for common areas of the block.

Grwp Cynefin needs to protect its loan. Therefore, the following conditions apply:

- You must notify Grwp Cynefin and obtain its approval to alterations or improvements you intend making to the property, such as building an extension or altering the layout of the home. You must retain receipts for the work undertaken.
- If you need to take out further loans for repair or improvement which have to be secured on the home, you need to get the consent of Grwp Cynefin before you take out the loan.
- If you want to sell your home or wish to repay the loan you must notify Grwp Cynefin before taking any further action. Grwp Cynefin will obtain an independent valuation of your home. This is so that the value can be agreed (You will have to pay the valuation fee). If you are selling your home Grwp Cynefin has the option to buy back your home or nominate someone to purchase it from you. They must advise you if they intend to take up this option, within six weeks of you notifying them that you would like to sell your home.

Grwp Cynefin will give you a more detailed list of requirements when replying to your application.

A step-by-step guide to *Homebuy Wales*

Step 1 – Making an application

You first need to complete an on line application form from Tai Teg, who operate the scheme in the Dwyfor pilot area.

Tai Teg | Hafan

Tai Teg can also be contacted on:

Phone: 03456 015 605

E-mail: info@taiteg.org.uk

Do not make any financial or legal commitment to buy a home at this stage; otherwise you will not qualify for the scheme.

Step 2 – Response to your application

The information you have given on the application form will be checked by Tai Teg. They will ask for additional information. Please see the Tai Teg website for the documents you will need to submit. Tai Teg will complete a comprehensive financial assessment looking at affordability. See the Tai Teg web-site for more information.

Tai Teg | Hafan

If satisfied with the details you have provided, Tai Teg will inform you in writing whether you qualify for the scheme.

Step 3 – Finding a home

When you have been accepted onto the scheme, Tai Teg will send you more detailed information on what to do next. You will receive approval to look for a home up to a certain price limit and be told the minimum percentage of the purchase price that you will have to find.

It is important to remember that different price limits apply in different areas. If you have changed your mind over where you want to live, you will need to check with Tai Teg to see if the price limit still applies. You can then agree a price (usually through an estate agent) with the person selling it.

Once you have found a suitable property:

- Make an offer, subject to contract.
- Inform Grŵp Cynefin about the details of the property by sending a 'memorandum of sale'.
- You will need to return the enclosed "Request for Valuation" form, in order for us to arrange a valuation report, along with a cheque for the valuation payable to Grŵp Cynefin. Valuation fee can range from £150-£200 + vat (as of October 2021 – this sum could change at any time – amount for the cost of commissioning the valuation report in order to ensure that the agreed price is acceptable, and to confirm that the property is in good condition).

Tai Teg will give you guidance notes to pass to your lender and legal representative about how *Homebuy Wales* operates.

Do not enter any legal agreement to buy the home at this stage as Tai Teg needs to approve the home you have chosen.

As soon as you have received your mortgage offer and survey (if the home you have chosen is not new), you will be able to give details of the home to Tai Teg for approval.

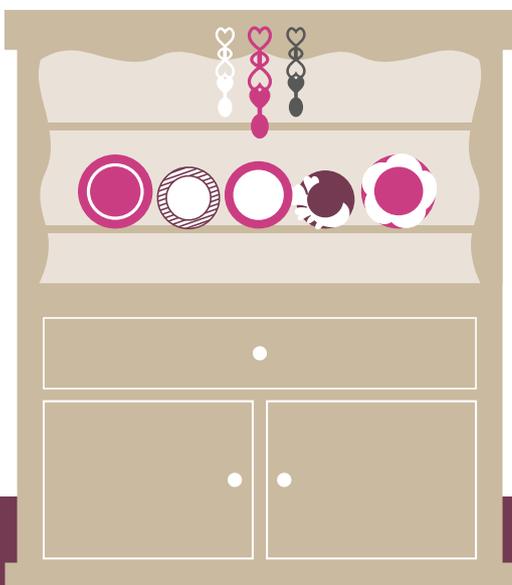
Step 4 – Approval to enter the legal agreement to buy your home

As soon as Tai Teg has agreed your application, you may instruct your legal representative to go ahead. Your legal representative will receive some instructions from Tai Teg about the timetable of the purchase and what they are required to do.

When your legal representative has completed the necessary checks, you will be told when you can sign the legal agreement to buy. After this, your legal representative will tell Tai Teg who will then arrange to pay the agreed percentage of the purchase price to your legal representative ready for completing the sale.

Step 5 – Selling your home or repaying the loan

In the future, you may wish to sell your home or repay the loan. When you do, you will need to contact Grwp Cynefin, before taking any steps to sell your home. Grwp Cynefin will discuss the process with you and arrange a valuation which you will have to pay for in order to agree the loan repayment amount. The amount you repay is based on the market value of your home at the time you want to sell or repay the loan. For example, if your loan was 30% of the value of your home, you will be required to repay 30% of the market value of your home at the time you make the repayment. The valuation will not include improvements you have made to your home which Grwp Cynefin have given you written consent to carry out. You must be able to produce a list of improvements made, the costs incurred and receipts to cover the costs. You will be responsible for paying the valuation fee.



The cost of buying your own home

It is important to consider the costs and responsibilities of buying a home before making a decision to go ahead. You should take your own independent advice before making any commitment. Here is a list of some of the costs you have to pay for.

1. Survey and legal costs

You will be responsible for your own legal costs and the costs of getting a mortgage for your contribution to the purchase price of the home. When arranging a mortgage, you will normally have to pay the lender a fee.

You will need to get a survey of the condition of the home (if it is not new) and this cost will be in addition to the mortgage fee. The applicant must pay for the valuation that is requested by Grwp Cynefin. Grwp Cynefin will not require you to get a full structural survey, unless there are concerns about the home.

2. Land Transaction Tax

Land Transaction Tax (LTT) is a tax you may have to pay if the home you buy is above a certain price. Your legal representative will inform you about any LTT that will be due.

3. Land Registry

When you buy a home, your legal representative has to arrange for its details to be registered at a government office, the Land Registry. You will need to pay a fee for the registration (your legal representative will tell you how much).

4. Mortgage repayments

For your contribution towards the purchase price, you will normally need to take out a mortgage.

Most mortgages require you to repay the loan by monthly payments, which may increase or decrease if interest rates change. The amount you can afford to borrow will depend on your income and savings. An independent financial adviser will be able to explain the costs of different types of mortgage.

5. Mortgage payment protection

If at any time you become unable to meet your mortgage repayments because you lose your income through, for example, unemployment or ill-health, your home may be repossessed by the mortgage lender.

When you arrange your mortgage you should seek advice from your lender and/or an independent financial adviser about what policies/ support is available to suit your needs and give you the cover you require.

6. Insurance

You will have to insure your home in case your property is damaged or destroyed by fire or similar disaster. This is called Buildings Insurance. As well as insuring the building, you may wish to insure your belongings and furniture. You should take your own independent financial advice before making any commitment.

7. Service charges

If you buy a flat or maisonette, you will have to contribute towards the upkeep of the building. The person who owns the block of flats (called the freeholder/landlord) will be responsible for repairing and maintaining the outside of the building and any common parts. The costs of work will be listed in a service charge, which each flat owner has to contribute to.

8. Repairs

When you buy a home of your own, you have to pay for all repairs needed to the property.

9. Services

You will need to pay for gas, electricity and water supplied to your home. You will also be responsible for paying Council Tax.

Further information on the costs of running a home that you own can be found in consumer magazines, books or on the internet.

Where to go for further advice

If you have questions about the scheme, you should contact Tai Teg/Grwp Cynefin. Your mortgage lender and legal representative can advise generally on buying a home, and independent financial advisers can tell you about the different types of mortgage and insurance products on the market.

For information is available from:

Grwp Cynefin

Home – Grŵp Cynefin (grwpcynefin.org)

Phone: 0300 111 2122

Tai Teg

Tai Teg | Hafan

Phone: 03456 015 605

Welsh Government

www.gov.wales/homebuy

Please contact us if you would like a copy of this document in large type or Braille.