



Circular HPS 13/2008

14 October 2008

Home Choice Loan

I am directed by the Minister for the Environment, Heritage and Local Government to refer to the new local authority house purchase loan to be known as **Home Choice Loan**, details of which were announced on October 14th in the context of Budget 2009. The Home Choice Loan is designed to provide a necessary response to a very particular set of circumstances which exist in the housing market at this time; namely, a lack of availability of sufficient credit for first time buyers. For a limited period, the State is extending a line of credit to such households who wish to purchase at this time. This loan is being made available under the provisions of Section 11 of the Housing (Miscellaneous Provisions) Act 1992 and will be subject to regulations made by the Minister.

General

The new Home Choice Loan will be available to first time buyers of new houses, subject to a maximum loan of €285,000, and a maximum loan to value ratio of 92%. The loan term will be up to 30 years. A minimum income of €40,000 will apply, and a standard variable interest rate, related to the prevailing rates available from commercial institutions will be applicable (the applicable rate will be determined by the Department of the Environment, Heritage and Local Government). *Further detail on Home Choice Loan is set out in Appendix 1.*

Operational Structure

Four local authorities will be designated as lending authorities on a regional basis (*see Appendix 2 for Regional Operating Structure*). The four designated local authorities are Cork City Council, Dublin City Council, Galway County Council and Kilkenny County Council. These authorities are to be specified by Order of the Minister under the section 23(3) of the Housing (Miscellaneous Provisions) Act, 1992. These authorities will draw down funds from the Housing Finance Agency and lend on to successful applicants from within their own and other local authority areas within designated regions. Recommendations on specific loan applications made by the Central Processing Unit (see below) will be made to the relevant authority. These authorities will oversee the conveyancing process, ensure mortgage charges are put in place, ensure that adequate security is obtained and will issue the loan.



These four designated local authorities will be responsible for all aspects of post-drawdown loan administration including:

- Recording of initial loan;
- Calculation of interest, fees and any surcharges;
- Collection of instalments, money transmissions...etc;
- Maintenance of customer records;
- Maintenance of security records;
- Redemptions of loans;
- Additional payments; and,
- Arrears management.

All other local authorities are requested to provide information and assistance to the public in relation to availability of Home Choice Loan and to provide support and advice to the designated authorities and to the Central Processing Unit. Specifically, each local authority is requested to designate a nominated officer to act as the primary contact for the designated authority in their region and the Central Processing Unit. It should be noted that all local authorities will continue to be responsible for the normal local authority house purchase loans.

Central Processing Unit

The four designated local authorities will be supported by a Central Processing Unit, staffed by appropriately skilled personnel, including qualified underwriters, and operated with administrative assistance from the Affordable Homes Partnership. The Central Processing Unit will handle enquiries, process all Home Choice Loan applications (from all local authority areas), and issue a determination to designated local authorities on each application in accordance with a formalised credit policy. The Unit will also carry out credit checks¹. The Central Processing Unit will be overseen by a Steering Committee, chaired by a Manager of one of the designated authorities.

The credit, monitoring and appeals policies will be recommended to the Steering Committee by a Credit Committee. All loan decisions will be governed by the credit policy.

It is considered that a centralised approach should deliver considerable efficiencies in meeting the objectives agreed by the Government, provide a basis for much greater consistency of underwriting in all cases in order to minimise risk, and reduce the administrative burden on local authority housing departments. In addition, this centralised system would facilitate consistency of approach to customers throughout the country, as well as uniform monitoring and reporting.

A major role for mortgage brokers is envisaged as an additional resource in maximising consistency of approach, particularly for direct "face to face" interaction with first time buyers to ensure that all aspects of buying a house and the associated obligations are fully explained. Use of the extensive national mortgage broker network would also offer maximum flexibility from the point of view of the prospective applicant.

¹ Arrangements are being put in place for the designated local authorities to become members of the Irish Credit Bureau so that credit checks can be carried out.

Next Steps

- In general, prospective applicants contacting any local authority, including the four designated authorities, should be directed to www.homechoiceloan.ie, or LoCall 1890 252 842.
- Copies of the attached information sheet should be made available in all local authority offices as of Wednesday, 15 October.
- Application forms will be available from participating mortgage brokers (local / regional contact lists for brokers will be circulated in the coming weeks and will be available on the Home Choice Loan website).
- The website and LoCall number will be operational as of Wednesday 15th October.
- Housing Directors from the designated authorities will be in contact with their counterparts in each region shortly.

Interested applicants can register their interest on www.homechoiceloan.ie. The full details and arrangements relating to the loan product will be finalised in the coming weeks, with a view to its full introduction from early November. Further details will be issued to all local authorities in the interim. General enquiries about this circular should be made to Mr Eric Nunan, Housing Policy & Finance and Social Inclusion Section (eric_nunan@environ.ie or telephone 888 2076). A copy of this circular is available electronically on the Sharepoint system (<http://circulars.lgcsb.ie/doecirculars>) under the category "*Housing*".

Yours sincerely,

Philip Nugent
Principal Officer
Housing Policy & Finance and
Social Inclusion Unit

To each housing authority

Appendix 1

What is Home Choice Loan?

- Home Choice Loan is a new time limited measure by the Government to provide access to mortgage finance for prospective first time buyers who cannot currently get sufficient finance from a bank or building society.
- As such, the scheme is designed to respond to a very specific set of circumstances in the housing market, fully in line with the Government's policy of only intervening in a targeted way, to achieve specific outcomes.
- The loan is intended to facilitate, rather than incentivise, first time buyers who wish to purchase a home at this time.

Who can apply?

- The new Home Choice loan product will be available to first time buyers of new houses, subject to a maximum loan of €285,000 and maximum loan to value ratio of 92%.
- A minimum individual income of €40,000 will apply.
- Further details on Home Choice Loan can be found on www.homechoiceloan.ie or by calling **LoCall 1890 252 842**.

How will the Home Choice Loan operate?

- The four designated local authorities, Cork City Council, Dublin City Council, Galway County Council and Kilkenny County Council will be designated as lending authorities acting on a regional basis. These authorities will draw down funds from the Housing Finance Agency and lend on to successful applicants from within their own and other local authority areas within designated regions.
- Recommendations on specific loan applications made by the Central Processing Unit will be made to the relevant authority. These authorities will oversee the conveyancing process, ensure mortgage charges are put in place, that adequate security is obtained and issue the loan.
- A Steering Committee with members from the designated local authorities, the AHP, an external advisor, and chaired by a County Manager, will oversee the operation of the system. A Credit Committee, reporting to the Steering Committee, will also be established.
- A network of approved mortgage brokers will be established. Prospective house purchasers will apply for a Home Choice Loan through one of these brokers.
- The Central Processing Unit will handle enquiries, process loan applications, and issue a determination to designated local authorities on each application in accordance with the credit policy and carry out credit checks. Loan approvals will be governed by a formalised credit policy.

How was the regional split decided?

- This split has been decided on the basis of broadly similar market conditions, house prices, trends etc. pertaining in each local authority area within the regions, a desire to have a roughly even county split, and anticipated demand.

Will the existing local authority mortgage protection insurance scheme be compulsory for Home Choice Loan borrowers?

- No. Applicants will not be required to avail of the existing scheme, but must provide evidence of having adequate life assurance or mortgage protection in place in advance of drawdown. However, applicants can avail of the existing scheme if they so wish.

Can a Home Choice Loan be used for the purchase of affordable housing?

- No. Home Choice Loan is a market designed mortgage to provide access to credit for first time buyers who can afford to purchase in the open market, can afford to service a mortgage, but are unable to access sufficient mortgage finance.

Is the Home Choice Loan intended as a replacement for any existing housing supports (e.g. local authority loans)?

- No. Home Choice Loan is a separate, market based, and time limited response to the current lack of availability of credit. It does not affect any other existing housing support.

Appendix 2

HOME CHOICE LOAN – REGIONAL OPERATING STRUCTURE

Lending Authority – Galway County Council	Lending Authority – Dublin City Council	Lending Authority – Kilkenny County Council	Lending Authority – Cork City Council
Mayo, Roscommon, Donegal, Sligo, Leitrim, Cavan, Monaghan, Galway City, Galway County	Louth, Fingal, Meath, Kildare, Wicklow, South Dublin, Dun Laoghaire-Rathdown Dublin City	Longford, Westmeath, Offaly, Laois, Kilkenny, Carlow, Wexford	Waterford County, Waterford City, Cork City, Cork County, Kerry, South Tipperary, North Tipperary, Limerick County, Limerick City, Clare

