

# **AFFORDABLE HOMES**

**Are you in the Armed Forces Community  
and looking to buy a home?**

**DCDS(Personnel) – SPCP Team  
March 2010**

## INTRODUCTION

There are a number of affordable housing schemes in England, Scotland and Wales that are designed to help members of the Services buy their own homes. As Armed Forces personnel, you have “priority status” to access them whilst serving, and for a further 12 months after you leave.

Affordable housing schemes are intended for single people as well as for families.

This leaflet provides information about some of the schemes available and the extra measures that have been added for the benefit of Armed Forces personnel. It will also tell you where you can get further information to help you decide which scheme best meets your needs. It sets out the position at the time of publication, in March 2010, but it is not a complete description of the schemes. Before committing yourself to one of these schemes, you are strongly advised to seek professional financial advice on whether it is right for you.

A similar scheme exists in Northern Ireland but you do not have priority status. Information on it is included at the end of this leaflet.

## KEY FACTS

Affordable housing schemes help people to get on to the property ladder, by introducing new ways to find the necessary money. The Government has designated its Armed Forces personnel as ‘Key Workers’ which means they receive priority status when applying for affordable housing schemes across all regions in England. The Devolved Administrations in Scotland and Wales have also given a priority status to Armed Forces personnel when accessing their own schemes. This status ensures applications from Service personnel are given a higher priority than some others when they are assessed for the schemes. It doesn’t mean you will automatically be accepted.

There are many different types of scheme to help you to buy your own home. This leaflet briefly explains the main Government schemes. Ask for more information from scheme providers to help you decide which one is right for you.

### Are you eligible for these Government and Devolved Administration schemes?

- In **England** you are eligible if your household income (normally the combined income of you and your husband/wife/partner) is £60,000 or less, and you cannot afford to buy on the open market without help.
- In **Scotland and Wales** you are eligible if you cannot afford to buy a property that meets your household’s needs without help

For all schemes you may also be eligible if you have sold a property, and cannot afford to repurchase in a new posting area that is more expensive without assistance, to meet the needs of your family.

If you apply for one of the schemes, the providers will decide with you your household’s needs. They will also assess how much you can afford to pay. They will not want you to over-reach yourself, but they may expect you to buy as big a share in the property as you can.

Common to all of the schemes in England, Scotland and Wales are the following key benefits:

- **Priority status begins from the date that you are on trained strength, as long as you meet the eligibility criteria.**
- **You can let (rent out) your property to someone else if you are posted, as long as your mortgage lender agrees.**
- **You can apply to purchase a property through a scheme in any region, in order to settle your family – it doesn’t have to be near your duty station.**
- **You can apply for a property from an overseas station and let it until you return to the UK, provided you intend to occupy it long term.**

- Once you have a property, it doesn't matter if your circumstances change. If you leave the Armed Forces, you do not have to vacate or sell the property, and no additional financial penalties will apply.
- Within each scheme, you can apply to 'port' your interest on sale of a property to another location (for example if you are posted and want to continue serving accompanied). This assumes property is available to buy there, and you still meet the criteria to stay in the scheme.
- You will retain your priority status for 12 months after you leave the Armed Forces so long as you have served for at least 6 years.
- In the event of death in Service, priority access to the schemes for 12 months is transferred to bereaved spouses, civil partners and other partners of Service personnel.

Special arrangements apply if you have received a lump-sum payment under the Armed Forces Compensation Scheme (AFCS).

- if you need adaptations made to the property, the AFCS payment will be disregarded when you are assessed for a Disability Facilities Grant in England and Wales, or grants for disabled adaptations in Scotland.
- In England and Wales, the AFCS payment will be disregarded when scheme providers assess how much you can afford to pay. In Scotland, your compensation payment may be disregarded when making the assessment – it depends on your circumstances.

Long Service Advance of Pay can be used in conjunction with all these schemes, as long as you comply with the usual terms for LSAP (see Joint Service Publication 752).

## SCHEMES IN ENGLAND

There are two main products available from the Government in England to help you buy a property. They operate in different ways:

- **New Build Home Buy**, which involves a Shared Ownership (leasehold) arrangement. You buy between 25% and 75% of a new build property with a normal mortgage (or savings). The scheme provider, usually a housing association, finances the rest. As well as your mortgage payments, you pay a subsidised rent on the scheme provider's share of the property, which will be a maximum of 3% in the first year, and is then reviewed. The scheme provider will hold the deeds of the property. At any time you can buy a bigger share, up to 100%, though there may be restrictions in some rural sites.
- **HomeBuy Direct**, which involves a Shared Equity loan. You take out a mortgage for at least 70% of the purchase price of a new build property. In addition you apply for an "equity loan", of up to 30% of the value of the property, from a scheme provider and participating home builders. You will not have to pay anything on the equity loan for the first 5 years, after which you will pay a small monthly charge. You will own the deeds of the property, and at any time you can decide to reduce the equity loan and increase your mortgage share, up to 100%.

For either scheme, if you sell the property you will need to repay your mortgage and equity loan providers using the money you get from the sale. If the property has increased in value you will share the profit with the equity loan providers (for example if you had a 25% equity loan, your equity loan provider gets 25% of the proceeds when you sell). If the value goes down, you may not have to repay the equity loan provider in full, but you will still need to repay the whole of your mortgage.

There are also schemes for those who are interested in buying a property, but not yet able to do so:

- **Intermediate Rent Scheme and Rent to Home Buy** As a key worker you can rent an available new build property through a Registered Social Landlord such as a housing association. You will pay approximately 75% to 80% of the local market rent for that type of property. But you also get the right to purchase a share of the property after a specified period (usually around 5 years, or sooner if you are able) by switching to the **New Build Home Buy** scheme outlined above, after saving for a deposit while renting.

For further information on the various affordable housing schemes available in England please visit [www.direct.gov.uk](http://www.direct.gov.uk), and select the Home and Community section.

## SCHEMES IN SCOTLAND

In Scotland, you can use your priority status to access one of the shared equity schemes that form part of the Low Cost Initiative for First Time Buyers (LIFT) which is provided across the Scottish regions. These are the New Supply Shared Equity scheme, the New Supply Shared Equity with Developers Trial, and the Open Market Shared Equity Pilot.

Under these schemes, which are operated by Registered Social Landlords, you will have to show that you cannot afford to buy a house that meets your needs without assistance. If accepted, you will normally purchase between 60% and 80% of the property with a standard mortgage arrangement. You will need to demonstrate what you can afford to pay, and the amount you contribute must be the maximum mortgage that you can afford. In most cases the Scottish Government will fund the remainder. You will hold the deeds of the property. You are not required to pay any additional rents or charges to the Scottish Government, but if you sell the property you must pay back to them the percentage share they funded.

The differences between the schemes are as follows:

- **New Supply Shared Equity scheme** Registered Social Landlords will only offer new build properties to meet the needs of your family under this scheme.
- **New Supply Shared Equity with Developers Trial** This scheme operates like the New Supply Shared Equity scheme, except you purchase a home built by a developer rather than the housing association and the Scottish Government and the developer will each fund part of the cost of your home through an interest free equity loan.
- **Open Market Shared Equity Pilot** This scheme can be used to buy new or existing properties. However the value of the property must be inside the limits set by Registered Social Landlords for each region of Scotland to meet the needs of your family.

Also offered across Scotland is a Shared Ownership scheme:

- **Shared Ownership** This scheme allows you to buy 25%, 50% or 75% of a new build property to meet the needs of your family on a leasehold arrangement, using a normal mortgage (or savings). A housing association finances the rest and will hold the deeds of the property. In addition to your mortgage repayments you pay an occupancy charge, which the housing association will set based on the stake you are buying. You can increase your share at any point to own either 50%, 75% or 100% of the property.

For more information please visit [www.scotland.gov.uk/LIFT](http://www.scotland.gov.uk/LIFT)

## SCHEMES IN WALES

In Wales you have priority access to the HomeBuy Scheme.

- **HomeBuy Scheme** You are eligible to apply for this scheme if you cannot afford to buy a property that meets your household's needs without help. The Welsh Assembly Government will provide an equity loan, normally of between 30% and 50% of the purchase price of the property. You take out a mortgage for the remainder. The equity loan offered by the Government will take into account your family needs, regional house prices and what you can afford to pay on a mortgage. You do not have to pay interest on the equity loan. However if you sell the property you must pay back the same percentage of the sale price as you borrowed from the Government.

For more information please visit [www.wales.gov.uk](http://www.wales.gov.uk)

## MOD ARMED FORCES HOME OWNERSHIP PILOT SCHEME

You also may be eligible for the MOD's Armed Forces Home Ownership Scheme (AFHOS), launched in January 2010. The 4 year pilot is independent of the wider government schemes and is available in England only. It has its own eligibility criteria and offers a range of benefits for Service personnel which are different from the benefits of the other Government schemes described above.

- **Armed Forces Home Ownership Scheme.** Currently this scheme is only available to serving personnel of all ranks with between 4 and 6 years service. It can only be used to purchase a property in England. However Service personnel do not have to be located in England in order to join the scheme. MOD will fund between 15% and 50% of the property's value up to a maximum of £75,000. Properties valued up to £300,000 can be purchased. Whilst you are still serving in the Armed Forces no charges or interest are applied (to the MOD element of the funding) unless you wish to sublet the property or it is located over 50 miles from your work location. In that case a charge of £200 per year applies. If you wish to move whilst serving you can 'port' the loan to another property. On leaving the Armed Forces you have a further 12 months without charges, but after 12 months has passed, charges will apply at a gradually increasing rate.

Currently eligibility for this scheme does not transfer to bereaved spouses in the event of the death of a serving partner.

For more information please visit [www.afhos.co.uk](http://www.afhos.co.uk)

## SCHEMES IN NORTHERN IRELAND

The scheme available in Northern Ireland is as follows:

- **Co-Ownership Housing Scheme.** This is a Shared Ownership (leasehold) arrangement. You must show that you cannot buy a property to meet your needs, without help. You can choose a property on the open market, anywhere in Northern Ireland, costing up to £175,000. You must buy at least 50% of it. As well as your mortgage payments, you will pay an annual charge of 2.5% of the amount which is paid by the scheme provider. The scheme provider will hold the deeds of the property, but you can increase your share at any time, up to 100%, and the annual charge is adjusted to match this. The scheme is operated on a first-come first-served basis, and **there are no priority groups.**

For more information please visit [www.co-ownership.org](http://www.co-ownership.org)

## JOINT SERVICE HOUSING ADVICE OFFICE

The MOD Joint Service Housing Advice Office can offer further information on the schemes mentioned in this leaflet, as well as on many other issues related to housing. The website address is [www.mod.uk/jshao](http://www.mod.uk/jshao) and the telephone number is 01722 436575 or 436573 (mil 94331 2575 or 2573).