

Local Authority Home Loan Scheme / Tenant Purchase Scheme Update Housing SPC Meeting – 25 February 2022

Local Authority Home Loan Scheme (LAHL)

€3,510,000 was allocated for new lending approvals in 2021. The actual loan drawdown may take place in either 2021 or 2022. Loans approved in 2021 will remain valid for six months post-approval. Any 2021 loan approvals that expire in 2021 may be 'recycled' for the purpose of the 2021 allocation.

240 applications have been received by Galway City Council under the Rebuilding Ireland Home Loan Scheme by the end of 2021. 97 loan applications have been approved to a total value of €17,107,936. 17 of these relate to the Tenant Purchase Scheme, where tenants were approved funding to buy the property they were renting from Galway City Council. 41 approved loans have been drawn down by the applicants, to a total value of €6,201,686 and 14 loan offers are still valid and may be drawn down.

For local authority lending for house purchase and home improvement schemes, including the Rebuilding Ireland Home Loan [RIHL] and Local Authority Home Loan [LAHL] schemes **€4,100,000** is allocated to Galway City for new lending approvals in 2022. The actual loan drawdown may take place in either 2022 or subsequent years. Loans that receive Approval in Principle (AIP) in 2022 will be treated as new lending approvals in 2022. This lending approval covers LAHL applications that receive AIP in 2022, and RIHL applications that were submitted in 2021 and receive AIP in 2022. Loans approved in 2022 remain valid for six months post-approval. Any 2022 loan approvals that expire in 2022 may be 'recycled' for the purpose of the 2022 allocation.

Local Authority Home Loan Scheme

Who Qualifies?

First-time buyer(s) looking to purchase a new or second-hand home or self-build

Individual max income: **€65,000** if in Cork, Dublin, Galway, Kildare, Louth, Meath or Wicklow

Individual max income if in all other counties: **€50,000**

Joint applicants' max income for all counties: **€75,000**

You must be able to show that two banks or building societies refused mortgage approval or offered insufficient finance

Property Requirements

The home price can't exceed **€320,000** if in Cork, Dublin, Galway, Kildare, Louth, Meath or Wicklow. It's **€250,000** if elsewhere.

www.localauthorityhomeloan.ie

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Circular 43/2021 received on the 20th December 2021 advised local authorities **that a new Local Authority Home Loans Scheme will be introduced from 4th January 2022**. The Local Authority Home Loan will replace the existing Rebuilding Ireland Home Loan (RIHL). The Housing Loans Regulations (S.I. No. 701 of 2021) therefore revoke the Housing (Rebuilding Ireland Home Loans) Regulations (S.I. No. 25 of 2018). However, the LAHL Regulations also contain a saver clause to the effect that any loan applications in progress/approvals outstanding under the previous RIHL Regulations is unaffected by the repeal.

The Local Authority Home Loans (LAHL) Scheme is for the purchase of new or second-hand residential properties and for self-builds. It also includes the purchase of homes through State schemes such as the Tenant Purchase Scheme and Affordable Housing Schemes, with the exception of the First Home Scheme. Regulations have been introduced to give effect to the new loan, i.e. the Housing Loans Regulations 2021. The Housing Loans Regulations 2021 (S.I. No. 701 of 2021) take effect from 4th

January 2022. As of 4 January 2022, applications for the RIHL will no longer be accepted; all new applications must be for the LAHL.

A revised credit policy, the *Housing Loans (Credit Policy) Guidelines 2021*, must be applied to LAHL applications. The LAHL Credit Policy provides written guidance for local authorities for the processing of loan applications and the making of loans under the Housing Loans Regulations 2021. The Housing Loans Regulations 2021 require that decisions on loan applications are made having regard to the criteria set out in the *Housing Loans (Credit Policy) Guidelines 2021*.

In order to minimise risk and to ensure that the processing of loan applications can be carried out on the basis of the fullest available information in relation to the financial standing and general credit-worthiness of applicants, the Credit Policy continues to include a requirement to perform a credit check for each applicant. Credit checks will continue to be carried out by local authorities using information provided by the Central Bank's Central Credit Register. The Housing Agency will continue to provide a central underwriting and support service to all local authorities, staffed by appropriately skilled personnel, including qualified underwriters. The LAHL is a successor scheme to the RIHL. The main features and operational processes of the loan offering remain largely similar.

- For counties where the scheme's house price limit is €320,000 (Cork, Dublin, Galway, Kildare, Louth, Meath and Wicklow), **the income ceiling for a single applicant will be €65,000** - an increase on the €50,000 income ceiling under RIHL. The income ceiling for joint applicants remains at €75,000.
- Clarification of joint/single applicants - Sections 9(5) and 10 (excluding 10(6)) of Affordable Housing Act 2021, - married persons, persons in civil partnerships, or persons in committed and intimate relationships must apply together.
- A '**Fresh Start**' principle also applies to LAHL, people who are divorced, legally separated/separated or the relationship has ended and have no interest in, or any financial obligation for any borrowings in respect of the family home are eligible to apply under this scheme.
- People who have undergone personal insolvency/bankruptcy proceedings, in which they had to give up their home, will also be eligible to apply for LAH.
- Clarifies 10% deposit applies to borrowers availing of the LAHL scheme to obtain a house under affordable purchase schemes, **with the exception of houses sold under tenant purchase schemes**; Removes the limitation of 175 sq. metres on the size of a property that can be purchased or self-built.

For the Affordable Purchase Scheme, relevant price is the purchase price, i.e. price of property excluding state equity stake. It is anticipated that many affordable homes will be within LAHL house price limits, LAHL cannot be used for First Home (Shared Equity scheme). For the Affordable Housing Scheme, the LAHL will be available under the local authority led affordable dwelling purchase arrangements under the Affordable Housing Act 2021. The loan will be based on Purchase Price not the Market Value. 10% deposit of Purchase Price is required. Not available for the First Home Affordable Purchase Shared Equity scheme.

For Insolvency/bankruptcy Fresh Start, applicants who have exited insolvency/bankruptcy proceedings are eligible to apply however this does not imply credit worthiness and the usual assessments apply. The following applicants are ineligible to apply: Applicant(s) who are currently subject to bankruptcy or insolvency proceedings unless they have been discharged from such proceedings; Applicant(s) who have a current court order (judgment) for recovery of debts granted against them unless they have been discharged from such proceedings.

Owning an inherited property does not render an applicant ineligible for LAHL. To qualify for HTB, you must not have previously bought or built a house or apartment, either on your own or jointly with any other person. If the applicant is buying or building the new property with other people, they must also be first-time buyers. If the applicant has inherited or been gifted a property it will not affect their eligibility. Excludes Applicants for Affordable Housing Scheme – must divest themselves of inherited property to be eligible for that scheme.

Galway City Council has now ceased accepting applications for the Rebuilding Ireland Loan from 4th January 2022. A new LA Home Loan standard application form will be on www.localauthorityhomeloan.ie. Council must now implement the revised LAHL Credit Policy from 4th January 2022.

Changes to the Tenant (Incremental) Purchase Scheme 2016

269 applications were received under the Tenant Purchase Scheme at the end of 2021. Of these, 124 were deemed eligible to proceed to letter of offer. 46 properties have been sold by Galway City Council under the Tenant (Incremental) Purchase Scheme 2016. The [eligibility criteria for the Incremental Tenant Purchase Scheme 2016](#) changed on 1 February 2022. Previously, an applicant needed an annual income of at least €15,000 and to have been getting social housing support for 1 year, to qualify for this scheme.

Circular Housing 1/2022 received on the 12th January 2022 notified local authorities of amendments to *S.I. No. 484/2015 – Housing (Sale of Local Authority Houses) Regulations 2015*. The *Housing (Sale of Local Authority Houses) (Amendment) Regulations 2021* give effect to these amendments which include changes to: (a) minimum income criteria for applicants and (b) the period of time applicants must have been receiving social housing support to be eligible under the scheme. The amendments come into effect from 1st February 2022. Specifically, the changes are as follows –

Minimum income requirements: The minimum income required for an applicant to be eligible to apply under the scheme has been revised downward from €15,000p.a. to €12,500 p.a. Annual income can be a combination of gross income from wages and income from some social welfare payments. An applicant will not qualify if income is only from social welfare payments. This change will ensure persons whose pension is their primary source of income can now apply under the scheme. The change only applies to pensions – other social welfare payments may only be regarded as secondary income.

Time receiving social housing supports: The period of time tenants will be required to be in receipt of social housing support to be considered eligible under the scheme has been changed from one to ten years. In the case of joint tenancies, both tenants must be in receipt of social housing support for at least 10 years before being eligible to apply.

Applications submitted from 1st February 2022 will be assessed according to the revised eligibility requirements set out in the 2021 Regulations. The [Incremental Tenant Purchase Scheme 2016](#) was introduced under the [Housing \(Sale of Local Authority Houses\) Regulations 2015](#). The rules of the scheme were amended in 2022 by the [Housing \(Sale of Local Authority Houses\) \(Amendment\) Regulations 2021](#).