

Report to Cabinet

Subject: Local Authority Mortgage Scheme
Date: 8 November 2012
Author: Corporate Director (Chief Financial Officer)

Wards Affected

All

Purpose

To update members on the progress of the Gedling “Lend a Hand” Local Authority Mortgage Scheme (LAMS), launched on 17 April 2012.

Key Decision

This is not a Key Decision

Background

- 1.1 As a result of the recession and the adverse effects on the local economy and the housing market, local authorities have tried to take a proactive approach to supporting the local area, and to increasing the supply of affordable housing. The Local Authority Mortgage Scheme (LAMS) is designed to aid local first time buyers with the purchase of a home.
 - 1.2 In September 2009, Sector Treasury Services set up a pilot scheme to assess the viability of a Local Authority Mortgage Scheme (LAMS), including the legal and accounting issues surrounding a financial indemnity of this nature, and eleven local authorities initially sponsored the pilot scheme. The remit of the pilot scheme included discussions with a range of residential mortgage lenders, with a view to securing options for funding the scheme. Initial discussions with potential funders and partners revealed that due to the high level of set up costs, funders would only be interested in a national scheme, rather than separate arrangements with individual local authorities. Early discussion with the Council of Mortgage Lenders (CML) secured support for such a standard national scheme.
 - 1.3 Via the LAMS scheme, the council has an opportunity to provide targeted help to potential first-time home-buyers in obtaining a mortgage. The scheme is a private sector initiative, not linked to the Right to Buy Mortgage scheme previously provided by local authorities. The scheme is aimed solely at first-time buyers, and the council specifies the qualifying characteristics for those qualifying for a mortgage under the scheme. The criteria of maximum loan-size, the total indemnity available and the qualifying area, within which properties must be located, are driven by the Council’s housing needs survey and its housing strategy.
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Proposal

- 2.1 The Gedling "Lend a Hand" scheme was launched at the Arnold branch of Lloyds TSB on 17 April 2012, based on a deposit by the Council of £1m.
- 2.2 Monitoring information is received from Sector on a monthly basis, and at 30 September, 17 applications had progressed to completion, representing indemnities totalling £308,815. A further thirteen offers have been made, and should all these progress to completion, further indemnities of £246,665 will have been made, bringing the total commitment against the £1m deposit to just over 55%.
- 2.3 On the basis of the statistics above, the average indemnity offered is approximately £18,500, which should allow the Council to assist approximately 54 first time home-buyers.
- 2.4 Nationwide, 76 local authorities have now signed up to the LAMS, making a contribution to the legal and other costs. Of these, 33 have launched their own schemes, with some operating their 2nd, 3rd or even 4th tranches, bringing the total number to 41. The Lloyds TSB product accounts for 83% of these schemes.
- 2.5 Since the first launch in March 2011, a total of 806 mortgage applications have been processed nationwide, totalling £87m. So far, this has resulted in 549 mortgage completions, totalling £62m, and has enabled this number of individuals or couples to gain a first step onto the housing ladder. Over 95% of applicants purchase a property in the local authority area in which they already live.
- 2.6 The scheme is built on the premise that it does not encourage reckless lending. Feedback from Lloyds TSB suggests that for every 12 enquiries, 6 progress to an application, and only around 1 of those results in a LAMS mortgage.
- 2.7 It can be demonstrated by the above information the LAMS is making a significant difference, both locally and nationwide, and that, reassuringly, strict lending criteria are being applied by the major lender. The scheme is still in its infancy, but at 30 September there had been no defaults.

Alternative Options

3. There are no Alternative Options.

Financial Implications

4. No specific financial implications are attributable to this report.

Appendices

5. None

Background Papers

6. None identified.

Recommendation

THAT: Members note the report.

Reasons for Recommendations

7. To ensure the Executive is aware of the progress of the Gedling “Lend a Hand” Local Authority Mortgage Scheme.