



Sharing Hope: Extra Help for Extra Care

The Extra Care housing market for rent and for sale is growing rapidly with many major developments currently being built nationwide.

This Viewpoint looks at one of a range of products available for home ownership in Extra Care housing using a unique shared ownership model on offer from MySafeHome Limited. For more information on mixed tenure and Extra Care housing, please read the Housing LIN Technical Brief No3.

Written for the Housing Learning and Improvement Network by
David Abbey, Managing Director, MySafeHome Limited

September 2013

Introduction

For older people with support needs (this covers physical disabilities and sensory impairments) the chance to continue living independently in a home that they own is a dream come true. Extra Care 'villages' can give them this opportunity but often they're unable to secure a home within one. Why? Demand for Extra Care properties is strong with rental units often being instantly snapped up and oversubscribed. However, when it comes to shared ownership properties there can be a number of challenges to overcome:

- Potential buyers may lack the funds to purchase an Extra Care property.
- Potential buyers can sometimes find the whole process associated with buying a property far too complex and stressful at this stage in life.
- Lenders are worried about the risks associated with lending to older buyers, especially those with little or no income and/or minimal savings.
- It can take a long time for someone to sell their existing property, freeing up the capital that they need to fund the purchase of an Extra Care home.

As a result, many potential buyers either end up staying in unsuitable accommodation, moving to a traditional care home or, if they're one of the lucky ones, renting an Extra Care property. There is an alternative though, a unique shared ownership model that improves the outcome for older people, enables Housing Associations to swiftly fill all of their available units and helps Local Authorities manage their waiting lists for those looking to move on to more suitable accommodation. The benefits are huge, giving the individual somewhere they can truly feel comfortable and independent whilst still receiving all of the care and support they need. And for their family, there's the peace of mind that comes with seeing them settled somewhere that they can call home for the rest of their lives.

Who can be helped?

The Extra Care market's growing rapidly, with many major developments currently being built nationwide. Broadly speaking there are two main groups of potential buyers, both of whom are looking for more support as they get older:

1. Individuals or couples with a property to sell and possibly some savings
2. Individuals or couples with no property to sell and relatively modest savings (they'll need between £10,000 - £15,000 for us to be able to help them)

Both of these groups can be helped through the use of a unique shared ownership model that enables people to buy a home in partnership with a Housing Association. Existing benefits that the buyer/buyer's are entitled to receive are used to pay the interest only mortgage on the property together with the rent due on the Housing Association's share.

The model's based on one that's been successfully used for many years to help people with a disability buy a home of their own, where it's known as HOLD (Home Ownership for people with Long-term Disabilities). Now, with some modifications, it's been tailored to help older buyers with support needs too. This new version's being called HOPE (Home Ownership for People in Extra Care).

How HOPE will help

Having previously identified the main barriers to ownership here are the solutions that HOPE provides:

Make the purchasing decision and process more straightforward for buyers and sellers

How? – Using a clear set of processes the HOPE model makes buying a property as straightforward as possible. Comprehensive support and guidance is also provided throughout.

Enable renters to become buyers

How? – A number of renters will inevitably have some savings and be eligible for certain benefits. By identifying those individuals and helping them to secure the benefits that they're entitled to they can be helped to buy rather than rent their new Extra Care home. Why is this important? For the buyer it gives them the security of knowing that they own their own home and for Housing Associations they receive a vital (and significant) injection of cash.

Help to replace scarce funding sources

How? – With a rigorous, proven eligibility process (based on the HOLD model, which has now been in operation since 1999 without a single repossession) firmly embedded in HOPE lenders are obviously more willing to look favourably upon what is clearly a more unusual form of mortgage.

Speed up completions

How? – Aside from developing a simple, streamlined process buyers with properties to sell are also often 'trapped' in a vicious circle...unable to sell their home at the right price to raise sufficient funds and unable to cut the price for the same reason. The HOPE model can take this out of the equation by helping them make up any shortfall through obtaining an interest only mortgage, paid for by their benefit entitlement.

How the HOPE Model Works

HOPE uses shared ownership (please see the following page for more information on this) to enable older people with support needs to part buy / part rent (together with a Housing Association) a home of their own within an Extra Care development. They'll purchase a share (typically 25% - 75%) using an interest only mortgage (they can borrow up to £100,000), the Housing Association owns the remaining share and charges them rent (paid for by Housing Benefit). Buyers are free to remain in their home for as long as they wish, with the mortgage being repaid when the property's eventually sold. The bulk of the mortgage interest is paid through Support for Mortgage Interest (SMI) with an additional top up payment being made from their other benefits. To ensure they have sufficient income to make these this model is only open to buyers on High or Middle Rate Care Disability Living Allowance (DLA).

There are a number of other qualifying criteria. They must be:

- 60-80 years old with clean credit history and no outstanding debts.
- In receipt of pensions credit / attendance allowance plus other qualifying benefits.

- Able to put down a deposit and pay fees associated with buying their new home – this costs between £10,000 - £15,000 (this includes a 5% - 10% deposit on their share of the property PLUS getting them ready for home ownership and ensuring it's sustainable) *AND* able to contribute to their housing costs of c. £30 per week.

Benefits to the buyer

- The chance to choose how they live.
- The security and peace of mind that comes with having a financial stake in their home.
- The opportunity to remain part of a vibrant community.

Benefits to the buyer's Local Authority

- Helps them manage their waiting lists for those looking to move on to more suitable accommodation.
- This option can also be cheaper than moving someone into a residential care home.

Benefits for Housing Associations

- This approach enables properties to be sold rather than rented, increasing capital receipts and making future developments a more attractive and viable option. This also speeds up sales.

Shared Ownership – How It Works

Example One – No Property to Sell

Property Value £160,000

60% (10% deposit + 50% mortgage)

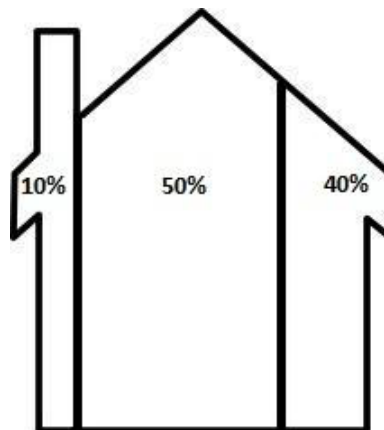
Sale

£96,000 (£9,600 + £86,400)

40%

Rent

£160 per month



Service Charge – Housing Association (Repairs & Maintenance) £130 per month

BUY



Home Purchase Fees = £5000 approx

Deposit of 10% = £9,600

Total from buyer = £14,600

+ Mortgage from Building Society = £86,400



Rent = £160 per month Housing Benefit direct to Housing Association

Service Charge = £130 per month Housing Benefit direct to Housing Association

Mortgage Interest charged by the Building Society (4.63%) = £333 per month

Paid by SMI benefit direct to Building Society (3.63%) = £261 per month

Top up paid by Homeowner direct to Building Society = £72 per month

Ongoing fees payable to MySafeHome to check and maintain SMI from £25 per month (this is dependent on the work involved in setting up and maintaining Trusts etc)

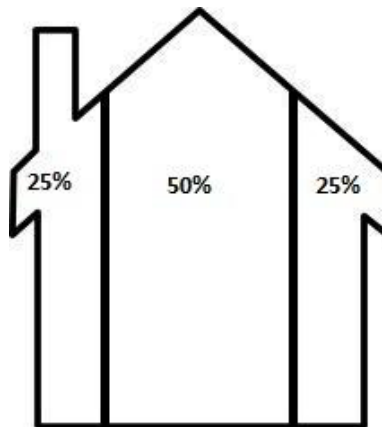
Example Two – Property to Sell

Property Value £160,000

75% (25% mortgage + 50% equity from previous home) 25%

**Sale
£120,000 (£40,000 + £80,000)**

**Rent
£100 per month**



Service Charge – Housing Association (Repairs & Maintenance) £130 per month

BUY



Home Purchase Fees = £5000 approx

Equity from previous property (50% of total purchase price) = £80,000

Total from buyer = £85,000

+ Mortgage from Building Society (25%) = £40,000



Rent = £100 per month Housing Benefit direct to Housing Association

Service Charge = £130 per month Housing Benefit direct to Housing Association

Mortgage Interest charged by the Building Society (4.63%) = £154 per month

Paid by SMI benefit direct to Building Society (3.63%) = £121 per month

Top up paid by Homeowner direct to Building Society = £33 per month

**Ongoing fees payable to MySafeHome to check and maintain SMI from £25 per month
(this is dependent on the work involved in setting up and maintaining Trusts etc)**

Conclusion

The HOPE model is a safe, secure and viable option for older buyers who find themselves needing the support offered by Extra Care villages but who are unable to afford to buy a property outright – either because they have no property to sell or the equity in their existing home is insufficient.

On top of helping this significant and growing number of people supporting the HOPE model will also contribute to the ongoing and vital development of the Extra Care market itself. Ensuring that all of the properties in existing Extra Care villages are sold in a timely manner will undoubtedly encourage future schemes, in turn both creating (through raising awareness of the life enhancing opportunities that these developments offer) and meeting demand.

Note

The views expressed in this paper are those of the author and not necessarily those of the Housing Learning and Improvement Network.

About MySafeHome

MySafeHome was instrumental in developing the HOLD model back in 1997 with the first buyer securing their own home in 1999. Since then more than 1,100 others have been able to realise their dream of home ownership. Building on this experience of working with people who often need an exceptional level of care, support and understanding MySafeHome now helps older buyers with support needs secure the Extra Care property of their dreams.

About the Housing LIN

Previously responsible for managing the Department of Health's Extra Care Housing Fund, the Housing Learning and Improvement Network (LIN) is the leading 'learning lab' for a growing network of housing, health and social care professionals in England involved in planning, commissioning, designing, funding, building and managing housing, care and support services for older people and vulnerable adults with long term conditions, including dementia.

For further information on this and about the Housing LIN's comprehensive list of online resources on capital and revenue funding specialist housing and opportunities for shared learning and service improvement, including site visits and network meetings in your region, visit: www.housinglin.org.uk

The Housing LIN welcomes contributions on a range of issues pertinent to housing with care for older and vulnerable adults. If there is a subject that you feel should be addressed, please do contact us.

Published by:

Housing Learning & Improvement Network
c/o EAC, 3rd Floor,
89 Albert Embankment
London SE1 7TP

Tel: 020 7820 8077

Email: info@housinglin.org.uk

Web: www.housinglin.org.uk

Twitter: @HousingLIN