



OWNER OCCUPIER LOAN

1.0 INTRODUCTION

This booklet details the property renovation loans to be made available through Welsh Government's funding. This is a scheme that has been developed to offer interest free loans to repair and/or renovate eligible properties. This booklet describes how the Loan Scheme will operate, how to make an application and the conditions that will be attached to the loans.

All loans approved will be subject to a number of conditions to ensure that the loan fund monies are "recycled" to assist further applicants.

Any offer of a loan is not guaranteed until you have received formal approval from the Council. **Any works you undertake prior to this approval will be at your own risk.**

Any queries relating to the scheme or loan conditions should be referred to:

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2.0 FEES

From 1st April 2018 the following fees will apply:

Administration Fee

An administration fee will be required as a contribution towards the costs of processing your application.

Loan Amount	Fee
£0 - £25,000	£295

Land Registry Fee

The Council Legal Services are required to register a first or second charge on the property being offered as security. The fee is £50.00 per title.

Cheques must be made payable to Torfaen County Borough Council and submitted with the application

Valuation

All applications must be supported by a valuation report, unless an officer of the Council advises otherwise. The valuation report must be undertaken by a member of the Royal Institute of Chartered Surveyors (RICS) on the property offered as security for the loan. The report should confirm current market value, potential value (on completion) and rental income (for landlords only).

It is recommended that applicants source their own approved surveyor to carry this out. See Section 5.0 Loan Security for further information.

3.0 THE LOAN SCHEME

3.1 Purposes for which a Loan may be applied for

To repair or renovate a residential property so that it is safe, warm, secure and/or habitable. The property must be of a reasonable standard and free from any serious hazards (as a minimum), so that it is suitable for immediate occupation.

Persons applying for the above loans may either be existing or prospective owners, but in either case, they must be able to supply security for the loan as detailed at section 5 below. Please note that the property must be in the applicant's name before the loan can be approved.

3.2 Eligible works

To be eligible works, the works must: -

- On completion, result in the property/units being suitable for immediate occupation as a dwelling(s), either by way of continued ownership, for sale or for rental.
- If after completion of works funded by an Owner Occupier Loan the relevant property contains a category 1 hazard (as defined by Housing Health and Safety Rating System), the property cannot be rented out (for PRS and landlords only), and
- Comply with all relevant Building Regulations.

A schedule of works will be agreed with the applicant prior to the offer of any loan and will form part of the loan conditions.

Any costs, which would be eligible for assistance under an insurance claim or third party claim, will not attract loan assistance. In exceptional cases, a loan may be given on condition it is repaid out of the proceeds of any future claim.

Works outside the curtilage of the property are not eligible for assistance unless they relate to the provision of essential services such as water, gas or electricity.

3.3 LOAN ENQUIRIES

Enquiries for a loan can be made either by telephone, post, in person at the council offices or via the Torfaen Homes website.

All enquiries for a loan will be acknowledged by letter and then subsequently dealt with in accordance with the property renovation loan standards.

3.4 BUILDINGS NOT ATTRACTING LOAN ASSISTANCE

Loan assistance will not be available for the following: -

- Properties which are not of a permanent nature such as houseboats and caravans.
- Sheds, outhouses and extensions such as conservatories which do not have Building Regulations approval.
- Buildings not suitable for conversion to habitable dwellings.

4.0 THE APPLICATION

An application for loan assistance should be made on the forms provided through the Owner Occupier Loan Initiative. An application form has been included with this pack and further copies are available on request. A complete application should include the following: -

- A completed application form.
- Confirmation of ownership of the property. This should normally be an "office copy" and Title Plan provided by the Local Land Registry Office, www.landregistry.gov.uk.
- Two itemised estimates and cost of any associated fees e.g. structural engineer's fees, or project management fees. In exceptional circumstances, the Council may be able to accept a single estimate, where it is appropriate to do so.
- Supporting documentation for ID purposes – **Do not send with application.**
- Valuation Report (undertaken by a member of the Royal Institute of Chartered Surveyors - RICS). **In exceptional cases**, where the property is unmortgaged and there is clear evidence to support the view that the property provides adequate and suitable security for the loan, a valuation report will not be required.
- Specialist reports, Building Regulations, Planning Permission and plans where required.

- Any other details as notified to the applicant
- A cheque payable to Torfaen County Borough Council to cover associated fees as detailed in section 2.0.
- Consent from the first lender.

Torfaen County Borough Council reserves the right to undertake a credit check on any person or limited company applying for a loan.

5.0 LOAN SECURITY

All loan applicants will be required to agree to a legal charge being placed on the property, which is the subject of the loan application, to secure the loan. Agreement may be made in exceptional circumstances to accept a charge on an alternative property.

All legal charges must be either first or (where Torfaen County Borough Council receives confirmation from the first charge holder that it consents to a second charge) second charges. Third or subsequent charges will not be accepted.

Where it has been agreed to accept a legal charge on an alternative property that is not the subject of the loan application, the alternative property must be located in England and Wales. However, the additional legal costs associated with this arrangement must be covered by the applicant.

Any property offered as security for the loan will require a valuation prior to the advance of any loan. In exceptional cases, where the property is not mortgaged and there is clear evidence to support the view that the property provides adequate and suitable security for the loan, a valuation report will not be required.

The valuation must be carried out by a surveyor who is a member of the Royal Institute of Chartered Surveyors (RICS), the cost of which will vary in accordance with the property being put forward, and is to be paid by the applicant.

The valuation should include the current value of the property in its present condition, the potential future value (if the property for security is the one being refurbished) and potential rental income (if the property is to be let on completion of works).

The Council will be unable to make a decision as to whether to approve an application without this valuation document.

Where the property, which is to be offered as security for the loan already has a charge registered against it, written confirmation from the existing charge holder, confirming their agreement to a further charge being placed against the property, will be required. (This is a Land Registry requirement).

A fee is payable to register the charge at the Land Registry, which the applicant will be required to pay when submitting the loan application and supporting documents to Torfaen County Borough Council. Please see Section 2.0 for current fees charged.

Should these fees be varied by the Land Registry, Torfaen County Borough Council reserves the right to charge that revised fee.

Where the applicant is a company, a fee is also payable to register the charge at Companies House, which the applicant will be required to pay when submitting the loan application and supporting documents to Torfaen County Borough Council. Please see Section 2.0 for current fees charged. Should this fee be varied by Companies House, Torfaen County Borough Council reserves the right to charge that revised fee.

6.0 LOAN RISK ASSESSMENT

All applications for a loan will be subject to a risk assessment that will form part of any decision to approve a loan. Details as to how this assessment will be undertaken are provided at Appendix B.

7.0 LOAN FINANCIAL ASSESSMENT

All applications for a loan will be subject to a financial assessment, the outcome of this assessment will determine whether or not Torfaen Council believes the loan is affordable for an applicant. Details as to how this assessment will be undertaken are provided at Appendix D.

8.0 NOTIFICATION OF LOAN APPROVAL

The applicant will be notified in writing whether the application for assistance is approved or refused. The notification will be provided as soon as reasonably practicable from receipt of a completed application including all relevant supporting documentation and in any case within ten weeks.

The approval will specify the amount of loan and the repayment period. The offer of a loan will remain open for 8 weeks from the date of the notification letter.

The amount of loan will be based on the lower of the two estimates received. However, in any instance where the estimates are found to be excessive by Torfaen County Borough Council the loan amount will be determined by Torfaen County Borough Council based on what it considers to be the reasonable costs for the schedule of works.

On confirmation that the loan offer has been accepted, Torfaen County Borough Council will draw up two sets of the Loan Facility Agreement and Legal Charge documents. These will then be issued to the applicant; both sets of documents must be completed and returned to the Housing Strategy Team if the applicant wishes to proceed with the loan, these must be returned within 8 weeks from the date of the original notification letter.

On receipt of the completed documents Torfaen County Borough Council Legal Services will apply to the Land Registry Office to register the legal charge against the

property. Where the applicant is a Company, the Council will also apply to Companies House for registration of the charge.

On confirmation that the Legal Charge(s) have been registered, an Officer of Torfaen County Borough Council will instruct Finance to forward the loan monies in accordance with any conditions which have been stipulated and recorded in the Loan Facility Agreement document. One original set of the Loan Facility Agreement and Legal Charge documents will be returned to the applicant including confirmation of the BACS reference number for the loan monies.

This is expected to be no more than 14 days after the registration of the Legal Charge(s).

A loan offer will expire 8 weeks after the loan approval notification letter has been issued. If after this time Torfaen County Borough Council has not received the relevant documentation, the loan offer will be cancelled and the applicant informed in writing.

In the case where an applicant ceases to be the owner of the property which is the subject of the loan application or it appears to Torfaen County Borough Council that the applicant was not at the time of the application being approved, entitled to the loan, no payment shall be made and the loan will be cancelled.

Loans are not transferable either between applicants or properties.

9.0 AMOUNT OF ASSISTANCE

£25,000 per unit of accommodation.

If Torfaen County Borough Council is satisfied that owing to circumstances beyond the control of the applicant and the costs of the work has increased due to unforeseen works, the loan may be increased, under exceptional circumstances, subject to the loan maximum and submission of satisfactory estimates.

An appropriate estimate must support any request for any loan increase.

Any additional costs incurred by Torfaen County Borough Council Legal Services in association with amendments to existing Loan Facility Agreement and Legal Charge Documents must be met by the loan applicant and will be payable to Torfaen County Borough Council prior to the release of further funding, if approved.

10.0 SUPERVISION OF WORKS

The building contract will be between the applicant and the chosen contractor and will not include Torfaen County Borough Council. An officer from Torfaen County Borough Council or an agent acting on its behalf will check the works to ensure they are carried out in accordance with the specification of work and meets the requirements property renovation loan standard and good building practice. However, Torfaen County Borough Council or its officers or its agents acting on its behalf are not liable for any poor workmanship nor do they provide any guarantee.

Where appropriate it is recommended applicants employ their own surveyor whose fees are eligible for loan assistance, subject to the loan maximum. Responsibility for supervision of the works rests with the applicant. Any works that have not been completed to an acceptable standard will be the responsibility of the applicant.

On completion of the works the applicant is to provide notification to Torfaen County Borough Council/ or its agent that: -

- The works have been completed to a satisfactory standard and in accordance with the loan offer and estimates, current Building Regulations and in accordance with the specification of works issued;
- Copies of certified guarantees and test certificates requested as part of the agreed schedule of works are made available for inspection; and
- The repair and renovation of the property complies with the current standards.

11.0 APPEALS AGAINST REFUSAL OF LOAN

Where an application for a loan is refused the applicant will be notified of the reasons for refusal in writing and informed of the procedure for an appeal against the decision.

If an applicant disagrees with the reasons for refusal, an appeal may be made in writing to the Head of Housing stating the reasons why the applicant disagrees. This appeal should be made within 14 days of receipt of the refusal letter.

The applicant will be notified, in writing and within 14 days, of the decision.

There is no further appeal.

12.0 REPAYMENT OF THE LOAN

All loans paid under this scheme will be repayable.

Where the loan has been approved it will be repayable as per the terms stipulated in the Loan Facility Agreement. Depending upon individual circumstances the maximum loan repayment period for an owner occupier is 10 years and for a landlord is 5 years.

If a loan recipient sells the property during the term of the loan, it must be immediately repaid in full.

Where the property is to be converted into units and there is a disposal of one or more units (prior to the fixed dates set out in the terms of the Loan Facility Agreement), then on each such disposal of a unit, the applicant must repay the lesser amount of the gross sale proceeds and the amount of the loan outstanding.

If, after all such disposals, monies are still outstanding under the loan, then the applicant must repay such monies on whichever occurs the earlier of the disposal of the final unit or the relevant date as set out in the loan agreement.

13.0 REPAYMENT UPON BREACH OF CONDITIONS

In the case of a breach of loan conditions any outstanding loan becomes repayable to Torfaen County Borough Council.

Where a loan agreement is not adhered to and the agreed monthly repayments are not maintained, Torfaen Council reserves the right take measures to ensure the repayment of the debt. **Your home may be repossessed if you do not keep up repayments on your loan.**

14.0 SECOND LOANS

Where a person has received a loan a second or subsequent loan will not be permitted.

APPENDIX A

Service Standards for Loans Procedure

These standards have been produced to:

Inform our customers of the standards and level of service they can expect from us.

Ensure all enquiries/applications are dealt with on an equal basis.

Service Standards and Procedure

On receipt of an enquiry, within 2 weeks a loan enquiry acknowledgement letter will be sent to the prospective loan applicant including a loan application pack which will include information on the Initiative, an application form, draft Loan Facility Agreement, draft Loan Charge.

An inspection of the property will be undertaken within six weeks.

On receipt of a **completed** loan application i.e. application form and all further documentation listed in section 4 above, subject to these being satisfactory and receipt of valuation report and application fee, the applicant will receive within 10 weeks a loan offer.

If a loan offer is accepted, payment of the loan monies will be sent out within fourteen working days of the Council Legal Services confirming that the Legal Charge(s) have been registered.

Unforeseen works – where unforeseen works arise during the course of the loan aided works, a decision (which may include a site visit) as to whether the works are to be included, will be made within five working days, following receipt of estimates.

Failure to comply with the terms of the loan may put your property offered as security at risk.

APPENDIX B

Risk Assessment Procedure for Owner Occupier Loans

All applications will be initially vetted by the relevant Council Officer(s). This will be to confirm:-

- that the residential property requires works to make it safe, warm, secure and/or habitable.
- that the works can be completed in full within a time scale to satisfy the Initiative's target; and
- approvals and/or consents (if any) required to undertake the works are held.

However, whenever monies are loaned there will be an element of risk in that the loan is not repaid or the project not completed. An officer of the council will welcome the opportunity to discuss any proposed application with the property owners/developers, but no commitment to approve an application or commit funding will be given until a completed application has been received and all the following criteria are satisfied:

1. The property that is subject to the loan application has been acquired/is already in the ownership of the applicant.
2. All required consents for the works/conversion have been approved; these will include full planning permission, building regulation approval, listed building and conservation area consent, where applicable.
3. Confirmation by the Council's Legal Services that there are no legal constraints or restrictive covenants on the property that would prevent the proposed works/conversion from being undertaken.
4. Any requirement for a contaminated land investigation has been undertaken, and where any remediation works are required, these have been agreed with the relevant contaminated land officer.
5. A satisfactory credit check has been carried out by the Council.
6. The application includes a satisfactory financial assessment for repayment of the loan within the required timescale.
7. It has been evidenced that the value of the proposed loan, together with any outstanding mortgage or secured loan, will not exceed 80% of the current value of the empty property, or the property against which the loan is to be secured.

APPENDIX C

Financial Assessments for Owner Occupier Loan

All applications will be subject to a financial assessment which is to be conducted by the relevant Council Officer(s). This is to:-

- Confirm that the loan is affordable and the monthly commitment to repay the loan can be met.
- Safeguard the applicant from financial hardship and any possible repercussions if the repayment terms of the loan are unmet.

All applicants will be required to complete the income and expenditure section of the Owner Occupier Loan application form and provide evidence of their income and expenditure. This information will form part of the decision as to whether or not to approve and grant a loan.

APPENDIX D

OWNER OCCUPIER LOAN STANDARD

Criterion A: It meets the current statutory minimum standard for housing

A dwelling should be free of category 1 hazards as assessed through the Housing Health and Safety Rating System.

Criterion B: It is in a reasonable state of repair

A dwelling satisfies this criterion unless:

- one or more key building components are old and, because of their condition need replacing or major repair; or
- two or more other building components are old and, because of their condition need replacing or major repair.

A building component can only fail to satisfy this criterion by being old and requiring replacing or repair. A component cannot fail this criterion based on age alone.

Building components

Building components are the structural parts of a dwelling (e.g. wall structure, roof structure), other external elements (e.g. roof covering, chimneys) and internal services and amenities (e.g. kitchens, heating systems).

Key building components are those which, if in poor condition, could have an immediate impact on the integrity of the building and cause further deterioration in other components.

They are the external components plus internal components that have potential safety implications and include:

- external walls;
- roof structure and covering;
- windows/doors;
- chimneys;
- central heating boilers;
- gas fires;
- storage heaters;
- plumbing; and
- electricals.

Lifts are not considered to be a key component unless the lift or the lift shafts have a direct effect upon the integrity of the building.

If any of these components are old and need replacing, or require immediate major repair, then the dwelling is not in a reasonable state of repair.

Other building components are those that have a less immediate impact on the integrity of the dwelling. Their combined effect must therefore be considered, with a

dwelling not being in a reasonable state of repair if two or more are old and need replacing or require immediate major repair.

Old and in poor condition

A component is defined as 'old' if it is older than its standard lifetime. Components are in poor condition if they need major work, either full replacement or major repair.

One or more key components, or two or more other components, must be both old and in poor condition to render the dwelling non-decent on grounds of disrepair. Components that are old but in good condition or in poor condition but not old would not, in themselves, cause the dwelling to fail the standard.

A building component, which requires replacing before it reaches its expected lifetime has failed early. Under the terms of the definition, this early failure does not render the dwelling non-decent.

Criterion C: It has reasonably modern facilities and services

A dwelling is considered not to meet this criterion if it lacks three or more of the following facilities:

- a kitchen which is 20 years old or less;
- a kitchen with adequate space and layout;
- a bathroom which is 30 years old or less;
- an appropriately located bathroom and WC;
- adequate external noise insulation; and
- adequate size and layout of common entrance areas for blocks of flats.

A kitchen failing on adequate space and layout would be one that was too small to contain all the required items (sink, cupboards cooker space, worktops etc) appropriate to the size of the dwelling;

An inappropriately located bathroom and WC is one where the main bathroom or WC is located in a bedroom or accessed through a bedroom (unless the bedroom is not used or the dwelling is for a single person). A dwelling would also fail if the main WC is external or located on a different floor to the nearest wash hand basin, or if a WC without a wash hand basin opens on to a kitchen in an inappropriate area, for example next to the food preparation area;

Inadequate insulation from external airborne noise would be where there are problems with, for example, traffic (rail, road and aeroplanes) or factory noise.

Inadequate size and layout of common entrance areas for blocks of flats would be one with insufficient room to manoeuvre easily for example where there are narrow access ways with awkward corners and turnings, steep staircases, inadequate landings, absence of handrails, low headroom etc.

In some instances there may be factors which may make the improvements required to meet the Houses into Homes standards' challenging, or impossible, factors such as physical or planning restrictions. Where such limiting factors occur the property should

be assessed to determine the most satisfactory course of action in consultation with the relevant body or agency so as to determine the best solution. The outcome may determine that some improvements may be possible even if all are not.

A dwelling would not fail this criterion, where it is impossible to make the required improvements to components for physical or planning reasons.

Criterion D: It provides a reasonable degree of thermal comfort

The definition requires a dwelling to have both efficient heating; and effective insulation.

Efficient heating is defined as any gas or oil programmable central heating; or electric storage heaters; or warm air systems; or under floor systems; or programmable LPG/solid fuel central heating; or similarly efficient heating systems which are developed in the future.

The primary heating system must have a distribution system sufficient to provide heat to two or more rooms of the home. There may be storage heaters in two or more rooms, or other heaters that use the same fuel in two or more rooms. Even if the central heating system covers most of the house making a dwelling decent, under the HHSRS the home should be warm enough for the occupant.

Heating sources, which provide less energy efficient options fail the Houses into Homes standard.

Programmable heating is where the timing and the temperature of the heating can be controlled by the occupants.

Because of the differences in efficiency between gas/oil heating systems and the other heating systems listed, the level of insulation that is appropriate also differs:

For dwellings with gas/oil programmable heating, cavity wall insulation (if there are cavity walls that can be insulated effectively) and at least 50mm loft insulation (if there is loft space) is an effective package of insulation.

For dwellings heated by electric storage heaters/LPG/programmable solid fuel central heating a higher specification of insulation is required: at least 200mm of loft insulation (if there is a loft) and cavity wall insulation (if there are cavity walls that can be insulated effectively).

A SAP rating of less than 35 (using the 2001 SAP methodology) has been established as a proxy for the likely presence of a Category 1 hazard from excess cold.