

Mortgage Allowance Scheme

Explanatory Memorandum

1. What is the purpose of the Mortgage Allowance?

The Allowance assists tenants and tenant purchasers of Local Authority dwellings and certain tenants of houses provided by voluntary housing bodies under the Rental Subsidy Scheme who wish to return their dwelling to the authority or voluntary body and purchase or build a private dwelling for their own occupation by reducing their mortgage repayments over the first five years of the mortgage.

2. Amount of Allowance.

For mortgages created on or after 15th June, 2000, the amount of the allowance is €11,450.00, payable over 5 years as follows:

Year		€
1	-	3,560.00
2	-	2,800.00
3	-	2,040.00
4	-	1,780.00
5	-	1,270.00

The allowance or the allowance plus income tax relief on mortgage interest cannot, in any year, exceed the amount of the loan charges due.

3. Who qualifies for the allowance?

The allowance is payable to persons who :

Are tenants or tenant purchasers of local authority dwellings or are tenants, whose tenancies are of not less than one years duration, of houses provided by an approved voluntary body under the Rental Subsidy Scheme, and –

Return their existing dwelling to the authority or the voluntary body, as applicable, in a fit and tenable condition (having regard to reasonable wear and tear and any repairs for which the tenant is not responsible) free of arrears of rent or tenant purchase annuities, and –

Purchase or build a private dwelling for their own occupation, and -

Provide the private dwelling by way of a mortgage loan of not less than €38,092.34

The spouse of a tenant or tenant purchaser, or a person who has been bona fide resident with a tenant/tenant purchaser may qualify for the allowance if he/she otherwise complies with the conditions of the scheme and the dwelling is returned to the local authority or the voluntary body, as applicable.

The allowance is not available to occupants of demountable dwellings provided by local authorities or to persons providing under Shared Ownership System.

Tenant purchasers to whom the allowance is given will not be compensated in respect of any annuity payments made in respect of the dwelling being returned to the local authority.

A person availing of the allowance may purchase or build a new dwelling or purchase an existing dwelling in the private sector (including dwellings formerly owned by a local authority).

4. How the allowance is paid.

The allowance will be paid by the Department of the Environments, on behalf of person qualifying for it, to the lending agency, i.e. Building Society, Bank, etc. The lending agency will calculate the borrowers monthly mortgage payment in the normal manner and then deduct the appropriate instalment of the mortgage allowance i.e. (€296.67 per month in year 1, €233.34 in year 2, €170.00 in year 3, €148.34 in year 4, and €105.84 in year 5). The amount due by the borrower to the agency.

5. To whom should application for the allowance be made?

Application should be made to the local authority for the area in which the private dwelling is being purchased or built. For this purpose the relevant local authorities are County Councils, County borough corporations and borough corporations and Athlone, Bray, and Dundalk Urban District Councils. Application forms may also be obtained from the above offices of urban district councils.

6. Suitability of Private Dwelling

The Local authority must be satisfied that the dwelling being purchased or built is free from structural defects and is of suitable size and standard to cater for the applicant's household. In the case of a previously occupied dwelling, it must have hot and cold

water systems, a fixed shower or bath and an indoor toilet. If it is a new dwelling, it must meet requirements for new house grants set out in the Department of the Environment's Memorandum HAI (see paragraph 9). However, the upper limit on the floor area of a new house will not apply for the purposes of the mortgage allowance although it will continue to apply in relation to the new house grant.

7. **Occupancy of Private Dwelling**

The applicant must continue to occupy the private dwelling as his/her normal place of residence throughout the five-year period to which the allowance relates.

8. **How does the Scheme Operate?**

The local authority will issue to an eligible applicant a **letter of intent** indicating that he/she will qualify for the mortgage allowance subject to the return of the existing dwelling and compliance with the terms of the scheme. It is in the applicant's own interest to obtain this letter of intent before entering into any commitment in relation to the private dwelling.

The letter of intent should be presented in support of an application to a lending agency for a mortgage loan. It is, however, a matter entirely for the lending agency to take a decision on individual loan applications. The agency will advance the loan to the applicant in the normal manner.

When the applicant has returned the existing dwelling or has given an irrevocable undertaking to return it within a period agreed with the local authority, and the authority is satisfied that the terms of the scheme will otherwise be complied with, the authority will issue a **certificate of approval** to the applicant certifying his/her entitlement to the allowance. The certificate should be given to the lending agency to enable them to claim the allowance from the Department of the Environment.

As long as the applicant, having returned the dwelling continues to meet the reduced mortgage repayments and to occupy the private dwelling as his/her normal place of residence, the allowance will be paid to the lending agency by the Department without the need for further action by the applicant.

The allowance will cease to be payable by the Department from the date on which:

- (A) Application for a Court Order for repossession of the dwelling is made by the lending agency, or
- (B) The dwelling ceases to be occupied as the applicant's normal place of residence.

9. **Information on loans**

Loans for the purchase or building of dwellings may be obtained from the commercial lending agencies (e.g. Banks, Building Societies, etc.) Subject to meeting the conditions they lay down. Enquiries concerning the qualifying conditions for a loan from a commercial agency should be made directly to them.

If an applicant is unable to obtain a loan suitable to his/her requirements from a commercial agency, he/she may apply to the local authority for a loan. Evidence must be produced to the authority of a genuine refusal of a loan from both a building society and a bank. Details of the local authority house purchase loan scheme may be obtained from the authority.

11. **Documents required in mortgage allowance scheme**

An applicant should provide the local authority with such information as the authority might require in regard to the location, layout, etc. of the dwelling being purchased or built.

APPLICANTS SHOULD NOTE

The payment of a mortgage allowance involves no warranty on the part of the Minister for the Environment or the local authority as to the work carried out or the structural soundness of a dwelling.