

Rent to Buy: supplementary information

You say you want 5,000 homes for £200 million. Does that tell us how large a loan you plan to give for every home (£40,000)?

No. The amount needed will vary from area to area and from provider to provider. In any case, we expect providers to bid competitively.

If a bidder is unregistered how will this affect the terms of the loan?

Bidders must be intending to register to apply for funding and contractually will only be able to drawdown the loan once they have successfully registered. If successful, this may result in 100% drawdown of the loan after completion at which point the 16 year loan term will commence.

Applicants that are considering whether to register to become registered providers of social housing are encouraged to talk to the regulator's registration team at the earliest opportunity.

What security will bidders be expected to provide for the loan?

Security is expected to take the form of unencumbered assets equal to at least 105% of the loan valued at EUV-SH.

How will interest be applied to the loan?

Interest will be rolled up during the construction period and payable on a quarterly basis thereafter.

Can bidders use Recycled Capital Grant Fund (RCGF) or Disposals Proceed Fund (DPF) to contribute to scheme costs?

RCGF can be used alongside the Rent to Buy loan. The sum of the Rent to Buy loan and the RCGF must constitute a minority of scheme costs (not exceed 50%).

DPF cannot be used to contribute to costs on a Rent to Buy scheme.

If the bidder is a member of an existing consortium partnership where the lead partner holds HCA investment partner status will other consortium members be required to have individual investment partner status to access funds from Rent to Buy?

Yes. As Rent to Buy is loan funding the bidding organisation must also be the recipient of the funding and hold both registered provider and investment partner status in their own right.

Is this an intermediate housing product? What are the criteria for tenants for these homes? Is there a definition of working? Are there income thresholds or caps?

Rent to Buy forms part of the government's strategy to increase housing supply and gives working households the opportunity to get onto the property ladder and is considered to be an intermediate housing product. Rent to Buy homes will not be subject to local authority nominations, although the registered provider may choose to work with the local authority to identify suitable applicants. There will be no income thresholds or caps, but registered

providers are expected to let the properties on assured short-hold tenancies for a fixed term of less than 2 years, to households who are in work at the point of letting, and whose income will allow them to pay the sub-market rent and save for a deposit, where they would be unable to do so in the market without a very extended time required.

Do all of the properties under this scheme have to be 1 and 2 beds?

As the scheme is intended to assist first time buyers to access home ownership and save for a deposit to do so, it is anticipated that 1 and 2 bed properties are likely to be most attractive and meet the needs of these households. However, providers will be expected to consider the most appropriate mix of properties to meet the needs in their area.

If the tenant has first refusal, must the registered provider sell to them at any point they opt to exercise that right after 7 years?

At any time after the minimum 7 year letting period, tenants should in any case be able to put in a request to buy their home; and we would expect the registered provider to agree to sell it (at market value) unless there were clear business reasons for not doing so at that stage. In particular, the provider would not be required to sell if the market value was lower than the cost to the association of providing the home (including financing costs).

Will the registered provider have to offer the property to the tenant at the end of 15 years, or will they be able to retain the property as rented housing if they want to do so?

If the tenant does not exercise the option to purchase the provider is able can retain the property as rented housing (at either affordable or market rate rent) or sell it on the open market.