

## **Affordable Housing Frequently Asked Questions**

Information on the Affordable purchase scheme is set out in the Affordable Housing Act 2021, Affordable Housing No 2 Regulations 2023 and Affordable Housing Regulations S.S No 20 2023

### **Eligibility - Am I eligible for the Affordable Purchase Scheme?**

To be eligible to apply for an affordable home you must satisfy the following criteria:

- ✓ You are over 18 years of age.
- ✓ You must be a First-Time Buyer or meet the exceptions under the Fresh Start Principle.
- ✓ You have not previously purchased or built a dwelling in the Republic of Ireland for your own occupation. Exceptions apply to Fresh Start principle applicants.
- ✓ Each person included in the application must have the right to reside indefinitely in the State.
- ✓ The affordable home must be your principle place of residence.
- ✓ Your purchasing power must not exceed 95% of the open market value of the property.
- ✓ You have a minimum deposit of 10% of the purchase price.
- ✓ While it is not a requirement, it is recommended that applicants have their Mortgage Approval in Principle prior to applying for an affordable home, or at least be in a position to apply for a mortgage.

### **Eligibility - Who is a first-time buyer?**

A First-Time Buyer is someone who has never previously purchased or built a dwelling in the State for their occupation and does not own or is not beneficially entitled to an estate or interest in, any dwelling.

### **Fresh Start Principle - What is the Fresh Start Principle.**

The Fresh Start principle allows people who have previously purchased or built a dwelling or own a dwelling that is not suitable for their household to be eligible to apply for a home under the Affordable Purchase Scheme.

You may be eligible to apply for an affordable home under the Fresh Start principle if:

1. You previously purchased or built a dwelling/dwellings, with a partner, but are now divorced, separated or your committed relationship has ended, you have vacated the dwelling, and you no longer have an interest in the dwelling. Examples of documentary evidence will be:

- separation agreement.
- court order.

2. You previously purchased or built a dwelling/dwellings but have been divested of this through insolvency or bankruptcy proceedings. Examples of documentary evidence could include:

- Solicitors Letter confirming you have exited insolvency or bankruptcy and that any previously purchased home or homes have been sold or you have fully divested of that home as result of such process.

3. You previously owned, was beneficially entitled to, or have an interest in a dwelling in the State and that this dwelling, because of its size, is not suited to the current accommodation needs of your household i.e., house overcrowded.

**Fresh Start Principle - Am I eligible to apply for the scheme if I previously owned or built a dwelling or dwellings in the State.**

Yes, the Fresh Start principle allows a person who has experienced any of the above circumstances, to be eligible to apply for a home under the Affordable Purchase scheme irrespective of the number of previous dwellings you may have owned. In the case of divorce or insolvency the most recently owned home must have been lost due to these circumstances.

**Where can I buy and Affordable Home?**

Affordable homes will be made available for sale by Cavan County Council. The details of developments will be advertised on Cavan County Council's website, in local newspapers and on Cavan County Council's social media. The advertisement will be in advance of the opening date for making your application. The opening date and closing date will be clearly set out in the advertisement.

**My Application – How do I make an application?**

In most cases, local authorities will accept applications via an online application platform. The local authority will advise on how you make your application in their advertisement. The system may allow for the input and upload of relevant data and the required supporting documentation. The local authority will clearly set out how the application is to be made and the information required. You should follow their instructions so that your application will be considered valid.

**My Application – What do I need to submit?**

Supporting documentation will be required by the local authority before you will be considered for the purchase of an affordable home. Your application details and data submitted will only be retained for the development you apply for and will not be carried forward to any future affordable housing developments. Information on the documents required will be detailed by each local authority.

You should only submit one application per affordable development. Multiple applications may disqualify you from being considered for a development. All information included as part of your application should be true as any false or misleading information may disqualify you.

The following information may be required:

- Personal details (e.g. name, date of birth, PPSN),
- Confirmation that you are a First-Time buyer or that you qualify under the Fresh Start principle,

- Evidence of the total gross annual income for your household for the preceding 12 months,
- Evidence of your 10% deposit and any savings, i.e., bank statements,
- Evidence of your right to reside in the State,
- Evidence of how you intend to finance the property, i.e., mortgage Approval –in Principle letter.

### **My Application – Will I need evidence of mortgage?**

The local authority will advise you of the evidence they require but whilst it is not a requirement, it is recommended that prior to applying for an affordable home, you have a Mortgage Approval in Principle letter from a mortgage provider confirming the maximum mortgage available to you. Your application cannot be fully processed unless you have Mortgage Approval in Principle. Finance may also be sourced from the Local Authority Home Loan subject to you meeting the terms and conditions of this loan.

### **What does approval in principle mean?**

An Approval in Principle takes the form of a letter from a lender indicating the amount you are eligible to borrow for a mortgage.

### **Can I use the Local Authority Home Loan?**

The Local Authority Home Loan (LAHL) is a mortgage offered by a local authority. If you have been unable to secure a mortgage from a lending institution you may be able to use a Local Authority Home Loan (LAHL) to purchase your home, subject to the terms and conditions of the loan.

### **How do I know what property to apply for?**

The property you choose must be within your purchasing power and suit your household size in line with the local authority's Scheme of Priority. Full information on the priority given to each household will be found in the Scheme of Priority for each development and will be available to view on the local authority's website.

### **What is the Scheme of Priority?**

A local authority will make a Scheme of Priority for the developments they advertise. It will be reviewed by the Minister for Housing and the Elected Members of that local authority. It will outline the method the local authority will use to determine the order of priority to be given to each household where the demand for a development exceeds the supply.

Date and time of application and household size will be the initial criteria on which eligible applications will be prioritised.

As part of the Scheme of Priority, a local authority may assign 30% of the overall development to applicants who are or may have been a resident in the administrative area of the local authority. Each local authority will advise of the evidence required to satisfy any local rule in place.

How the Scheme is to be prioritised will be clearly set out by the local authority and will be available to view on their website.

### **Can I apply for Help to Buy?**

Yes, you can use the Help to Buy Scheme in conjunction with the Affordable Purchase Scheme towards your deposit amount. In order to qualify for the Help to Buy Scheme your mortgage must be at least 70% of the purchase value of the property.

### **Who makes the decision on my application?**

The decision on your application is made by the local authority you have applied to in accordance with their Scheme of Priority and the Government regulations in place.

The local authority will provide you with information as to what happens next.

All successful applicants will be required to obtain independent legal advice and pay their own legal costs to progress the purchase of their home. You should consider these associated costs when applying.

### **What is the open market value?**

This is the price that the affordable home might reasonably be expected to be sold for on the open market. The open market value will be initially set by the local authority. This will be equal to the affordable purchase price that you pay, plus the Affordable Dwelling Contribution made by the local authority.

### **What is the purchase price?**

This is the price you will pay after the local authority's Affordable Dwelling Contribution is removed from the open market value (which is the price the home might reasonably be expected to be sold on the open market). The purchase price you pay will be calculated by the local authority and may vary for each purchaser as it will be based on your income and savings. This price is based on an applicant's income and purchasing power. Purchasing power must not exceed 95% of the open market value of the home.

### **What is the equity share?**

This is the percentage of the open market value the local authority will contribute to the purchase of your affordable home. For example, if an eligible applicant purchases a home with a 20% reduction on the open market value, the local authority will take a 20% equity share in the home. This does not establish the local authority as a co-owner of the home.

You will need to require a minimum equity share from the local authority of 5% to bridge the gap between what you can afford to pay and the open market value of the home.

### **How is the purchase price I pay calculated?**

The purchase price is based on your purchasing power. See examples below which show varying income levels and how your income determines the affordable purchase price you pay and the local authority's equity share. These are only examples, but they show that the higher your purchasing power is, the more you will contribute to the purchase price of your home and the less equity you will need from the local authority.

### **How is my purchasing power calculated?**

Your purchasing power will be calculated as the combined total of:

- Maximum mortgage capacity, i.e., 4 times gross household income, plus,
- A minimum deposit of 10% of the purchase price, plus,
- In limited circumstances any relevant savings, i.e., any savings in excess of the combined sum of the required deposit amount plus €30,000 may be taken into account.

If it is the case that your maximum mortgage capacity is less than 4 x gross household income you may be still eligible. You should consider speaking to your local authority in this case.

### **How much of a deposit do I need?**

You will require 10% of the purchase price and not the open market value of the property.

### **What is the Affordable Dwelling Purchase Arrangement (ADPA)?**

This is the legal contract you will enter into with the local authority if your application is successful and you are approved to purchase an affordable home. The Affordable Dwelling Purchase Arrangement is the legal agreement between you and the local authority setting out the terms and conditions under which the local authority provides the Affordable Dwelling Contribution to you and that they will acquire an equity share in the property. This will be signed prior to the closing of the purchase of your affordable home.

It will set out how the affordable dwelling equity share can be redeemed by you as the homeowner and realised by the local authority. The agreement covers the obligations of you as the purchaser, and the local authority to each other and makes provision for the registration of the agreement with the Registry of Deeds/Land Registry. The agreement will set out a valuation mechanism and when and how you, the homeowner, can make redemption payment(s) to reduce the local authority's affordable dwelling contribution. It will also set out the conditions under which the local authority may seek redemption of their affordable dwelling contribution.

You may also be required to enter into a Contract of Sale with the developer in order to complete the purchase of your home. This legal document will include all standard conveyancing terms and conditions. At the time of signing the Contract of Sale, the developer will require confirmation that your Affordable Dwelling Purchase Agreement is in place with the local authority.

### **What is a sale of contract?**

You may be required to enter into a Contract of Sale with the developer in order to complete the purchase of the affordable home. This Contract of Sale will include all standard conveyancing terms and conditions. At the time of signing the Contract of Sale, the developer will require confirmation that your Affordable Dwelling Purchase Agreement with the local authority is in place.

### **What is the Affordable Dwelling contribution?**

The local authority will provide a contribution towards the purchase of your home known as an Affordable Dwelling Contribution. Unlike the equity share which is represented as a percentage of the open market value, the Affordable Dwelling Contribution is a monetary amount. It represents the difference between the open market value of the home and the reduced purchase price to be paid by you.

### **Do I need to repay the Affordable Dwelling contribution?**

The Affordable Dwelling Contribution (the local authority's equity share in your property) can be bought out by you at a time of your choosing but there will be no requirement to do so.

You can decide when to make redemption repayments on the local authority's equity share, subject to a minimum repayment amount of €10,000. Certain events can trigger the equity share to be repaid, for example, when you decide to sell your home or in the event of your death. Under the Affordable Purchase Scheme, the equity share is redeemable by you at a future date of your choosing within the period of 40 years of the Affordable Dwelling Purchase Agreement being signed between you and the local authority. After 40 years the local authority may request full repayment of its equity share in your home if it has not previously been paid down through redemption payments. This is referred to as the long stop date.

The local authority will keep a record of all redemption payments made by you, revising the affordable dwelling equity percentage accordingly.

The total amount repayable in respect of the Affordable Dwelling Contribution to remove the local authority's equity share from the property will depend on the future open market value of the home and the timing of the repayment(s).

### **Can the Local Authority demand repayment for the Affordable Dwelling Contribution?**

The local authority can require the repayment of the Affordable Dwelling Contribution by serving what is known as a Realisation Notice on you, the homeowner, on the occurrence of certain realisation events.

This includes reaching the long stop date. This is the date after which the local authority may request full repayment of its equity share in your home if it has not previously been paid down through redemption payments. It is set 40 years after the date of purchase.

The local authority may not realise its Affordable Dwelling Contribution before this date other than for breach of other conditions of the Affordable Dwelling Purchase Arrangement (ADPA) or in the event of other realisation events which are set out in the Affordable Housing Act 2021 and include:

- Where the purchaser(s) dies, commits an act of bankruptcy, or is adjudicated a bankrupt.
- A mortgagee, incumbrancer or receiver gains possession of the affordable dwelling.
- The dwelling becomes subject to an order or process for compulsory purchase.
- The dwelling is demolished or destroyed, whether by fire or otherwise or is damaged so as to materially affect its market value.
- The dwelling is abandoned or is no longer the principal primary residence of the purchaser(s).
- The dwelling is sold.
- Where there is a material breach of a covenant in the affordable dwelling purchase arrangement.
- The purchaser(s) is found to have deliberately misled the Local Authority in respect of any material fact regarding eligibility or priority in making their application.

A Realisation Notice will specify a period (not shorter than three months commencing on the service of the notice) after which the local authority will be entitled to realise their equity share.

The procedure for this arrangement will be clearly set out in the Affordable Dwelling Purchase Agreement.

### **What is a redemption payment?**

You can redeem or 'buy out' the equity share at a time of your choosing by making redemption payments to the local authority to reduce the amount of the local authority's equity share but there is no obligation to do so. Redemption payments can be made at any time subject to a minimum amount of €10,000.

### **What is a long-stop date?**

This is the date after which the local authority may request full repayment of its equity share in your home if it has not previously been paid down through redemption payments. It is set 40 years after the date of purchase.

### **What is a Realisation notice/Realisation event?**

There are certain events which will trigger the local authority requesting their equity share to be redeemed. This is called a realisation event. In most cases, this event is triggered when a property is sold by the homeowner. A percentage of the sale price, equivalent to the percentage equity share, must be paid to the local authority. Other circumstances when a realisation event may be triggered include, but are not limited to, bankruptcy, the property being subject to a Compulsory Purchase Order, or abandonment of the property, or in the event of the death of the homeowner(s).

### **What is a valuation mechanism?**

The open market value of your home may vary over time, and the valuation mechanism is the process that will be used to reassess the open market value of your home at the time of a realisation event.

This method will be outlined in your Affordable Dwelling Purchase Agreement.

### **What does Principle Place of Residence mean?**

The affordable home must be occupied by you or a member of your household as their principle place of residence (except in cases where the local authority has given you its written consent not to occupy the property). In this circumstance, you will need to speak to your local authority as certain conditions may be imposed by them.