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# Mortgage to Rent

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Mike Crozier - Operations Director  
Weslo Housing Management



# Mortgage to Rent Weslo's Experience



- Flexible Tenure Scheme operated from 1996 – 2003 (43 properties acquired)
- Participated in the MTR scheme since inception in 2003
- 35 applications received
  - 21 successfully settled
  - 9 withdrawn
  - 5 in progress
- Settled Transactions (21)

- Total Valuations	=	£1.8m
- Total Purchase Price Paid	=	£1.7m
- Purchase Subsidy from CS	=	£1.2m
- Weslo Contribution	=	£0.6m
- Repairs Subsidy	=	£93,000

# Mortgage to Rent Weslo's Experience



Year	Average Valuation	Average Purchase Subsidy from CS
2004	£62,600	£36,719
2005	£68,824	£41,484
2006	£88,000	£53,994
2007	£96,181	£63,351
2008	£115,000	£77,845
In progress	£105,000	£70,035

- Applications principally from residents in West Lothian and Bo'ness
- 2 Outwith
 

-	1 Newbridge	-	settled
-	1 Shotts	-	withdrawn

# The Mortgage to Rent Process

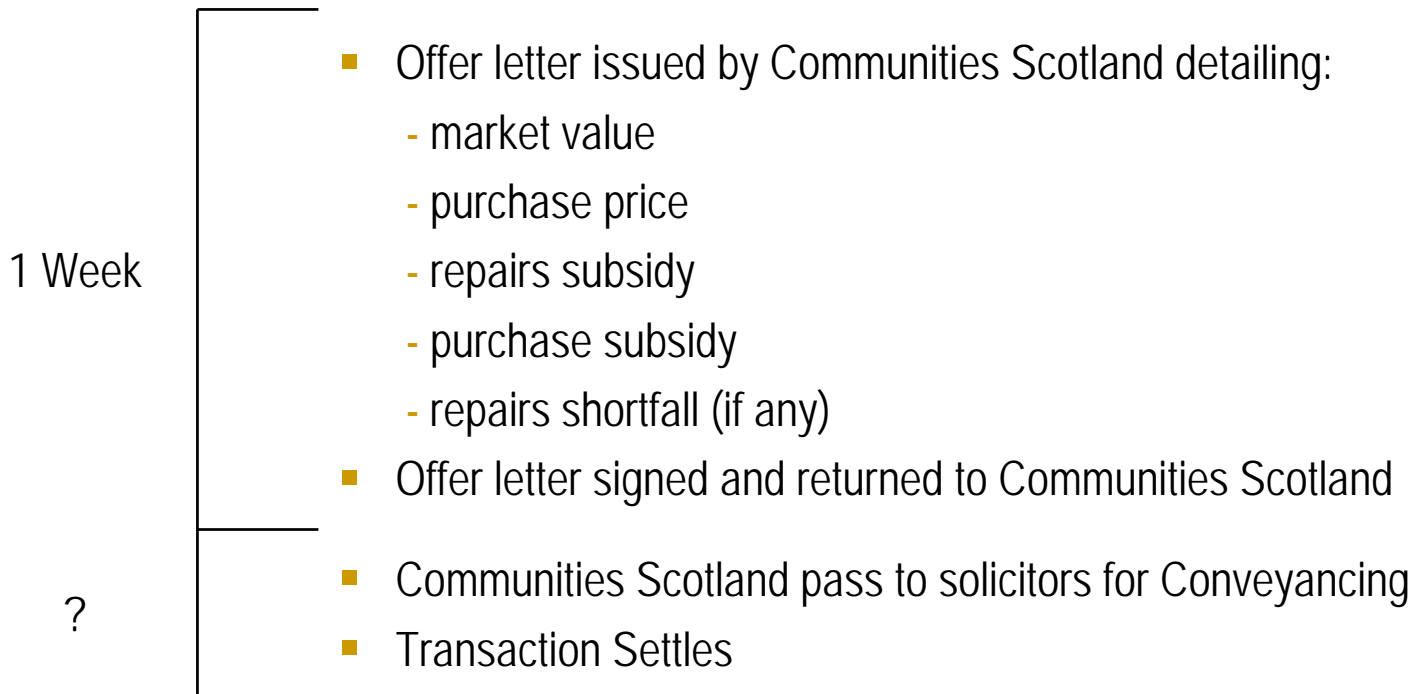
14 Days

- Application details received from Communities Scotland
- Joint visit by Weslo Housing Manager and Technical Officer to:
  - check family circumstances
  - inspect general house condition
  - determine potential suitability as a tenant
  - identify specific repairs required and estimated costs
  - arrange for electrical and gas inspections
- Local reference rent established
- Details returned to Communities Scotland

14 Days

- Processed by Communities Scotland and offer issued

# The Mortgage to Rent Process



Timescales from approach to conclusion (21 cases):

Shortest	-	9 weeks
Longest	-	39 weeks
Average	-	19½ weeks

# Applicants Circumstances



- In mortgage difficulty or in danger of having home repossessed – Condition
- Debt /Multiple debt

In my cases there can be:

- Other secured loans on the property for a variety of purposes e.g.
  - To start a business
  - To carry out home improvements
  - To consolidate existing loans
  - To lend money to other family members
  - To buy “luxury goods” e.g. caravan or speedboat
- A major change in individual or family circumstances e.g.
  - Failure of business/loss of employment/reduction in working hours /salary
  - Long term ill-health problems
  - Accident/disability
  - Relationship breakdown

# Withdrawn Applications



Reasons for withdrawal include:-

- Suitable payment arrangement made with lender
  - Applicant fails to respond to solicitor or Communities Scotland
  - Material change in applicants circumstances
  - Excess repairs unable to be funded
  - Major structural alterations required due to unapproved conversion
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# Problems & Our Solutions



## Problem

Multiple Debt/Complexity

- financial viability
- legal (discharges etc. from other lenders)
- timescales can be longer = escalating costs for applicant
- increased legal fees

## Solution

Budget for increased legal costs

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## Problem

Unauthorised alterations

- costs of rectifying
- no LA consents

## Solution

Accept technical recommendations – manage risk

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# Problems & Our Solutions



## Problem

Excessive repairs costs

- above repairs subsidy of £6k
- reduction in or no equity

## Solution

Provide shortfall fund to assist where necessary (Weslo 20k 2007/08)

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## Problem

Poor House Condition

- decision on suitability as tenant

## Solution

Sympathetic view of circumstances and an opportunity to rectify

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# Conclusions

- Excess repairs can be problematic (shortfall fund)
- Abortive costs when application withdrawn (some costs recovered)
- Longer legal timescales due to complexity of cases
- Properties bought up to good repair standard
- All tenancies still in place with no difficulties
- Financially advantageous
- 21 families avoided homelessness