

Treasury solutions

Local Authority Mortgage Scheme

Factsheet



What is LAMS?

LAMS stands for Local Authority Mortgage Scheme.

The scheme has been developed as a result of a number of local authorities wanting to take a proactive approach to support their local area, increase the supply of affordable housing and assist first time buyers, who can afford mortgage repayments, to purchase a property.

LAMS is a national scheme and is available to all local authorities and all mortgage lenders and involves local authorities working in partnership with a range of national and local banks and building societies.

How does it work?

Participating local authorities set aside a sum of money to act as a financial indemnity for the partner mortgage lender(s). This indemnity enables the applicant to apply for a mortgage with only a 5% deposit as opposed to the deposits of around 20% to 25% now required by most mortgage lenders.

This indemnity also enables the applicant to obtain similar interest rates to those offered to people with a higher personal deposit.

Who can apply for a mortgage under the LAMS?

The scheme is only available to first time buyers. A first time buyer is a person that has never had a mortgage or owned a property. If you are applying as a couple, and only one of you is a first time buyer, then you are still eligible to apply.

The scheme is aimed at first time buyers who can afford mortgage repayments but not the high deposits now required. All applicants will need to have a 5% deposit (ie 5% of the purchase price of the property).

What other checks are undertaken?

All applicants will need to meet the strict lending criteria undertaken by the partner mortgage lender(s). This will include credit, affordability and verification checks. House valuations will also be undertaken.

Does the scheme mean I can buy a house anywhere in the country?

The scheme is currently available in only a small number of local authority areas but the number is increasing all of the time. If a local authority is participating in the scheme, this means that they will have produced a full list of all qualifying post codes which means that they have clearly stated the properties that are included in the scheme.

The partner mortgage lender(s) will be able to confirm whether a property is included or excluded from the scheme.

Does the scheme mean I can buy a house for any value?

The local authority will have set a maximum limit for the mortgage that they are willing to indemnify under the scheme. This means that there will be a clear limit of how much you can borrow under the scheme? The partner mortgage lender(s) will be able to confirm this limit for you. In addition, the partner mortgage lender(s) will undertake affordability checks.

How do I know if my local council is participating in the scheme?

Contact your local authority / local council's customer services department and ask if they are participating in the Local Authority Mortgage Scheme. If they are, they will be able to advise you about the name of the partner mortgage lender(s) and direct you to the local branch.

What should I do if I am interested?

1. Contact your local authority / local council and ask if they are participating in the Local Authority Mortgage Scheme (LAMS)
2. Ask for the name of the partner mortgage lender(s) and the address of the local branch
3. Contact the partner mortgage lender(s) for further information about applying for a mortgage and for confirmation of:
 - The qualifying post codes ie, the properties included in the scheme
 - The maximum amount that can be borrowed under the scheme.

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Further information about our full range of expertise can be found at www.capitaassetservices.com.

Who is Capita Asset Services and what is our role?

Capita Asset Services is the trading name of Capita Treasury Solutions Limited and is the administrator of the national scheme. Capita Asset Services supports Local Authorities in the setting up and implementation of LAMS. We do not advise on regulated mortgage contracts and all such advice will be provided by the participating mortgage lender.

Capita Asset Services is a trading name of Capita Treasury Solutions Limited. Registered office: 71 Victoria Street, Westminster, London, SW1H 0XA. Registered in England No. 2652033. Capita Asset Services does not provide advice on regulated mortgage contracts but has prepared this material for use by Local Authorities and for information purposes only.

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Local Authority Partnership Purchase Scheme (LAPP) Overview Report for Local Authorities Considering the Scheme

Why is there a need for the Local Authority Partnership Purchase Scheme?

There are many drivers which include the need to:

- Reduce the complexity associated with the current shared ownership schemes available in the UK
- Make shared ownership available on a whole market basis
- Increase the availability of shared ownership properties
- Address affordability gaps for aspiring home owners who cannot afford outright purchase
- Provide a viable and more affordable alternative to renting
- Increase the availability of affordable and social housing
- Improve the availability of mortgage lending

What is the Local Authority Purchase Scheme?

The LAPP Scheme refocuses shared ownership to make it a viable solution as an alternative tenure option in the UK housing market and targeted at low and modest income households it meets a growing need in this area. It is both whole market as it is not restricted to certain 'shared ownership' properties and operates on a national model with national documentation and leases.

LAPP is an extension of the current UK shared ownership model, incorporating new mechanisms together with elements of the existing shared ownership model currently employed in the UK housing market. LAPP has been designed to overcome the numerous 'negatives' of current shared ownership schemes with a view to increasing the take-up of shared ownership and thereby its significance to the UK housing market. LAPP makes shared ownership a viable means for low income individuals and families to own their own properties.

How does it work?

The basic model is a 70/30 ownership model, ie 70% owned by the property occupier and 30% owned by the local authority (or RSL). However, each participating LA will have the option to implement an alternative model to meet local needs.

LAPP provides up to a 95% loan to value Local Authority Mortgage Scheme (LAMS) mortgage for the occupier and as such fully incorporates LAMS.

The product would comprise a first mortgage of up to 66.5% loan-to-value (LTV) (i.e. 95% of 70%) together with an ownership interest of 30% held by a local authority. The occupier would therefore need a 3.5% deposit (i.e. 5% of 70%) together with the buyers' legal costs.

A template lease, based on the HCA standard lease, has been drafted to support the scheme and outlines the arrangements between the occupier and the local authority in relation to the percentage share owned by the local authority.

Staircasing is available to enable the occupier to purchase additional shares of the local authority's owned share. Reverse staircasing is also available to those in hardship.

It operates as a partnership with residential mortgage lenders, with the remit of minimising the financial impact on the local authority, and at the same time taking advantage of the expertise already available from existing mortgage lenders and other specialists in the field.

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What are the benefits?

The main benefit to the local authority is that it enables the local authority to support individuals and families who are unable to afford outright purchase, but who are able to maintain mortgage repayments, to get a foot on the property ladder. It also provides a viable alternative to the rental market.

The main benefit to the home buyer is access to up to 95% loan to value (LTV) mortgage lending on a shared ownership basis and being able to purchase a property on the open market as opposed to a designated shared ownership property.

And finally, the main benefit to the lender is that it operates as a standard national model and provides 'tried and tested' LAMS mortgages.

Are there a range of implementation options?

Whilst the basic model is a 70/30 model, each participating local authority will have the option to:

- adopt the 70/30 model for all property in the area; or
- set an alternative model ranging from 70/30 to 30/70 (in 10% bands) for all property in the area; or
- set the percentage split based on the needs and circumstances of the individual applicant, but again in the range from 70/30 to 30/70 (in 10% bands).

What is included in the Scheme Document Pack?

LAPP is based on a national model with all documentation, external legal opinion, accounting papers, standard templates and guidance provided, including access to a range of mortgage lenders and lawyers. The national nature of LAPP allows the sharing of solutions and best practice. The following key documents are provided to all local authorities signed up to the Scheme:

- **Flyer**
- **Fact Sheet**
- **Report Template:** Can be adapted to meet local requirements and presented for approval in line with local governance arrangements
- **Appendix A** – Template Lease and Key Information for Shared Ownership (Houses)
- **Appendix B** – LAPP Accounting Paper
- **Appendix C** – Legal Paper
- **Appendix D** – Risk Assessment
- **Template Indemnity Deed:** The contract with the participating lenders

What is the cost to the Local Authority?

The sign-up fee is £3,000 and includes access to the Local Authority Mortgage Scheme (LAMS) and the Local Authority Partnership Purchase Scheme (LAPP). There is a further housing scheme called the Custom and Self Build Scheme (CSB) which is subject to an additional fee of £2,000. The LAMS / LAPP sign-up fee includes:

- The Scheme Document Pack as outlined above
- Support regarding all aspects of the implementation process
- Support for the length of time that the Scheme remains in place
- Management Information Schedules to enable every local authority to monitor Scheme progress
- An annual audit to ensure compliance with the Scheme
- Access to qualitative data including Annual Reports

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Custom and Self Build Scheme (CSB) Overview Report for Local Authorities Considering the Scheme

Why is there a need for a new Custom and Self Build Scheme?

There are many drivers which include the need to:

- Increase the supply of new homes
- Increase availability of affordable and social housing
- Provide access to land
- Respond to the innovation and choice agenda outlined in the National Housing Strategy
- Respond to the Government's Right to Build agenda
- Respond to the Self-build and Custom Housebuilding Bill 2014/15 which places a duty on all local authorities
- Improve the availability of mortgage lending

What is the Custom and Self Build Scheme?

The Custom and Self Build Scheme is an initiative which provides an integrated solution to increasing the supply of housing through custom and self build projects and increasing access to mortgage finance. **CSB provides a 95% loan to value Local Authority Mortgage Scheme (LAMS) mortgage to the self builder and as such fully incorporates the LAMS.**

CSB is based on a national model but with the opportunity for local authorities to respond to local need and enables a participating local authority to provide custom and self build opportunities within the boundary area. It involves a series of actions in implementing the Scheme and enables a local authority to provide either self build or custom build, or a combination of both, on one or more sites which they may or may not own, through a single scheme. CSB allows the local authority to retain overall control throughout the build process. It is a partnership with residential mortgage lenders, with the remit of minimising the financial impact on the local authority, and at the same time taking advantage of the expertise already available from mortgage lenders and other specialists in the field.

What are the benefits?

The main benefit to the local authority is that it enables the key drivers outlined above to be met, for land to be provided, but with the assurance that the local authority retains overall control until the build is complete. The main benefit to the aspiring self builder is access to up to 95% Loan to Value (LTV) mortgage lending. And finally, the main benefit to the lender is that it makes custom and self build mortgages as straightforward as traditional new build mortgages by removing the stage payments.

Are there a range of implementation options?

The Scheme can be implemented via four main implementation methods all of which are explained in detail in the Scheme Document Pack. For all of the options, the local authority will give financial assistance to buyers by indemnifying the lender for up to 20% of the mortgage to pre-approved borrowers. This therefore facilitates the lenders making available up to 95% Loan to Value (LTV) mortgage funding.

What are the key steps to implementation?

There are five main steps to implementing CSB as shown below and each step is detailed in the Scheme Document Pack:



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Are there any further variations to the standard model?

The Scheme can also be provided as a bespoke Scheme for areas such as outlined below:

- Long Term Empty Property / Regeneration Areas
- Affordable and Social Housing
- Community Self Build
- Other models to meet the specific needs of a local authority

What about specialist tax advice?

Specialist advice has been sought in relation to the following areas and comprehensive information is contained within the Scheme Documentation Pack:

- VAT
- Stamp Duty Land Tax (SDLT)
- Construction Industry Scheme (CIS)
- Community Infrastructure Levy (CIL)
- Additional bespoke advice can also be provided in relation to related areas, for example, the local authority setting up a Trading Company

What is included in the Scheme Document Pack?

CSB is based on a national model with all documentation, external legal opinions, accounting papers, standard templates and guidance provided including access to a range of mortgage lenders, lawyers and other specialist partners. The national nature of CSB allows the sharing of solutions and best practice. The following key documents are provided to all local authorities signed up to the Scheme:

- **Report Template:** Can be adapted to meet local requirements and presented for approval in line with local governance arrangements
- **Appendix A – Process Flow Chart**
- **Appendix B – Checklist:** Includes a number of issues that extend beyond the remit of CSB but which are worth considering when progressing with a custom and self build project
- **Appendix C – Template Freehold Contract:** The standard template for the sale of the land which can be adapted to meet local requirements
- **Appendix Di – Accounting Paper 1: Suggested Accounting Treatment**
- **Appendix Dii – Accounting Paper 2: Accounting Treatment for a Non Cash Backed Scheme**
- **Appendix E – Legal Paper**
- **Appendix F – Risk Assessment**
- **Appendix G – Tax Paper**
- **Template Indemnity Deed:** The contract with the participating lenders

What is the cost to the Local Authority?

The sign-up fee is £5,000, and is discounted for local authorities already signed up to the Local Authority Mortgage Scheme (LAMS). The sign-up fee includes:

- The Scheme Document Pack as outlined above
- Support regarding all aspects of the implementation process
- Support for the length of time that the Scheme remains in place
- Management Information Schedules to enable every local authority to monitor Scheme progress
- An annual audit to ensure compliance with the Scheme
- Access to qualitative data including Annual Reports