

# Loan Policy

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DRAFT

## **1 Introduction**

- 1.1 Purpose
- 1.2 Review
- 1.3 Funding
- 1.4 Background

## **2 Context**

- 2.1 Housing and Health

## **3 Types of Loans**

- 3.1 Objectives
- 3.2 Loan Types
- 3.3 Loan Products
- 3.4 Eligibility
- 3.5 Conditions

## **4 Miscellaneous**

- 4.1 Exceptions to this Policy
- 4.2 Appeals and Complaints
- 4.3 Equality and Diversity

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### **1.1 Purpose**

- 1.1.1 This policy outlines the various loans available and that the loan provider, Lendology Community Interest Company (CIC) has the opportunity to provide an efficient and effective service for residents within North Devon.
- 1.1.2 Under the Devon Wide Housing Assistance Policy that is required under Article 4 of the Regulatory Reform (Housing Assistance) (England and Wales) Order 2002, the loan scheme is highlighted as a method of assisting residents of North Devon where grant assistance is not available.
- 1.1.3 North Devon Council's (NDC) objective is to increase the supply of housing (either for sale or rent) and improve housing standards.

### **1.2 Review**

- 1.2.1 The policy will be reviewed on an annual basis or in line with legislative or regulatory changes and to help meet the council's key objectives.

### **1.3 Funding**

- 1.3.1 The assistance contained within this policy is only available subject to the availability of funding.

### **1.4 Background**

- 1.4.1 NDC along with nine other Local Authorities successfully bid for funding to set up a loan consortium, initially provided by Wessex Resolutions Community Interest Company (CIC); now renamed as Lendology Community Interest Company (CIC).
- 1.4.2 NDC has worked in partnership with Lendology CIC since 2005, who are a not-for-profit company delivering loans to residents in North Devon.
- 1.4.3 The funds for each of the LA's are held by Lendology CIC in ring fenced accounts for each LA under a tight consortium agreement signed by each of the participating LA's. The repayment from these loans is re-cycled and made available to be lent again, so has become a self-sustaining funding source.
- 1.4.4 All loans are administered and managed by Lendology CIC on behalf of the Council and subject to their terms and conditions, affordability and eligibility assessment.
- 1.4.5 Loans are available to assist property owners, home owners and landlords to improve their properties to make them safer, healthier and warmer.

## SECTION 2 - CONTEXT

### 2.1 Housing and Health

- 2.1.1 Housing is a key determinant of health, and by promoting good quality housing this policy can contribute to reducing health inequalities for the residents of North Devon.
- 2.1.2 Research has shown that there is a direct impact on the health and well-being of residents resulting from the homes in which they live; therefore, poor housing can contribute to poor health.
- 2.1.3 Each year hazards in the home result in unnecessary injuries, episodes of ill-health, and harm to mental health and in many cases the occupiers do not link the poor condition of their homes with a potential negative impact on their health. The poorest housing stock can be found in the private sector, and in some cases residents who own their own home are not able to maintain them and as a result hazards can develop.
- 2.1.4 The loan scheme is critical for helping in accessing money in a manner that is affordable and ethical, which will reduce the impact of poor housing on health.
- 2.1.5 The loan scheme aims to increase the supply and standards of accommodation for the residents of North Devon.
- 2.1.6 The improvement of energy efficiency in the homes, reduces the risk of fuel poverty and associated health problems.

## SECTION 3 – TYPES OF LOANS

### 3.1 Objectives

3.1.1 NDC's objective is to increase the supply of housing (either for sale or rent) and improve housing standards and this can be achieved through:

- Commercial Conversion Loan
- Empty Home Loan
- Home Owner Loan

3.1.2 The type of loan and loan product that is offered will depend on the outcome of the financial assessment completed by Lendology CIC Loan Advisor. The assessment takes account of current and future affordability and also explores other options client may have to fund the works.

3.1.3 There is no limit to the number of loans that can be applied for. Eligibility will be down to assessment by Lendology CIC Loan Advisor and availability of funding.

### 3.2 Loan Types

#### 3.2.1 Commercial Conversion Loan

The loan is available to property owner(s) for commercial conversion of buildings into dwellings, either for sale or rent (subject to planning permission).

#### 3.2.2 Empty Home Loan

The loan is available to property owner(s) to bring empty homes back into use to increase the provision of much needed homes, either for sale or rent.

An empty home is a property that has been empty for in excess of six months.

#### 3.2.3 Home Owner Loan

Home owners are generally expected to repair and maintain their own homes, but our partnership with Lendology CIC provides support to those requiring financial assistance.

These loans are available to home owners (including Park Homes) and can be used for the following purposes:

- Essential repairs to make the property safe, warm and secure
- Improvement works such as new windows, doors, kitchens and bathrooms
- Improvement of energy efficiency, including renewable energy installations

- Disabled adaptation to enable the homeowner to live independently and safely (including a client contribution to a Disabled Facilities Grant, cover the cost of the work over the Disabled Facilities Grant or Accessible Homes Grant maximum)
- Radon remediation works
- Homelessness prevention
  - Loans to be assessed on a case-by-case basis with the expectation that the scheme will be used to re-finance more expensive debt to offer homeowners breathing space. Assistance for this loan is via NDC's Housing Options Service.
- Lite Loan
  - Loans are available from £500 to £1,000.

The following loan is available to home owners (including Park Homes), private and social tenants:

- Bulk buy fuel (oil, wood, LPG, coal or calor gas).
  - The maximum loan amount is £1,000 for a maximum term of 12 months.
  - Interest is fixed at 0% and there are no set up or other associated fees.

The assistance also supports other Council objectives, such as loans to private landlords who properties fail to meet minimum housing standards. This can help those landlords who are struggling to maintain their properties to an acceptable standard and desire to avoid enforcement action.

### 3.3 Loan products

3.3.1 The following loan products are available, but are subject to eligibility and variances (which will be confirmed by Lendology CIC Loan Advisor):

- Capital Repayment (CR)

The monthly repayment covers both capital and interest. The loan is repaid in full over a fixed term. The minimum term is 12 months and the maximum term is 15 years.

This loan product is available to homeowners, of any age.

- Interest Only (IO)

The monthly repayment covers only the interest on the loan. The loan is for an indeterminate term. The capital is repaid on a termination event as follows:-

- The property is sold or ownership is transferred away from the borrower;
- The borrowed passes away;
- The loan is repaid through other means

This loan product is usually reserved for clients aged 55 and over.

- Interest Roll Up (IRU)

There are no monthly repayments and the loan is for an indeterminate period. Interest compounds annually and adds to the outstanding balance. The loan (capital and accumulated interest) is repaid on a termination event as follows:-

- The property is sold or ownership is transferred away from the borrower;
- The borrower passes away;
- The loan is repaid through other means.

This loan product is usually reserved for clients aged 55 and over.

- Interest Only converting to Capital Repayment (IO Converting)

Repayments during the initial loan period are interest only (usually between 6 months and up to 2 years) which services the interest on the loan. The loan then converts to capital repayment for a fixed term during which the monthly repayment covers both capital and interest on the loan. The loan is repaid in full over a fixed term.

This Loan product is available to homeowners, of any age.

- Interest Roll Up converting to Capital Repayment (IRU Converting)

The initial loan period is Interest Roll Up. There are no monthly repayments and the interest compounds annually for a fixed term (usually between 6 months and up to 2 years) and is added to the outstanding balance. The original capital borrowed and the accumulated interest converts to capital repayment after the agreed deferred period ends, at which time monthly repayments commence. The monthly repayment covers both interest and capital and the loan is repaid in full over a fixed term.

This loan product is available to homeowners, of any age.

This loan product is also attractive to empty property owners or landlords who want to complete a refurbishment project before selling or renting the property.

### **3.4 Eligibility**

3.4.1 This will vary and is based on the individual(s), partnerships and business owner(s) circumstances of each client. Loan advisors will carry out an assessment and provide independent advice on ethical and responsible lending the most appropriate product to suit their needs. Applicants must have a bank account; repayments are made by a monthly direct debit from this account.

3.4.2 A fully completed application must be submitted to Lendology CIC, together with any supporting information required (including information relating to financial circumstances).

3.4.3 In usual circumstances we expect a minimum of two quotes to be obtained. We may require more for high value works such as extensions. Where work is urgently required, or is specialist in nature and there are limited suppliers/contractors then by agreement, one quote may be acceptable. In some circumstances we may agree fixed prices for some equipment and adaptations in order to streamline our processes.

3.4.3 The minimum loan will be £1,000 (exclusions are Bulk Fuel Loan and Lite Loan).

- 3.4.5 The maximum loan will be assessed by Lendology CIC based on an individual circumstances. It will also be made in conjunction with NDC and will take into account a value for money assessment looking at social, environment and financial return.
- 3.4.6 In some instances, Lendology CIC may be able to offer a loan to cover a proportion of the cost of works but not the total cost due to the client's financial circumstances.
- 3.4.7 If a client has no disposable income and/or minimal assets, Lendology CIC are unable to lend responsibly and the loan application will be declined. The client will be signposted back to NDC.

### **3.5 Conditions**

- 3.5.1 Conditions may vary depending on the loan product selected and the individual circumstances of each applicant.
- 3.5.2 The interest rate on all loans (excluding Bulk Buy) is fixed at 4%. This rate is agreed by the Consortium Board, or set locally.
- 3.5.3 Lendology CIC may register its interest in the property at the Land Registry, either by way of Title Restriction or Caution Against First registration. This will remain in place throughout the repayment term and any outstanding balance will be repayable in full upon disposal of the property, change in ownership or when the borrower no longer lives at the property.
- 3.5.4 Funding is only available for the cost of works started after the approval of assistance. NDC Officers may carry out a survey prior to approval of assistance and/or loan drawn down stage.
- 3.5.5 As part of the application, two estimates for the cost of works are usually required prior to approval from two contractors (who hold relevant certification and valid insurance). In some cases one estimate may be accepted but Lendology CIC and NDC must be satisfied that reasonable value for money will be achieved.
- 3.5.6 Works eligible for funding through an insurance claim will not receive assistance.



## SECTION 4 – MISCELLANEOUS

### **4.1 Exceptions to this Policy**

- 4.1.1 Any loan enquiries falling outside of the usual requirement set in this policy will be considered for approval by Head of Planning, Housing & Health, Lead Member of Housing and/or Head of Resources in consultation with Lendology CIC.
- 4.1.2 Minor routine maintenance or decoration works will not be covered by this assistance and neither will works that are covered under an appropriate insurance policy.

### **4.2 Appeals and complaints**

- 4.2.1 Where the applicant has a complaint about the manner in which NDC is applying this policy or a loan is refused, then they should follow the Council's formal complaints process.
- 4.2.2 Where the complaint is regarding the loan provider Lendology CIC then they should follow their complaints procedure.
- 4.2.3 Where the complaint is in respect of works, the complaint should be made to the contractor in the first instance, if this does not resolve the problem then NDC should be contacted for advice.

### **4.3 Equality and Diversity**

- 4.3.1 This policy will be applied fairly and consistently to all our residents and will not directly or indirectly discriminate against any person or group of people. The service will act sensitively towards the diverse needs of individuals and we will take positive action to reduce discrimination and harassment.