



**An Ghníomhaireacht
Tithíochta**
The Housing Agency



A Guide to the Mortgage to Rent Scheme

**The Mortgage to Rent Scheme
is a government initiative to
help homeowners who are at
risk of losing their home.**



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1. What is the Mortgage to Rent (MTR) Scheme?

The Mortgage to Rent Scheme is a Government initiative that was set up by the Government in 2012 to help people like you, who are finding it extremely difficult to meet your mortgage repayments every month to stay in your home.

It is for people whose financial situation looks like it is not going to improve for the better in the foreseeable future. Under the Mortgage to Rent Scheme, you will voluntarily surrender ownership of your home to your lender. A third party will buy your home from your lender. You will no longer own your home, but you will continue to live in it as a tenant. You will pay an income related rent set by the local authority or the Approved Housing Body.

Who could a third party be?

The potential buyers will either be an Approved Housing Body (AHB) or a Private Company (PC). If an AHB buys your home, you will become a tenant of the AHB. If a PC buys your home, you will become a tenant of your local authority.

If more than one party is interested in buying your home, your lender will inform you of the options available so that you can choose the option that suits you best.

2. What are the benefits of the Scheme?

- a) You will have peace of mind.
- b) You can continue to live in your own home, and there will be no disruption to your family.
- c) If you have children, you won't have to worry about having to send them to another school.
- d) The rent you pay is based on your income, so you will be able to afford it.
- e) You don't have to worry about the maintenance of the house, the buyer looks after that in line with your tenancy agreement.
- f) The price that your house is bought for will be offset against any outstanding debt, and you come to an arrangement with your lender to pay the debt that is remaining (if any).
- g) Potential option to buy back your home if your situation improves.

3. Who provides the Scheme?

This is a Government Scheme, through the Department of Housing, Local Government and Heritage (DHLGH) and administered by The Housing Agency.

Your lender will be your main point of contact and will discuss with you if the Scheme is a possible solution to your situation.

If the Scheme is an option for you, your lender will provide you with all the documentation required to apply for the Scheme.

Your local authority will assess if your household qualifies for Social Housing Support in accordance with the Social Housing Assessment Regulations.

4. What happens to your home?

This is the most important part and you should think about this before you make any decisions.

- a) An AHB or PC will buy your home from your lender.
- b) Once your home is bought, you will no longer own it. You will now become a tenant.
- c) You will pay either an AHB or the local authority a rent which you are able to afford.
- d) The good news here is that if your situation changes, you can buy your property back, if you are able to raise the finance.
- e) Any works required to bring the property to the required standard is undertaken by the new owner including new appliances. Certain ongoing repairs to the property will become the responsibility of the new owner in line with your tenancy agreement.
- f) You will no longer have responsibility for the payment of property tax.

If you are in receipt of Mortgage Interest Supplement (MIS), you will no longer be eligible for this payment, and you should let the Department of Social Protection know.

5. How do I take part in the Scheme?

To take part in the Scheme you must be able to answer 'Yes' to the following questions.

Mortgage

- a. Are you unable to make the repayments on your Mortgage Loan and is this situation unlikely to change in the future?
- b. Are you engaging with your lender to try to find a solution to the situation?
- c. Have you completed the Mortgage Arrears Resolution Process (MARP) with your lender? MARP is a system that requires lenders to adhere to a process for borrowers who fall into arrears with their mortgage.

Property

- d. Is your property in negative equity or within the limits of positive equity allowed under the Scheme:

County	Allowable Positive Equity
Cork City, Dublin City, Dún Laoghaire Rathdown, Fingal, Galway City, Meath, South Dublin, Kildare, Wicklow	€50,000
Carlow, Clare, Cork County, Galway County, Kerry, Kilkenny, Laois, Limerick City and County, Louth, Waterford City and County, Westmeath, Wexford	€45,000
Cavan, Donegal, Leitrim, Longford, Mayo, Monaghan, Offaly, Roscommon, Sligo, Tipperary	€40,000

- e. Is your family home the only property you own?
- f. Are you living in a property that suits your needs i.e. not over or under-accommodated in line with local authority guidelines, plus two bedrooms?

Note: Where your household is over accommodated (i.e. where you have more than 2 spare bedrooms above the current need of your household) and you are in one of the three categories below and qualify on all other grounds for MTR, consideration will be given to admitting you into the MTR Scheme:

- a) The borrower or one of the joint borrowers is aged 65 and over
- b) The borrower, one of the joint borrowers or one of the borrower(s) dependents has a disability and the property has been significantly and permanently adapted to their needs
- c) The borrower, one of the joint borrowers or one of the borrower's dependents has a disability and the property is specifically suitable to their needs without adaptations.

Note: in respect of (b) and (c) above your household must also qualify for Social Housing Support on Disability, Medical or Compassionate grounds in line with the local authority's allocation policy.

- g. Is the value of your property no more than €515,000 for a house and €385,000 for an apartment, duplex or townhouse in the areas of Dublin, Kildare, Meath, Wicklow, Louth, Cork and Galway and €395,000 for a house and €265,000 for an apartment, duplex or townhouse in the rest of the country?

Household

- h. Are you eligible for Social Housing Support in the local authority in whose area the house is located?
- i. Is your income below €30,000*, €35,000* or €40,000* a year, depending on what part of the country you live in? (net household income is the household income after taxes and social insurance (PRSI) have been taken off). (*Additional allowances for children. You can obtain more information from your local authority on this).
- j. Do you have a long-term right to remain in the Republic of Ireland?

6. What are the next steps?

For any questions and additional information and to see if you are eligible, you can contact your lender as they will be the main point of contact throughout the process.

Abhaile is a support service to help homeowners find a resolution to their home mortgage arrears. The Abhaile Service will assist you, if you wish, in progressing your Mortgage to Rent Application with your lender. They can act on your behalf with the lender and they will provide you with support and advice throughout the process. They provide vouchers for a free financial and legal advice meeting and provide

help from experts, who are available through MABS. MABS is the Money Advice and Budgeting Service, which is the State's money advice service, who guide people through dealing with problem debt.

If MTR is an option for you, your lender will give you everything you need to apply for the scheme, including the appropriate letter stating that your mortgage is not sustainable, which you will require to apply for social housing support. You will need to apply to your local authority for social housing support before your MTR application is submitted.

You can contact the Money Advice and Budgeting Service (MABS) on 0818 07 2000
Lines are open from 9am to 8pm Monday to Friday or you can access their website on www.mabs.ie.

7. How does the scheme work?

Step 1

If the scheme suits you, your lender will give you all the details and paperwork you need. They will give you "Mortgage to Rent Pack". This will include "A Guide to the Mortgage to Rent Scheme", two copies of a "Mortgage to Rent Scheme – Letter of Confirmation". Your lender may have a different name on this letter but they will offer the Mortgage to Rent Scheme as a possible solution for you and seek your agreement to share relevant data belonging to you to progress your application. You will normally be given fourteen days to consider, sign and return one copy of the consent letter to your lender if you wish to proceed with MTR. By signing this letter, it means that you are giving your consent to share your information with the various stakeholders involved in the process such as the Housing Agency, an Approved Housing Body or a private company as well as the local authority and independent valuer.

Your lender will also give you a letter stating that your mortgage is not sustainable. You will need to bring this letter to your local authority and they will assess your household to see if it qualifies for Social Housing Support.

If you are approved, your local authority will give you a letter confirming this and they will also give you what's called a Social Housing Support (SHS) Reference Number which you will need to share with your lender as proof of your qualification for Social Housing Support.

Step 2

Now your application is ready to be sent to The Housing Agency. It is their job to check your application and to make sure that you are eligible for the scheme. These checks involve the following:

- An independent valuation of your home. This valuation report will state the current market value and the current rental value of your property. If your property is in positive equity, then you may no longer be eligible for the scheme depending on what band your property falls into.
- If your home is in Dublin, Kildare, Meath, Wicklow, Louth Cork and Galway, and is valued at more than €515,000 (house) or €385,000 (apartment), or if your property is in the rest of the country and is valued at more than €395,000 (house) and €265,000 (apartment), then it is not eligible for the scheme.
- A check with your local authority to make sure that the property is suitable for the scheme and that the rent stated is appropriate for this type of property.

Step 3

Whichever party is interested in buying your home, it will then be assigned to them. They will carry out a survey on your home. In some instances, the survey may be carried out with the valuation.

Following the survey, the potential buyer will then make an offer to your lender.

Step 4

If your lender accepts their offer, your lender will then send you out a “Final Letter of Offer for the Mortgage to Rent Scheme”. This letter will provide you with the details of the proposed sale and the treatment of any debt that may remain after the sale is completed. At this stage in the process you must obtain financial and legal advice.

Once you get this letter, and the draft Tenancy Agreement from the Approved Housing Body or the local authority, you have 28 days to consider and sign the “Final Letter of Offer for the Mortgage to Rent Scheme” if you wish to proceed with MTR. You must return one signed copy to your lender. Once you return the signed letter to the lender there is a ‘cooling-off’ period which allows you time in which you can change your mind.

Step 5

The property then enters into the conveyancing stage where the lender and the buyer exchange contracts. All parties on the mortgage/title will be asked to voluntarily surrender the property to allow the lender to sell it to the buyer. You will also be requested to provide a number of other documents to facilitate the sale to close including Local Property Tax receipts, a Certificate of Exemption from NonPrinciple Private Residence and a Family Home Declaration.

Step 6

Once the conveyancing process is complete, the property will be sold and you will no longer own the property.

Step 7

You will be assessed for rent based on your household income. You will be asked to sign a Tenancy Agreement. If an Approved Housing Body buys your home, you will become a tenant of the Approved Housing Body. If a private company buys your home, you will become a tenant of your local authority. You will pay the same rent regardless of who buys your property.

8. What is the difference between the buyers?

The table below sets out some of the facts regarding the two options:

Question	Approved Housing Body (AHB)	Private Company
Who will own my home?	An Approved Housing Body	A private company registered with the Company's Office
Who will be my landlord?	An Approved Housing Body	Your local authority
What rent will I pay?	You will pay an income based rent calculated under your local authority's Differential Rent Scheme	You will pay an income based rent calculated under your local authority's Differential Rent Scheme
Who will I pay my rent to?	An Approved Housing Body	Your local authority
Who will be responsible for the maintenance of the property?	An Approved Housing Body in line with your Tenancy Agreement	The private company in line with your Tenancy Agreement
How long can I stay in the property?	Your Tenancy Agreement is a week-to-week tenancy, but if you abide by the terms of that Tenancy Agreement, you will remain the tenant of the AHB indefinitely. While the current arrangement on the property can be for up to 30 years, you will continue to have your housing needs met by the AHB beyond this term.	Your Tenancy Agreement is a week-to-week tenancy, but if you abide by the terms of that Tenancy Agreement, you will remain the tenant of the local authority indefinitely. While the current lease on the property from the private company is for 25 years, you will continue to have your housing needs met by the local authority beyond this term.
Will I have to move out of my current home?	You are a social housing tenant with a right to have your housing needs met by the local authority indefinitely. If your needs change, the local authority will provide alternative accommodation that meets these needs.	You are a social housing tenant with a right to have your housing needs met by the local authority indefinitely. If your needs change, the local authority will provide alternative accommodation that meets these needs.

Can I apply for a transfer out of my current property?	Once you have been a tenant in the property for a minimum of 2 years, you can apply to the local authority for a transfer.	Once you have been a tenant in the property for a minimum of 2 years, you can apply to the local authority for a transfer.
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9. Who is involved in the Scheme?

Your Lender

It's your lender's job to explain the Mortgage to Rent Scheme to you. The application for inclusion in the scheme is made through your lender.

Your Local Authority

It's their job to assess your household to see if you qualify for social housing support. The local authority has a role in determining the suitability of the property for social housing. The local authority will also inspect the property to ensure that it meets the required standards for the rental of the property to you.

The Buyers of the Property

They buy your home from your lender. They will also maintain the property as set out in the Lease/Tenancy Agreement. If the buyer is an AHB you will become their tenant by signing a Tenancy Agreement with them and you will pay them an income related rent. If the buyer is a private company you will become a tenant of the local authority and you will pay them an income related rent.

The Housing Agency

The Housing Agency oversees the Mortgage to Rent Scheme to ensure it runs efficiently. All stakeholders (i.e. lender, local authority, AHB, private company and The Housing Agency) have agreed to a Protocol, in which they agree to work together to help bring applications to a successful conclusion.

10. What documentation must I send to the local authority?

When sending your Social Housing Application form to the local authority you must include the following:

- a) The letter from your lender stating that your mortgage is not sustainable

b) Your Mortgage to Rent Application Form

c) Proof of income, e.g. payslip

A full list of what is required for applying for social housing support is available on your local authority's website.

11. What happens if my application for social housing support is unsuccessful?

Your local authority will send you a letter confirming that you do not qualify for social housing support. You should send a copy of this to your lender and they can discuss options available to you.

You have the right to appeal this decision to the Ombudsman – contact details: 18 Lower Leeson Street, Dublin - Phone: 01 639 5600. Email: ombudsman@ombudsman.gov.ie.

12. Can I buy my property back?

Yes, if you can obtain the finance for the purchase, you can buy your property back after 5 years. There are two buyback options available, both of which are outlined in the table below:

Not Discounted Purchase Price (Property Owner purchases the property at Open Market Value, less repairs) Buyback – Option A Only	
You have the option to buy back your property after 5 years (or earlier if agreed, but only at the discretion of the property owner) at the Open Market Value (OMV) on the date of the buy back. The property cannot cost less than the price that the property owner paid for the property.	
Discounted Purchase Price (Property Owner negotiates a discount with the lender and purchases the property at a discounted price i.e. below Open Market Value)	
Buy Back – Option A	Buy Back – Option B

<p>You have the option to buy back your property after 5 years (or earlier if agreed, but only at the discretion of the property owner) at the Open Market Value (OMV) on the date of the buyback. The property cannot cost less than the price that the property owner paid for the property.</p>	<p>You have the option to buy back your property after 5 years (or earlier if agreed but, only at the discretion of the property owner).</p> <p>You will pay:</p> <ul style="list-style-type: none"> • Price (discounted) that the property owner paid for it; <u>Plus</u> • Cost of repairs incurred by the property owner in bringing the property up to private rental standards during the period of the tenancy; <u>Plus</u> • Cost of finance by the property owner on the property transaction and ongoing during the period of the tenancy <p><u>Plus</u></p> <ul style="list-style-type: none"> • Legal costs incurred by the property owner. <p><u>AND...</u></p> <ul style="list-style-type: none"> • If you sell the property within 20 years you will have to pay the property owner a percentage of the proceeds of the sale - known as a clawback. The percentage is the percentage difference between the sale price and the Open Market Value of the property. This amount will be reduced by 5% each year after you have bought back the property. <p>If you sell your property after 20 years, you will not have to pay any clawback to the property owner.</p>
<p>The buyback (Option A or B) will need to be specified in a separate legal agreement between you and the property owner.</p>	

PLEASE NOTE:

The Open Market Value at the time you sell your property is used to calculate the amount of clawback due. If the gap between the original sale price and the Open Market Value has narrowed, the amount of clawback will also reduce. If the proceeds of the sale of your property are below the initial price paid, you will not be liable to pay the property owner a percentage of the proceeds of the sale.

13. Frequently Asked Questions

How do I know if Mortgage to Rent is the right housing solution for me?

Reaching the decision to give up ownership of your home is not an easy decision and care must be taken to ensure that it is the right decision for you and your family. You must take independent legal and financial advice in order to make an informed decision.

The Money Advice and Budgeting Service (MABS) will assist you in obtaining relevant independent advice through the Abhaile service. MABS may be contacted by telephoning 0818 07 2000 from 9am to 8pm Monday-Friday.

Alternatively, your lender is obliged to pay up to €500 (inclusive of VAT) for legal advice. If you wish, your lender will also pay €250 (exclusive of VAT) for you to get financial advice from an accountant on the Mortgage Arrears Information and Advice Service panel.

What are the steps in the Mortgage to Rent process?

The steps in the process are set out in Section 7 of this document.

What role do local authorities play in the scheme?

The local authority assesses if you qualify for social housing support, so you can access the MTR scheme. They will be your landlord if your property is sold to a private company. The local authority also signs the property's lease or availability agreement with the private company or the Approved Housing Body. The local authority will also inspect the property to ensure that it meets the required standards for the rental of the property to you.

Can I choose who will buy my property?

If more than one party is interested in buying your property, your lender will inform you of the options available so you can choose the option that suits you best.

Who will value my property to determine the price?

A qualified valuer will value your property. Your lender and the party interested in purchasing the property will agree the price based on this valuation. You will be asked to agree to this price in the Final Letter of Offer, which will be sent to you before you will be required to make the final decision to accept MTR.

What is the purchase price of my house likely to be?

The purchase price of the property is that price that is agreed by your lender and the purchaser and approved by you. The price is typically the open market value of the property minus the cost of any repairs required to the property to bring the property up to private rented standards that are required to allow the property to be rented to you.

Is my outstanding mortgage debt (i.e. residual debt) written off under the Mortgage to Rent Scheme?

Any outstanding residual debt is a contractual matter between you and your lender. When the lender sends you the Final Letter of Offer asking you to agree to the sale, they will outline what will happen to your residual debt.

What happens if the property price goes above the limits allowable under the scheme during the process?

The property eligibility is checked at the outset of the Scheme. If the eligibility of the property changes during the process e.g. the property goes into positive equity, each case will have to be assessed on a case by case basis. The purpose of the MTR Scheme is to try to keep people in their homes.

How is the rent calculated?

You as a social housing tenant will be charged a rent based on your income. This is calculated by the local authority using the differential rent system. It is based on your ability to pay, i.e. the lower your income the lower the rent. Under the MTR scheme, whether your landlord is the local authority or an Approved Housing Body you will be charged the same differential rent.

Who will maintain and repair the property once it's sold under the Mortgage to Rent Scheme?

The purchaser is responsible for the maintenance and repair of the property as set out in your Tenancy Agreement whether an Approved Housing Body or a private company buys the property. Properties made available for social housing purposes must meet private rental standards. Where properties do not meet these standards, the purchaser will arrange to have the necessary works undertaken as soon as possible after the completion of the MTR process.

Could my house be sold during the term of the lease?

Yes, your property can be sold during the term of the lease, but your tenancy will not be affected. Your landlord remains the same and you will remain in the property under the same conditions and with the same protections as existed prior to the sale.

What if I change my mind during the application process?

You do not have to make the final decision to accept MTR until you are issued with the Final Letter of Offer which will contain all the information that you should need to get independent financial and legal advice and make an informed decision. The MTR process includes a 'cooling off' period following the return of the signed letter to your lender.

What are my options if my Mortgage to Rent Application is not successful or if I am ineligible for Mortgage to Rent?

If you are in danger of losing your home, but are not eligible for the MTR Scheme you may be eligible for other forms of social housing support. Even if you still legally own your property, the local authority may consider you to be in need of social housing support if your mortgage is deemed unsustainable under the Mortgage Arrears Resolution Process (MARP).

There are other housing support options available immediately through the local authority for borrowers who lose their homes such as the Housing Assistance Payment (HAP) programme whereby the prospective HAP tenant (you) can source a HAP property to rent, within certain rent limits.

I am a joint borrower. Can I avail of Mortgage to Rent if the other borrower is no longer living in the property?

If the other party to the loan is willing to sign the Voluntary Surrender Form allowing for the transfer of the property to the lender for sale, then yes you may be eligible for MTR.

If I cannot get in contact with the other party to the loan, can I avail of Mortgage to Rent?

You will need to ensure that the title to the property is available to you to allow for the sale of the property under the MTR scheme. You may need to go through the legal system for this.

If my circumstances improve, can I remain a social housing tenant?

Yes, once you adhere to the requirements of your Tenancy Agreement. However, it should be noted that if your income increases you will be required to pay an increased rent.

Can Mortgage to Rent form part of an insolvency arrangement?

Yes, a Personal Insolvency Practitioner (PIP) may suggest MTR as a solution under an insolvency arrangement. More details on personal insolvency can be obtained on backontrack.ie

Can I apply for an insolvency arrangement if I complete the Mortgage to Rent process?

Yes, as your debts will be unsecured debts once MTR is completed, you can apply for a Debt Relief Notice or a Debt Settlement Arrangement depending on your debt level. For more information on insolvency arrangements go to backontrack.ie

I am bankrupt. Can I avail of a Mortgage to Rent solution for my home?

If your mortgage, home and household meet the detailed eligibility criteria for MTR already described and the Official Assignee, who oversees bankruptcies, is satisfied that the sale of your home will not produce a return for your bankruptcy estate, the Official Assignee will work with you and your mortgage lender to facilitate the sale of your home under the MTR scheme.



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MTR Website details

www.mortgagetorent.ie

Citizens Information

www.keepingyourhome.ie

Tel: 0818 07 4000 (Monday to Friday, 9am to 9pm)

Money Advice and Budgeting Service (MABS)

www.mabs.ie

Tel: 0818 07 2000 (Monday to Friday, 9am to 8pm)

Abhaile

www.mabs.ie/en/abhaile/

Tel: 0818 07 2000 (Monday to Friday, 9am to 8pm)

Insolvency Service

www.backontrack.ie