

## **Home Improvement Assistance – Financial Options Factsheet**

Salford Council's Private Sector Housing Assistance Policy 2014 makes the following forms of financial assistance available to enable repairs or improvements works to be carried out to the homes of eligible applicants.

An applicant's financial and other circumstances will be assessed to decide which is the best type of financial product, from the range available, to suit their circumstances. The forms of assistance will be considered sequentially

### **Repayment Loans – regular repayments**

These are fixed or variable rate interest bearing loans, capital and interest repaid over a fixed term. The term should be the shortest that can be safely managed by the applicant.

Interest is calculated on the capital advance, which is determined at the point of approval of the loan, and is charged as a loan administration fee. This loan satisfies faith requirements.

Loans may be secured by a Legal Charge against the property registered with Land Registry; discretion may be applied to smaller amounts and in exceptional cases, to allow an unsecured repayment loan.

### **Interest Only Loans – regular smaller repayments**

These are loans secured on the homeowner's property at a fixed or variable interest rate. The principle sum of the loan is repaid on transfer of title.

Interest charged will be paid by the applicant each month. The term over which the interest is payable will be capped to ensure reasonable repayment terms.

The client is therefore aware of the total cost of the loan from the outset and have the benefit for the homeowner of maintaining the debt at the same amount throughout the life of the loan.

Loans are secured by a Legal Charge against the property registered with Land Registry.

### **Interest Roll-Up Loans – no regular repayments**

These are fixed or variable interest rate loans with interest "rolled up" to the capital account monthly. The whole loan including both the principle sum and the accrued sum is repaid on transfer of title.

The term over which the interest is payable will be capped to ensure reasonable repayment terms. The client is therefore aware of the total cost of the loan from the outset.

Loans are secured by a Legal Charge against the property registered with Land Registry.

### **Equity Participation Loans – no regular repayments**

This product allows clients to release part of the equity in their property, which is then used to pay for the required works. The cost of works is calculated as a percentage of the value of the property.

The loan is repaid on transfer of title when the percentage share of the valuation of the property becomes payable.

The amount to be repaid may therefore be higher than the amount borrowed if the value of the property has increased. However, even if the value of the property decreases you will still be required to repay the amount originally advanced.

Loans are secured by a Legal Charge against the property registered with Land Registry.

### **Secured Interest Free Loan – no regular repayments**

An interest free loan repaid on the transfer of title.

Loans are secured by a Legal Charge against the property registered with Land Registry.

### **Interest Rates**

Where applicable the standard interest rate will be a variable rate of 3.5% over the base rate of the Bank of England. For some loans the rate used will be the published Local Authority Mortgage Interest Rate.

The interest rate to be charged will be reviewed quarterly.

In cases of hardship the Council may recommend reduced interest rates and alternative terms.

The Council's objective for a loan product is to maintain the real value of the loan over time. This means providing credits at an aggregate interest rate at least equivalent to inflation.

### **Independent Financial Advice**

Clients will be invited to consider seeking Independent Financial Advice whenever a loan is being processed. Clients choosing not to take independent financial advice will be asked to sign a waiver confirming that they were advised to take advice but declined to do so.