



## **DEPARTMENT OF INFRASTRUCTURE**



# **SHARED EQUITY PURCHASE ASSISTANCE (FIRST HOME CHOICE) SCHEME 2014**

## **Explanatory Leaflet**

**Aug 2022**

# Shared Equity Purchase Assistance (First Home Choice) Scheme 2014

## Explanatory Leaflet

**These notes and the examples within are offered for guidance purposes only and are not intended to be a definitive interpretation of the Shared Equity Purchase Assistance Scheme (First Home Choice) 2014.**

***You must read these notes carefully. Before considering home ownership you should seek advice from your mortgage provider or independent financial advisor and if you decide to proceed, you should also seek advice from an Advocate. Your Advocate should explain the terms and conditions upon which you will be purchasing a property so that you are fully aware of them and the restrictions on any future sale.***

### 1. Introduction

The purchase of a home is a major decision and is likely to require your largest ever financial commitment. Buying a property involves not just monthly mortgage repayments, but also rates, insurance and repairs and maintenance. **Before considering home ownership you should seek advice from an independent financial adviser. In addition please read carefully the following sections which should provide an explanation of what kind of assistance may be available through this scheme, the type of property that is eligible for assistance, and how you can make an application or get some further advice.**

### 2. What is the Shared Equity Purchase Assistance (First Home Choice) Scheme?

**First Home Choice** offers a more affordable option of home ownership to you, by providing financial assistance to allow you to buy less than a 100% share in your home (with an option to increase your share up to 100% at a later date). The remaining share of up to 30% may be purchased by the Department.

### 3. Who is eligible for assistance under the Scheme? You and

- your spouse/partner (if the application is joint) must have lived on the Island continuously for five years up to the date of your application, or for periods totalling at least fifteen years up to that date (but you must have been permanently resident on the Island for a period of at least six months prior to your application to the Scheme).
- Single persons **without** children applying to the Scheme must have a gross income of **no more** than **£39,000** per annum. Couples **without** children must have a total gross income of **no more** than **£62,000** per annum. Single persons or couples with one or more children must have a total gross income of **no more** than **£67,000** per annum.
- You must be a first time buyer and not have previously owned a property either solely or jointly, whether on the Island or in any other country. If you have previously owned property the Department may consider accepting an application from you under one of the Shared Equity Schemes. However, you will be required to provide additional information about the property you owned, how much you received from the sale of your interest in that property and whether you need assistance in order to purchase a property that is suitable for your household.

**If you are a CURRENT property owner you may NOT apply for any assistance under either of the Shared Equity Schemes.**

- You must be able to acquire a mortgage for the balance from your chosen Bank or Building Society.
- You must be able to demonstrate your ability to contribute the required 5% deposit.
- The Scheme is budget limited. Therefore, in order to help as many people as possible, your circumstances and housing need will be taken into account when making a decision. As such, eligibility for assistance does not constitute a right to receive it. Consequently, it may be necessary to close the Scheme to new open market applications from time to time, subject to budget availability.
- Applicants are advised to contact the Department to verify their eligibility and availability of budget ahead of identifying a property.

#### **4. Which properties are eligible?**

Not all properties for sale will be eligible under the provisions of the Scheme. A property must meet the following eligibility criteria in order for approval to be given for assistance to be paid under the Scheme:

- The property must be already constructed or construction must be underway
- The property must comply with minimum spatial standards and should not be less than 55 square metres in total floor area. It must have at least one bedroom and a separate bathroom. Some discretion can be applied to dwellings with adequate facilities, which have floor areas very close to the 55 square metres requirement.
- **The Department may refuse an open market application, if in the opinion of the Department, you have, or will shortly have, sufficient means to buy a dwelling without assistance under this Scheme.**

#### **5. What is approved Income?**

Approved income is calculated as follows:

- For a single employed applicant, the gross basic income, plus regular overtime (exceeding 10% of basic income). Gross income includes income from all sources such as regular bonuses and savings interest.
- For a self-employed applicant, the average of the last three years gross income as shown by audited accounts.
- Approved income will also include all other income from other sources to the extent allowed by the Department.
- For joint applicants the whole of both gross basic incomes, including regular overtime (exceeding 10% of basic income). Gross income includes income from all sources such as regular bonuses and savings interest.
- Income will need to be verified by the employer or by production of audited accounts where applicable.
- Where an application to purchase a property is made by a single applicant, any assistance provided under the Scheme shall take account of the income of your spouse or partner.

## **6. What level of deposit/funds must be contributed towards the purchase?**

All First Time Buyers are expected to contribute as much as they can to their purchase and are therefore required to demonstrate that they are able to provide a deposit of **at least 5%** of the purchase price of the property. In addition you will be expected to contribute a proportion of any savings/additional funds you may have in excess of this amount. The definition of savings/additional funds includes all funds available to you. For example, it includes savings, gifts and inheritances.

For any savings/additional funds held in excess of the 5% deposit, the Department may allow applicants to retain £15,000 of these funds to pay for costs such as legal, mortgage and valuation fees. However, if the total additional funds available to you are higher than £15,000, you are required to contribute the remaining amount towards the purchase. For example, if you have additional funds of £20,000, you would retain the initial £15,000. This would mean an extra contribution of £5,000 would be required in addition to the 5% deposit.

In order to assess the overall funds available to you, applicants and their spouse or partner are required to submit details of gifts/inheritances and savings. In the case of savings, up to date Bank Statements for all relevant accounts should be provided.

**Please note that failure to disclose details of all funds available to you and any other relevant information is an offence under the Housing (Miscellaneous Provisions) Act 2011. This will be regarded as an attempt to defraud the Department and appropriate action will be taken.**

## **7. What kind of financial assistance is available under the Scheme?**

The Scheme may provide financial assistance by way of purchasing an equity share of between 5% and 30% of the purchase price of the property. The Department's equity share lasts for the life of your ownership of the property.

After the first anniversary of your purchase, interest becomes payable and will be charged against the Department's share at whichever is the lesser of either 1% per annum, rising by 1% each year or the Bank of England Base Rate plus 3%, as applicable on the anniversary of your purchase each year. Interest will be payable on an annual basis and the Department may take payments in advance at regular intervals to facilitate budgeting

**Please note that the Scheme has a minimum assistance threshold of 5% because of the legal and administrative costs and implications to both the Department and the purchaser of providing such assistance.**

**You should be aware that your home may be at risk if you fail to keep up with all repayments associated with this scheme.**

## **8. Can I purchase the Department's equity share?**

You may buy out the total or part of the Department's share in your dwelling, at the prevailing market rate, at any time provided that:-

- (a) The amount of the Department's equity purchased is either
  - i. The whole of the remaining share; or
  - ii. £1,000 or greater.
- (b) You have not previously purchased a part of the Department's equity share in the previous six months;
- (c) You pay the £50 administrative fee to the Department
- (d) You pay all professional, mortgage, registration and any other fees and expenses incurred by yourself in connection with the purchase of the Department's equity share.

Please note this facility has been restricted to twice per financial year due to the costs associated with each equity purchase and the necessary legal paperwork required to reflect the changes in ownership.

You are not obliged to buy out the Department's equity share, but you should be aware that the Department's share remains for the lifetime of your ownership and any improvements you make to increase the value of the property will also be reflected in the value of the Department's share. (See section 9.4)

### **9. Are there any other conditions of assistance?**

- (1) You will be responsible for paying all fees such as professional (i.e. advocates), mortgage, and any charges incurred in connection with the application.
- (2) An application for financial assistance under the Scheme is subject to an administration fee of **£100**.
- (3) The dwelling must be used for your own **full-time occupation**, and must **not** be used for any trade or business, or let or sub-let, without the prior consent in writing of the Department.
- (4) Whilst there remains a charge upon the property in favour of the Department you must:
  - keep the dwelling in good repair at all times;
  - pay all outgoings in respect of the dwelling;
  - **seek written permission from the Department for any increases to borrowing or extensions to the property**
  - comply with all legal requirements relating to planning and building control;
  - insure the dwelling against fire and all other risks required by the Department in the joint names of yourself and the Department; and
  - allow the Department to inspect the dwelling at any reasonable time

### **10. What happens if I wish to sell, move to a larger dwelling?**

If you have purchased a dwelling with financial assistance and wish to sell the property **the outstanding balance of the Department's equity share, plus any accrued interest, will become repayable.**

### **11. Need help?**

The purchase of a home is a major decision and is likely to require your largest ever financial commitment. Buying a property involves not just monthly mortgage repayments, but also rates, insurance and repairs and maintenance. **Before considering home ownership you should seek advice from an independent financial adviser. Please note that the Department cannot provide legal or financial advice in respect of your eligibility and/or application.** However, if you have any general queries or need further information about the Scheme please contact;

**Department of Infrastructure  
Public Estates and Housing Division  
Markwell House, Market Street,  
Douglas, IM1 2RZ**

**Telephone: (01624) 685955  
Fax: (01624) 685943  
E-mail: [Housing@gov.im](mailto:Housing@gov.im)**

## **Data Protection Statement**

The information you provide when you apply for assistance towards the purchase of a property will only be processed for the purposes of dealing with your eligibility assessment under the Shared Equity Purchase Assistance (First Home Choice) Scheme 2014 and for anonymised statistical analysis and reporting. Your information may be shared with Income Tax Division for the purpose of making enquiries relevant to assessing your eligibility. Our [Privacy Notice](#) explains how we collect, store and handle your personal data in line with current data protection legislation as applied in the Isle of Man. If you would like to find out more please visit our website at [www.gov.im/infrastructure/](http://www.gov.im/infrastructure/) or contact our Data Protection Officer on 686785 for a paper copy.

## **Fraud Warning**

Please note that provision of false information for the purpose of obtaining a payment under this Scheme is an offence under the Housing (Miscellaneous Provisions) Act 2011. This will be regarded as an attempt to defraud the Department and appropriate action will be taken.

## Illustrations for General Guidance Only

Please be aware that the values in these examples are purely for illustration purposes only. Although they show a modest increase, you should be aware that the value of your property may go down as well as up and the value of your share will be affected by the prevailing market rate.

This may mean that in the early years the Department's equity charge plus accrued interest may be more than the value of the equity share.

Illustration showing repayments and purchase of Department's Equity Share.  
Original Purchase Price £180,000; DOI Equity share £45,000 (22.5%)

Year	DOI Equity Loan	DOI Equity Purchase by Applicant	DOI Equity Share* %	Example Market Value	Value of DOI Equity Share £ (before equity purchase)**	DOI Equity Share £ (after purchase applied)	Applicant Equity Share £ (after purchase applied)
1	£45,000		25.0%	£180,000		£45,000.00	£135,000.00
2	£39,450	-£5,550.00	22.0%	£185,000	£46,250.00	£40,700.00	£144,300.00
3	£39,450		22.0%	£185,000	£40,700.00	£40,700.00	£144,300.00
4	£39,450		22.0%	£185,000	£40,700.00	£40,700.00	£144,300.00
5	£31,850	-£7,600.00	18.0%	£190,000	£41,800.00	£34,200.00	£155,800.00
6	£26,000	-£5,850.00	15.0%	£195,000	£35,100.00	£29,250.00	£165,750.00
7	£26,000		15.0%	£195,000	£29,250.00	£29,250.00	£165,750.00
8	£18,200	-£7,800.00	11.0%	£195,000	£29,250.00	£21,450.00	£173,550.00
9	£18,200		11.0%	£203,000	£22,330.00	£22,330.00	£180,670.00
10	£10,000	-£8,200.00	7.0%	£205,000	£22,550.00	£14,350.00	£190,650.00
11	£0	-£10,000.00	2.0%	£200,000	£14,000.00	£4,000.00	£196,000.00
12	£0		2.0%	£205,000	£4,100.00	£4,100.00	£200,900.00
13	£0		2.0%	£210,000	£4,200.00	£4,200.00	£205,800.00
14	£0		2.0%	£215,000	£4,300.00	£4,300.00	£210,700.00
15	£0	-£4,200.00	0.0%	£210,000	£4,200.00	£0.00	£210,000.00

\* Balance of DOI equity share £ value divided by prevailing market value

\*\* % DOI multiplied by prevailing market value

**Illustration of Sale of Property after 10 years** (where no repayments have been made\*)

**Original Purchase Price £169,000; DOI Equity share £38,000 (22.5%)**

Year	Interest Rate	Annual Interest Due*	DOI Equity Loan	DOI Equity Share %	Example Market Value (MV)	DOI Equity Share (MV x % Equity share) £	Applicant Equity Share £
1	0%	£0.00	£38,000	22.5%	£169,000	£38,000	£131,000
2	1%	£380.00	£38,000	22.5%	£175,000	£39,375	£135,625
3	2%	£760.00	£38,000	22.5%	£175,000	£39,375	£135,625
4	3%	£1,140.00	£38,000	22.5%	£182,000	£40,950	£141,050
5	4%	£1,520.00	£38,000	22.5%	£182,000	£40,950	£141,050
6	5%	£1,900.00	£38,000	22.5%	£185,000	£41,625	£143,375
7	6%	£2,280.00	£38,000	22.5%	£187,500	£42,188	£145,312
8**	7%	£2,660.00	£38,000	22.5%	£187,500	£42,188	£145,312
9**	8%	£3,040.00	£38,000	22.5%	£191,000	£42,975	£148,025
10**	9%	£3,420.00	£38,000	22.5%	£195,000	£43,875	£151,125
Property is sold		Total Interest Paid <b>£17,100</b>		<b>22.5%</b>	<b>£195,000</b>	<b>£43,875</b>	<b>£151,125</b>

*\*Interest is charged on anniversary of purchase date and is payable in full*

*\*\*Example interest rates*



## Application of Interest

The below illustration shows how the interest charged may change from the incremental rate to Base rate plus 5%, depending on how the Bank of England Base Rate rises.

In this illustration up to year 9, interest is charged at the incremental rate as this is the lower amount. In years 10 and 11, the Base Rate plus 5% is the same as the incremental rate. Then from year 12 the Base Rate plus 5% becomes lower than the incremental rate and then becomes the applied rate.

<b>EXAMPLE ILLUSTRATION OF INTEREST APPLICATION – SHARED EQUITY</b>					
<b>YEAR</b>	<b>Interest incremental @1% per</b>	<b>Bank of England Base Rate - example</b>	<b>Base Rate plus 5%</b>	<b>Interest applied *</b>	<b>Rate</b>
<b>1</b>	<b>0.0%</b>	0.5%	5.50%	<b>0.0%</b>	
<b>2</b>	<b>1.0%</b>	1.0%	6.00%	<b>1.0%</b>	
<b>3</b>	<b>2.0%</b>	1.5%	6.50%	<b>2.0%</b>	
<b>4</b>	<b>3.0%</b>	2.0%	7.00%	<b>3.0%</b>	
<b>5</b>	<b>4.0%</b>	2.0%	7.00%	<b>4.0%</b>	
<b>6</b>	<b>5.0%</b>	3.0%	8.00%	<b>5.0%</b>	
<b>7</b>	<b>6.0%</b>	3.0%	8.00%	<b>6.0%</b>	
<b>8</b>	<b>7.0%</b>	3.0%	8.00%	<b>7.0%</b>	
<b>9</b>	<b>8.0%</b>	3.0%	<b>8.00%</b>	<b>8.0%</b>	
<b>10</b>	<b>9.0%</b>	4.0%	<b>9.00%</b>	<b>9.0%</b>	
<b>11</b>	10.0%	3.0%	<b>8.00%</b>	<b>8.0%</b>	
<b>12</b>	11.0%	4.0%	<b>9.00%</b>	<b>9.0%</b>	
<b>13</b>	12.0%	3.0%	<b>8.00%</b>	<b>8.0%</b>	
<b>14</b>	13.0%	4.0%	<b>9.00%</b>	<b>9.0%</b>	
<b>15</b>	14.0%	5.0%	<b>10.00%</b>	<b>10.0%</b>	
<b>16</b>	15.0%	5.0%	<b>10.00%</b>	<b>10.0%</b>	
<b>17</b>	16.0%	5.5%	<b>10.50%</b>	<b>10.5%</b>	
<b>18</b>	17.0%	5.5%	<b>10.50%</b>	<b>10.5%</b>	
<b>19</b>	18.0%	5.5%	<b>10.50%</b>	<b>10.5%</b>	
<b>20</b>	19.0%	5.0%	<b>10.00%</b>	<b>10.0%</b>	
<b>21</b>	20.0%	5.0%	<b>10.00%</b>	<b>10.0%</b>	
<b>Etc.</b>	<b>Etc.</b>	<b>Etc.</b>	<b>Etc.</b>	<b>Etc.</b>	

*\*Incremental @ 1% per annum (after 1 year interest free period) or BoE Base Rate plus 5% - where BoE base rate plus 5% is the lower value*

