



DEPARTMENT OF INFRASTRUCTURE



SHARED EQUITY PURCHASE ASSISTANCE (FIRST HOME CHOICE) SCHEME 2014

Explanatory Leaflet

August 2022

Shared Equity Purchase Assistance (First Home Choice) Scheme 2014

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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 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.
- If you have previously owned a property either solely or jointly, whether on the Island or in any other country, you must demonstrate that you need help to be able to afford to purchase a property suitable to your housing need. To do this, you will be required to provide additional documentation such as a settlement statement showing how much you received out of the sale of your interest in the property and recent bank statements for all accounts showing current savings and funds available to you etc.

- 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.

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 or tax assessments.
- 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 or tax assessments 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, premium bonds, shares, gifts and inheritances.

For any savings/additional funds held in **excess** of the 5% deposit, the Department may allow applicants to retain £10,000 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 £10,000, you are required to contribute 90% of the remaining amount towards the purchase. For example, if you

have additional funds of £15,000, you would retain the initial £10,000, plus another £500 (10% of the remaining amount of £5,000). This would mean an extra contribution of £4,500 (90% of the remaining amount 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, savings, and the current value of premium bonds and shares. In the case of savings, up to date statements for ALL Bank 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.

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 6 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.

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 of the property 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; and
- allow the Department to inspect the dwelling at any reasonable time

10. What happens if I wish to sell or move out?

If you have purchased a dwelling with financial assistance and wish to sell the property or move out, **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**

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/ 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 £200,000; DOI Equity share £45,000 (22.5%)**

Year	Equity Loan	Equity Share payment by Applicant	Equity Share*	Example Market Value
1	£45,000		22.5%	£200,000
2	£43,000	-£2,000	21.5%	£200,000
3	£43,000		21.5%	£210,000
4	£38,700	-£4,300	19.5%	£215,000
5	£36,550	-£2,150	18.5%	£215,000
6	£27,670	-£8,880	14.5%	£222,000
7	£27,670		14.5%	£227,500
8	£20,845	-£6,825	11.5%	£227,500
9	£17,380	-£3,465	10.0%	£231,000
10	£5,630	-£11,750	5.0%	£235,000
11	£0	-£8,400	1.5%	£240,000
12	£0		1.5%	£245,000
13	£0		1.5%	£239,000
14	£0		1.5%	£244,000
15	£0	-£3,675	0.00%	£245,000

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

Application of Interest

The below illustration shows how the interest charged may change from the incremental rate to Base rate plus 3%, depending on how the Bank of England Base Rate rises.

In this illustration up to year 5, interest is charged at the incremental rate as this is the lower amount. In years 6 and 7, the Base Rate plus 3% is the same as the incremental rate. Then from year 8 the Base Rate plus 3% becomes lower than the incremental rate and then becomes the applied rate.

EXAMPLE ILLUSTRATION OF INTEREST APPLICATION – SHARED EQUITY

YEAR	Interest @1% incremental per annum	Bank of England Base Rate - example	Base Rate plus 3%	Interest Rate applied *
1	0.0%	1.5%	4.5%	0.0%
2	1.0%	1.5%	4.5%	1.0%
3	2.0%	2.0%	5.0%	2.0%
4	3.0%	2.5%	5.5%	3.0%
5	4.0%	2.0%	5.0%	4.0%
6	5.0%	2.0%	5.0%	5.0%
7	6.0%	3.0%	6.0%	6.0%
8	7.0%	3.0%	6.0%	6.0%
9	8.0%	3.0%	6.0%	6.0%
10	9.0%	3.0%	6.0%	6.0%
11	10.0%	4.0%	7.0%	7.0%
12	11.0%	3.0%	6.0%	6.0%
13	12.0%	4.0%	7.0%	7.0%
14	13.0%	3.0%	6.0%	6.0%
15	14.0%	4.0%	7.0%	7.0%
16	15.0%	5.0%	8.0%	8.0%
17	16.0%	5.0%	8.0%	8.0%
18	17.0%	5.5%	8.5%	8.5%
19	18.0%	5.5%	8.5%	8.5%
20	19.0%	5.5%	8.5%	8.5%
Etc.	Etc.	Etc.	Etc.	Etc.

