

# rent to buy policy

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## **1. Introduction**

- 1.1. believe housing has been successful in gaining funding from Homes England through the Affordable Homes Programme for a number of Rent to Buy new build properties.
- 1.2. Rent to Buy is a scheme which allows working households to rent a home at an Intermediate Rent providing them the opportunity to save for a deposit to then buy their first home. Tenants are eligible to purchase the home if they have been able to save the deposit required and secure a mortgage. The believe housing Rent to Buy scheme is designed to help people who can't currently afford to buy or rent suitable accommodation on the open market, providing them with the future opportunity of owning their own home.
- 1.3. The believe housing Rent to Buy Policy is informed by the requirement that believe housing meets its charitable objects and the grant conditions attached to the Homes England funding as laid out in the Capital Funding Guide as well as relevant legislation and regulation.
- 1.4. The landlord for all Rent to Buy homes is believe housing and all services will be delivered through believe housing, as for other tenants.

## **2. Charitable purposes**

- 2.1. The Rent to Buy scheme will meet our charitable objects if it is made available only to applicants who would otherwise be unable to afford suitable accommodation to rent or buy on the open market. Eligibility checks will be undertaken to ensure the scheme will only be available to those applicants who meet the criteria to become a 'beneficiary' of our charitable objects.

## **3. Eligibility**

- 3.1. Applicants/Tenants must be working at the time of the initial letting (or at least one tenant must work if a joint tenancy). They must either not have previously owned their own home or be returning to the market following a relationship breakdown. If they are returning to the market following a relationship breakdown they should not own any residential property.
- 3.2. Applicants need to be at least 18 years old at the time of signing the tenancy agreement.
- 3.3. Potential Rent to Buy tenants must have the Right to Rent in the UK and not have any previous tenancy history or behaviour that would normally have barred them from registering on the Durham County housing register, Durham Key Options (DKO).
- 3.4. believe housing will determine whether potential applicants can afford the Rent to Buy tenancy. Applicants must not have any outstanding credit issues and will need to undertake a credit check.

3.5. The following indicators will be considered to determine if an applicant is suitable to be a 'beneficiary' of our charitable objects. The circumstances in each case will determine whether one or a combination of several indicators will meet the test:

- Suitability of present accommodation – must not be adequate for their needs
- Financial circumstances – disposable income, savings, etc must be below what they would need to rent or buy suitable accommodation on the open market but sufficient to enable them to save for a deposit to buy a home in the future
- Security of tenure in an area – particularly relevant for households including children when comparing to open market rented property
- Availability of suitable accommodation - there may just not be sufficient suitable accommodation of an appropriate size available on the rented market
- Location – for example, availability of transport links.

#### **4. Letting and purchase**

- 4.1. All believe housing tenants who wish to apply for a Rent to Buy tenancy, as well as meeting the criteria outlined above will also need to serve a prescribed notice on the landlord acknowledging their reduced security of tenure (moving from an assured tenancy to an assured shorthold tenancy). Without this, the tenancy would become an assured tenancy and not a Rent to Buy tenancy.
- 4.2. It is a condition of the Rent to Buy scheme that properties are not let through local authority nomination agreements or choice-based lettings schemes. believe housing Rent to Buy homes will not be let through DKO but will be let to eligible applicants on a "first come, first served" basis. Each Rent to Buy development will have its own waiting list. Applicants can apply for more than one Rent to Buy property at a time although they will only be provisionally allocated one property at a time.
- 4.3. The properties will be let for a fixed term of one year. After this initial fixed term, the tenancy will convert to a periodic assured shorthold tenancy. Unlike other believe housing tenancies, they will not convert to an assured tenancy after a year but will continue indefinitely as an assured shorthold tenancy.
- 4.4. If after the initial five years of letting believe housing wishes to sell the property the existing tenants will be granted a right of first refusal.
- 4.5. If at any point after the initial five years of letting the tenants submit a request to buy their home believe housing will agree to sell it except in exceptional circumstances.
- 4.6. If the tenants do not exercise the choice to purchase, believe housing can retain the property as rented housing, (at either affordable or market rate rent), or sell it on the open market.
- 4.7. Where, after five years, the home is sold or converted to a market rent, the grant paid (and any applicable uplift in value) will be recovered from or recycled by believe housing in the usual way.

- 4.8. It is the Government's intention that the property remains as a Rent to Buy property for five years after its first let. If the first tenancy does not last the full five years, then the property will be re-let, according to this policy. The subsequent tenant or tenants will have the right to purchase the property five years after the start of their tenancy agreement. It is also at this point that believe housing can review the options for the property and decide to sell (again, giving the current tenant the right of first refusal), maintaining the property as affordable rent or moving the rent to market rent. This options appraisal will also be carried out should the property become void after the initial five-year period.
- 4.9. Mutual exchange is not allowed for Rent to Buy homes. This is because the homes are let on eligibility criteria which might otherwise be circumvented through mutual exchange.

## **5. Rents**

- 5.1. Rent to Buy homes will be let at an intermediate rent for the first five years of letting. This rent will be set at 80 percent of the current market rent, (inclusive of any relevant service charges). The rent at first let and any subsequent lets will be determined by believe housing in line with its existing rent setting processes for new build. The maximum annual rent increase will be the Consumer Price Index (as at September in the previous year) plus one percent.
- 5.2. If the tenancy ends prior to the initial five-year term the property will be re-let at an intermediate rent level to a new tenant. The new tenant will be offered Rent to Buy for a further five-year period, at the end of which they will have the option to purchase.
- 5.3. Rent will be paid by Direct Debit, monthly in advance. The first payment is four weeks' rent in advance. There will be no non-collection weeks for Rent to Buy homes.