

Orkney Islands Council

Housing Loans – Guidance

These notes have been prepared for your guidance and should be read carefully.

The services of a Solicitor will be required to prepare the documentation transferring any property which you purchase, and to advise on the loan agreement and security arrangements. You are free to employ any Solicitor you wish, and you will be responsible for the Solicitor's fees. You may also require assistance with completing the loan application form – if so, please contact your Solicitor, or an independent agency such as the Citizens' Advice Bureau or Advocacy Orkney.

The Council is prepared to make loans to suitable applicants to assist them to purchase, build or improve dwelling houses within Orkney, provided the property is for their own private use. Applications will also be considered should they meet the requirements of the Local Housing Strategy. Please note that the purchase of a site or plot does not qualify and applications will not be accepted for a buy-to-let property.

Loans are made at the sole discretion of the Head of Finance and the amount advanced will depend on the property offered as security and upon the applicant's individual circumstances. For those who qualify, the Council may lend up to a maximum of £171,000 or 90% of the value of the property or 3 times earned income whichever is the lowest.

Loans are available only to those who are unable to borrow from a financial institution. You will be required to provide evidence of two refusals to lend when submitting your application along with a copy of the original application if available, otherwise detailed screen prints of the Decision in Principle will be accepted along with the evidence of the refusal.

Please note that if you already have a loan from the Council in respect of a property, this will be taken into account. The total of all loans from the Council relating to one property must not exceed £171,000. The rate of interest is determined by the Scottish Government. The interest rate is currently 3.93% and may be subject to change. Please check with the Council what the current rate is before applying for your loan.

The loan will be repayable by monthly instalments of principle and interest over a set period of no more than 25 years depending on the applicant's personal circumstances.

A valuation report must be submitted with the application, it is therefore your responsibility to arrange for this to be carried out by a suitable Surveyor. Should your application relate to a self-build or improvement and be successful, you will be required to appoint a surveyor to supervise your build and provide updated reports as and when requested. Whether or not a loan is offered, no responsibility will be accepted by the Council or its surveyor for the present or future condition of the property. As the Council considers a number of factors before deciding whether to make a loan, the loan offered cannot be taken as a guide to the value of the property.

The Council's administration fee of £180 is payable on making the application and is not refundable if for any reason a loan is not made. There are various methods of paying the administration fee:- cash, cheque, debit/credit card over the phone or an online payment at the following location on the Orkney Islands Council website:- [Housing Loan Admin Fee](#) select 'Pay It ' and then from the drop down menu select Housing Loans and then Administration Fee.

The Council's security will be a first-ranking Standard Security. The legal fees and other outlays involved in the preparation of this security document will be payable by you. These fees will be deducted from your Housing Loan (first stage payment if applicable) and are in the region of £550. The house purchased will be the sole property you own and cannot be let or sublet. You will be responsible for all the usual owner's outlays, and for repairs.

There is an Early Repayment charge of 1% of the value of the early repayment if within two years from the start date of the housing loan. A housing loan of £171,000 would equal an early repayment charge of £1,710.

You may at any time after the 2 years discharge the loan by paying the principal sum outstanding at the date of repayment, plus any interest due since the last interest payment date. There is a redemption fee of £234.00.

While the loan is outstanding, the property must be insured at your own expense for a reinstatement value satisfactory to the Council. The Council's interest must be noted on the insurance policy, and the Council will require you to provide evidence on an annual basis.

The Head of Finance reserves the right to refuse a loan application. If you are unhappy with the decision, you have the right to appeal in writing to the Chief Executive.

Please note that loan funding will not be released until all the necessary legal documentation has been completed. Improvement loans and loans to build houses are not paid out immediately after approval, but in stage payments as the improvement or building progresses. We will carry out between 3 - 4 stage payments with the last stage payment only being paid on completion. There is a bank transfer fee of £26.40 for each stage payment.