

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 granted solely at the discretion of the Head of Finance. The amount advanced will depend on the property offered as security and the individual circumstances of the applicant(s). For those who qualify, the Council may lend up to 90% of the property price or valuation, or three times gross annual earned income, or a maximum of £191,000 per loan, whichever is the lowest.

Loans are only available 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 £191,000. The interest rate is currently 3.93% and may be subject to change. Please check with the Council what the interest rate is before applying for a loan.

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

A valuation report from a suitable surveyor must be submitted with your application. For self-build or improvement applications, if approved, you will be required to appoint a surveyor to supervise the build and provide updates as and when requested. The Council and its surveyor accept no responsibility for the property's current or future condition, regardless of whether a loan is offered. As the Council considers a number of factors before deciding whether to grant a loan, any 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 for any reason, even if a loan is not granted. There are various payment methods available for paying the administration fee:- cash, cheque, debit/credit card over the phone, or an online payment at the Council's website:-

www.orkney.gov.uk/online/pay-it/. Select 'Housing Loans' and then either log in or continue without an account. Once on the 'Online Payment' screen, select 'Housing Loan' from the drop-down list, followed by 'Housing Loan - Administration Fee' from the next drop-down list.

The Council's security will be a first-ranking Standard Security. You will be responsible for the legal fees and other expenses involved in preparing this security document. These fees, approximately £550, will be deducted from your housing loan (or the first stage payment, if applicable). The house purchased will be the sole property you own and cannot be let or sublet. Additionally, you will be responsible for all the usual owner's expenses and repairs.

There is a 1% Early Repayment charge if you repay within two years of the housing loan start date. This charge would be based on the value of the early repayment. For example, a loan of £191,000 would equal an early repayment charge of £1,910.

After the initial two years, you may discharge the loan by paying the outstanding principal, any accrued interest since the last payment date, and any arrears. A redemption fee of £234.00 will also be payable.

Whilst the loan is outstanding, the property must be insured at your own expense for a reinstatement value satisfactory to the Council. The Council will require you to provide evidence of valid insurance 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.