

# **Open Market Shared Equity Scheme: advice note for property professionals**

## **Important Update about Mortgage Market Review**

As you will be aware, some lenders are already introducing changes to their mortgage application and assessment procedures in response to the Mortgage Market Review.

These changes impact on lender affordability and income verification rules as well as introducing fully advised mortgage sales.

We have asked registered social landlords who administer the Low-cost Initiative for First Time Buyers (LIFT) shared equity schemes to write to eligible applicants to provide them with information on the Mortgage Market Review changes.

A copy of the correspondence to eligible LIFT applicants can be found in [Guidance Note HSGN 2014/02](#).

The Scottish Government encourages independent financial advisors to provide eligible LIFT buyers with any information they can on the changes to the Mortgage Market Review.

The Financial Conduct Authority has published [frequently asked questions for brokers](#).

## **Introduction**

The Open Market Shared Equity Scheme aims to help households on low to moderate incomes access homeownership where it is affordable for them over the long term.

This note provides information for property professionals, such as estate agents and Independent Financial Advisers, on how the scheme will operate throughout 2013 and 2014.

## **Who can apply to the scheme?**

The scheme is currently open to all first time buyers. Applicants should contact the registered social landlord who administers the scheme in their area for more information.

## **Eligibility criteria for the Open Market Shared Equity Scheme**

The minimum equity stake that buyers must take in a property **is 60%** with the maximum equity stake being **90%**.

If your client is unable to purchase a 60% minimum equity stake, they can find out more information about [other options available under LIFT](#).

There are no fixed maximum income levels below which people are eligible, but **eligibility is based on the level of mortgage buyers can secure and afford**. If the buyer could afford a mortgage for more than 90% of the maximum price ceiling of the size of property they would be looking for then they will not be eligible for the scheme. Details of current price ceilings are available on the Scottish Government website.

The level of mortgage offered by lenders will depend on expenditure commitments as well as income but, as a rule of thumb, single buyers are expected to borrow three times their household income and couples to borrow 2.5 times their joint income.

Buyers can borrow more than that if they wish, but they must demonstrate that they have sought advice from an Independent Financial Adviser to be comfortable that they can afford the potential costs over the long term.

It is important to emphasise to buyers that the interests of the Scottish Government will be secured by a mortgage which is initially for a 19-year period.

### **Threshold prices**

There are limits set on the price of homes that can be bought under the open market scheme – these are known as threshold prices. These limits vary according to house prices in different parts of Scotland, called threshold price areas, and are reviewed regularly. You can find out these limits and details of the registered social landlords that operate the scheme in each of the scheme's eight administrative areas through the links below. You can see which threshold price area covers the region in which you wish to buy on our [threshold area map](#).

- [East](#)
- [Eilean Siar](#)
- [Grampian](#)
- [Highland](#)
- [Orkney Islands](#)
- [Shetland Islands](#)
- [Tayside & Forth Valley](#)
- [West](#)

## **Deposits**

The Scottish Government does not currently require buyers to have a deposit to access the scheme, but it does encourage buyers to provide one where they can.