

THE LOCAL AUTHORITY PURCHASE AND RENOVATION LOAN

SCHEME OUTLINE AND FAQs

JULY 2024

SCHEME OUTLINE

LOCAL AUTHORITY PURCHASE AND RENOVATION LOAN – SCHEME OUTLINE

The extended LAPR has been kept as close to current the Local Authority Home Loan as possible in relation to financial assessment, house price caps and income limits. However, additional assessment will be required in terms of project viability. Eligibility for the loan is subject to applicant meeting the existing local authority mortgage eligibility criteria and the project meeting the scheme lending criteria.

Property Eligibility

- Only homes eligible for the Vacant Property Refurbishment Grant will be eligible for the LAPR.
- A home that is eligible for the VPRG and is habitable does not need to be purchased with the LAPR as it may be eligible for a standard LAHL. If the applicant proposes a renovation project, on a habitable home that is VPRG eligible, that takes it outside the LAPR criteria (e.g. if it raises the value of the house above the LAPR scheme limits); the applicant should be informed that the house could instead be purchased using the LAHL. Funding the renovation would then be a matter for the applicant to address on their own.
- It remains the case that non-habitable homes that require renovations are not eligible for the Local Authority Home Loan. An applicant wishing to purchase such a home must use the LAPR.

Applicant Eligibility

- Applicants must pass the standard creditworthiness assessment under the LAHL, which has requirements around income sustainability, employment and creditworthiness, as well as other personal eligibility requirements.
- Income limits for borrowers (€70,000k single, €85,000 joint) will remain. Borrower creditworthiness will be assessed as usual. Borrower repayment capacity will be capped as usual at 35% of net disposable income.
- Other conditions will apply, such as the property must be their intended Principal Private Residence (i.e. it cannot be used for rental properties) and the local authority must have first charge. However, there are some specific amendments to accommodate renovation projects:
- Applicants must be unable to source sufficient financing from commercial lenders to be eligible. Applicants may be required to provide additional evidence if they were denied financing for project specific reasons.
- As in the standard LAHL applicants must be first time buyers or Fresh Start applicants. There is an exception for applicants who have already purchased the property which is the subject of a LAPR application, for renovation only, will be allowed to apply for funding to renovate the home, on the condition that the LAHL has first charge on the home in question.

Project Requirements

- The LAPR is only available for renovation projects which bring the homes into compliance with the appropriate Building Regulations. Renovation works which do not meet this requirement cannot be funded using the LAPR.
- The costs of bringing the homes back into use must be within the lending criteria which takes into account renovation projects for LAPR loan. Applicants will be required to provide detailed Viability Assessments of their renovation projects. Local authorities should only lend when repayment capacity is demonstrated and project costs are deemed achievable.
- Given that all projects are expected to be supported by the VPRG grant (of up to €50,000 for a standard VPRG, up to €70,000 if a derelict top-up applies) the LAPR has been designed to take this into account. A calculator for use of both the applicant and the local authority to assess whether there is a funding shortfall or higher deposit required is available on the website and the housing manual. The financing structure of the loan and lending criteria will depend upon the type of home purchased and the extent of renovation works planned.
- The LAPR will be split into two parts, a fixed rate mortgage and a variable rate bridging loan, each of which will have different interest rates and repayment terms. The bridging aspect will by design be commensurate with the VPRG which the applicant will be approved for and is intended to be repaid once the VPRG grant is paid out.
- The financing required for the home purchase (if any) and the renovations cost not covered by the Bridging Loan will be covered by a standard fixed rate LAHL, which is currently 4% or 4.05% for loans up to 25 and 30 years respectively.
- Home value (at end of works) should not exceed the relevant geographic house caps. For a person seeking to use this loan, the relevant price for the scheme limits is the price at the end of the renovation, not the initial purchase price of the home.

FAQS

WHAT IS THE LOCAL AUTHORITY PURCHASE AND RENOVATION LOAN

The changes to current local authority lending policies will now provide support for non-habitable homes to be purchased and for renovations works to be financed.

All homes to be supported must be eligible for the Vacant Property Refurbishment Grant.

Eligibility for the loan is subject to applicant meeting the existing local authority mortgage eligibility criteria and the project meeting the scheme lending criteria

The LAPR will have largely the same eligibility criteria and structure as the existing Local Authority Home Loan (LAHL), but with changes made to facilitate financing renovation projects.

WHO COULD BENEFIT FROM THE LOCAL AUTHORITY PURCHASE AND RENOVATION LOAN?

People who wish to purchase and/or renovate a Vacant Property Refurbishment Grant eligible home but cannot get sufficient funding from commercial lenders will now be able to apply to their local authority for a LAPR.

A key feature of the LAPR is that a bridging loan, which is commensurate to the Vacant Property Refurbishment Grant and repayable once the grant is paid out, is an integral part of the loan. This has important benefits for an applicant:

- As the repayment of the bridging loan is based on the Vacant Property Refurbishment Grant, the applicant's borrowing capacity is increased. They will be able fund works with the LAPR that would not have been available to them from bank funding.
- The viability of the project, which is based on the loan outstanding once the bridging loan is paid back, is improved. The LAPR will take into account the cost of the project, net of the Vacant Property Refurbishment Grant, when determining whether a project is viable or not.

Broadly speaking, there are two main types of likely beneficiaries (all of whom must meet the standard existing local authority mortgage eligibility criteria):

1. A person with a project that is viable and whose income is insufficient to source the necessary financing from a bank but is sufficient to demonstrate repayment capacity for their local authority.
2. A person whose project is not viable according to bank lending criteria but is viable according to LAPR lending criteria. They would also need sufficient income to demonstrate repayment capacity for their local authority.

WHAT ARE THE ELIGIBILITY CRITERIA TO APPLY?

The eligibility of applicants is the largely the same as for the Local Authority Home Loan:

- Applicants must be first time buyers or Fresh Start applicants. However, applicants who have already purchased the home which is the subject of the renovation loan application will be allowed to apply for funding to renovate the home, on the condition that the LAPR has first charge on the home in question.
- Income limits for borrowers (€70,000 single, €85,000 joint) remain the same.
- Applicants must be eligible for the Vacant Property Refurbishment Grant.
- Applicants must pass the standard creditworthiness assessment under the Local Authority Home Loan, which has requirements around income sustainability, employment and creditworthiness, as well as other personal eligibility requirements.
- Borrower creditworthiness will be assessed as usual. Borrower repayment capacity will be capped as usual at 35% of net disposable income.
- The property must be their intended Principal Private Residence (i.e. it cannot be used for rental properties) and the local authority must have first charge.
- However there are some specific amendments to accommodate renovation projects:
 - As in the standard Local Authority Home Loan, applicants must be unable to source sufficient financing from commercial lenders to be eligible.
 - Applicants may be required to provide additional evidence if they were denied financing for project specific reasons.
 - Demonstration of project viability is also vitally important. Applicants must be able to satisfactorily demonstrate, with professional analysis as appropriate, that they will be able to complete the renovations to the required standard and at a cost within scheme lending criteria. The amount of financing sought must match the scheme lending criteria for the type of renovation proposed.

WHAT TYPE OF PROPERTIES ARE COVERED?

- Homes that qualify for a Vacant Property Refurbishment Grant will be potentially eligible for the Local Authority Purchase and Renovation Loan.
- Property must be vacant for more than 2 years and meet all other Vacant Property Refurbishment Grant criteria
- The house will be the applicant's private principal residence
- The condition of the home will still be a factor in the lending criteria and project assessment.

- The value of the end of the renovation works cannot exceed the existing LAHL price limits and associated LAHL loan limits. For a person seeking to use this loan, the relevant price for the scheme limits is the projected price at the end of the renovation, not the initial purchase price of the home.
- The LAPR is only available for renovation projects which bring the homes into compliance with the appropriate Building Regulations. Renovation works which do not meet this requirement cannot be funded using the LAPR.
- The maximum end-of-works market values of the property cannot exceed:
 - €360,000 in Dublin, Kildare or Wicklow,
 - €330,000 in Cork, Galway, Louth or Meath,
 - €300,000 in Clare, Kilkenny, Limerick, Waterford, Westmeath or Wexford
 - €275,000 in Carlow, Cavan, Donegal, Kerry, Laois, Leitrim, Longford, Mayo, Monaghan, Offaly, Roscommon, Sligo or Tipperary.

CAN AN APPLICANT APPLY FOR THE LAPR WITHOUT ALREADY HAVING VPRG APPROVAL?

- Yes. However, VPRG Approval or Approval in Principle will need to be verified by the local authority before any loan can be drawn down. Therefore it is the responsibility of the applicant to assure themselves that the house that is the subject of the loan application is eligible for the VPRG, or else they are undertaking the LAPR application in vain.
- In general, a person who owns the property can already apply for the VPRG to their local authority. For persons who are seeking to buy a property, a VPRG Approval in Principle can only be given where evidence is provided that they are in active negotiations to buy a property. Therefore applicants who wish to use the LAPR to buy the property may not yet be in a position to apply for the VPRG.
- It is advised that applicants who are in a position to get VPRG Approval in advance of their LAPR application do so as this allows them to confirm that the house is VPRG eligible. It also provides the VPRG amount which can then be taken into account in their loan application.
- An LAPR application can still be accepted without a VPRG Approval or Approval in Principle. The Stage 1 Building Survey and Scope of Works document will state, in the opinion of the applicant's Registered Construction Professional, how long the property has been vacant and whether it is derelict. In the application form the applicant can estimate the VPRG amount they think they will receive. However, they will need to have a VPRG Approval or Approval in Principle, and the approved amount, which will need to be verified by the local authority, before any funds are drawn down.
- If the LAPR application passes the Stage 1 assessment (please see LAPR Processing Toolkit), you should inform the applicant that they should apply for the VPRG at that stage.

- If the house turns out not to be eligible for the VPRG, the LAPR will be withdrawn. Furthermore, if the approved VPRG amount is less than the amount indicated in the application form, the ability of the applicant to repay the loan may need to be reassessed.

CAN YOU COMBINE THIS GRANT WITH OTHER SUPPORTS?

- Yes. The scheme is designed to work with the Vacant Property Refurbishment Grant so each applicant will be required to avail of this grant.
- The applicant is also free to apply for other grants, such as those available from the SEAI. However the bridging loan element will only apply to the Vacant Property Refurbishment Grant.

CAN PROJECTS THAT HAVE ALREADY COMMENCED BE ELIGIBLE FOR THE LAPR?

- Projects which have already commenced should not normally be considered. In particular, projects such as new extensions to existing dwellings already commenced are not eligible.
- However, local authorities can use their discretion to consider whether renovation only projects that have already commenced may be eligible for the LAPR. For example, if a person has already carried out improvements at their own expense, this may be considered to have made the project less risky from the local authority's perspective.
- In such cases, the project must satisfy all the conditions of the LAPR, for example the projects must have the appropriate reports from professionals and the completed building must meet the requirements of the Building Regulations. In this regard, it is important that the previous works undertaken have not in some way compromised the project, for example by making it impossible for a building professional to give an opinion that the building is compliant with the Building Regulations. Furthermore, the property must remain eligible for the VPRG.
- In any case, funding cannot be provided for works already completed but only for works carried out following approval for the loan.