

## HEEPS: EQUITY LOAN PILOT – INFORMATION PACK

The HEEPS: Equity Loan is a Scottish Government loan to help you to improve the energy efficiency of your home and make certain repairs to the fabric of the building.

An equity loan allows you to borrow against the value of your home. If your home is worth more than you owe on it you may be eligible for an equity loan. An equity loan is a type of second mortgage. Your “first” mortgage is the one you used to purchase your home, but you can add other loans to borrow against the property if you have built up enough equity. There’s an example later in the leaflet to explain equity in more detail.

Although the loan is secured against your home, there are no ongoing repayments; the loan will generally only be repaid when the property is sold or upon the death of the last applicant although, in some exceptional circumstances where the repayment of the loan may cause undue hardship, alternative arrangements may be agreed at the discretion of the Scottish Government.

The scheme is only available to properties in the **Argyll and Bute, Glasgow City and Perth and Kinross** local authority areas.

The maximum loan value is £40,000 but cannot be more than 50% of the property’s estimated market value. The homeowner must also retain a minimum of 30% equity in the property.

Full eligibility criteria and terms and conditions are available on the application form.

You may want to speak to your family/heirs who may inherit the property so that they are aware that you are planning to apply for an equity loan which will need to be repaid. **You should seek independent legal and financial advice before proceeding with the loan to ensure it is correct for your circumstances as there will be legal and financial implications for you if you do so.**

### Care and Repair

Energy Saving Trust will be partnering with Care and Repair in all 3 local authority areas to support the scheme. For this scheme they will liaise with all applicants and make their network of contractors available and also provide an enhanced level of support to elderly and vulnerable customers. Care and Repair offers independent advice and assistance to help elderly and disabled homeowners repair, improve or adapt their homes so that they can live in comfort and safety in their own community.

For more information and an explanation about how to apply for the scheme please follow the steps below.

#### **1. Proof of qualifying benefits (if applicable)**

If you are a homeowner with a property that is not in council tax band A-C then you can still qualify for the scheme if you, or someone who permanently lives at your property, are in receipt of one of the benefits listed below. This can be a partner or family member, for instance. For private sector landlords, the assessment will be made against the tenant who currently occupies the property. The eligible benefits are

listed below:

- Guarantee element of the Pension Credit;
- Attendance Allowance;
- Universal Credit or any of the benefits due to be replaced by Universal Credit (Income Based JSA, Child Tax Credit, Working Tax Credit, Employment and Support Allowance, Income Support, Housing Benefit);
- Council Tax Reduction (excluding 25% discount for single occupancy);
- Carer's Allowance;
- Disability Living Allowance (DLA) or Personal Independence Payment (PIP)
- Armed Forces Independence Payment;
- War Disablement Pension;
- Industrial Injuries Disablement Benefit.

Evidence must be provided, for example in the form of a letter from the Department of Work and Pensions (DWP) showing an occupier of the property, or your tenant if you are a private sector landlord, are currently in receipt of one of the benefits listed above.

## **2. Get approval from your mortgage provider and other lenders (if applicable)**

If you have anything left to pay on your mortgage (or other loan secured against your home) you must contact your mortgage lender and anyone else who holds security on your property and, if they require it, get written permission from them to apply for the HEEPS Equity loan scheme to borrow money and secure this against your property. Not all mortgage lenders, or other lenders, require you to ask for their consent, but you must check with them.

You may wish to ask your solicitor for help with this process.

If needed, it is important you secure this approval now before proceeding further as without this we cannot offer you any funding. **Do not proceed until you have any required permission from those lenders who hold security on your property.**

## **3. Check what equity is available in your home**

Next, check if you are eligible for the scheme by confirming you have enough equity available in your property.

If you have a mortgage you will need to ask your mortgage provider for a **mortgage redemption statement**. The mortgage redemption statement will tell you how much you have still to pay on your mortgage and can be used once the value of your property is known to work out how much equity you have.

For example:

- If your property is currently valued at £100,000 (you will need to check this by arranging a survey – see section below for more details) and you originally took out a mortgage of £50,000
- After checking with your mortgage provider they confirm you have paid 50% of your mortgage and still have 50% to pay. That means you have £25,000 to pay on your mortgage.
- So if your house is now worth £100,000 and you have £25,000 to pay then you have £75,000 in equity
- In this example, the equity available in your property, presuming there are no other charges on the title deeds, is 75%

Please be aware that you must have at least 30% equity available in your property **after** receiving funding through the HEEPS: Equity loan.

If you have paid off your mortgage in full then please send us copies of the documentation you received from your lender confirming this. If you have no lending secured against your property then please indicate this in Section E of the application form.

#### **4. Contact your Solicitor**

You will need to appoint a solicitor of your own complete the loan process. They will be required to:

- Review and report to you and any other applicable lenders on the “pack” the scheme solicitors appointed by the Scottish Government, Anderson Strathern, will issue to them (including a loan agreement and a security against the property)
- Prepare the Certificate of Title in relation to your property
- Arrange for the applicant and all secured lenders to sign the relevant paperwork
- Liaise with any other lenders to obtain confirmation they are content for a second charge to be added and if necessary, obtain a current redemption statement if you do not wish to do this yourself.
- Deal with any other necessary legal works

They will work with Anderson Strathern. You may request a payment after your loan has been approved as a contribution to your solicitor’s fees. The payment can be no more than £600, inclusive of third party costs and VAT. If the loan process is completed this will be deducted from your loan. You must submit a copy of your quote with a completed application form and other supporting evidence to apply for this funding. By submitting these documents, you will be deemed to have accepted that the Scottish Government reserve the right to recover from you any of your solicitor’s fees paid to you if you do not proceed to complete the loan process.

If you do not proceed to complete the process, you will be liable for your solicitor’s fees. You will also be liable for the balance of your solicitor’s fees in excess of the £600 contribution.

#### **5. Value your property**

So we can work out how much money you may be able to borrow, we need to know the estimated value of your property. A qualified RICS (Royal Institution of Chartered Surveyors) surveyor can generate a **mortgage valuation report** which will give us this information. If you do not have a surveyor, Energy Saving Trust has engaged a framework of surveyors and we would encourage applicants to contact them both to obtain quotes. Their details are listed below and they operate across the 3 local authority areas included in this pilot. Applicants are free to use another RICS chartered surveyor if they wish but must provide a report completed in the last 12 months. The report must be addressed to “the Scottish Ministers” to be accepted for the HEEPS: Equity loan.

All applicants should ensure that, if possible, their surveyor provides an expected valuation of the property **after** any repair works included in your loan application have been completed.

#### **J & E Shepherd Chartered Surveyors**

Phone – 0131 225 1234

Email – d.henretty@shepherd.co.uk

#### **First Surveyors Scotland**

Phone – 01383 731 841

Email – paul.duncan@hardies.co.uk

When contacting our surveyor network you must mention the HEEPS: Equity loan to ensure you are provided with the correct service and price.

If you use one of Energy Saving Trust's appointed surveyors then you may request a payment in advance of your loan being approved to cover your surveyors' fees. If the loan process is completed this will be deducted from your loan. You must submit a copy of your invoice with a completed application form and other supporting evidence to apply for this funding. By submitting these documents, you will be deemed to have accepted that the Scottish Government reserve the right to recover from you any surveyors' fees paid to you if you do not proceed to complete the loan process.

If you do not use one of Energy Saving Trust's appointed surveyors, you will be liable for their fees.

## 6. Eligible work

You need to decide what energy efficiency improvements or repairs are required at your property. There must be an energy efficiency element to your work with at least 55% of your funding (agreed loan amount less fees payable) going towards energy efficiency improvements such as a new boiler, insulation, or double glazing and repairs that will help the property retain heat (e.g. repairing a leaky roof or fixing damp). A maximum of 45% of your funding can go towards other repairs.

Below is a list of the eligible measures for the scheme:

### Energy Efficiency improvement (at least 55%)

- Any repair that reduces heat loss through the building fabric and/or reduces damp or moisture penetration
- Gas, oil or LPG boiler
- Warm air unit
- Electric storage heaters
- Heating controls
- Radiator panels
- Repairs to existing heating systems (if deemed more cost effective than a full replacement)
- Biomass boilers and stoves
- Air source heat pump\*
- Ground source heat pump
- Water source heat pump
- Solar PV
- Solar thermal
- Solar PVT
- External wall insulation
- Internal wall insulation
- Cavity wall insulation
- Loft insulation
- Room in roof insulation
- Flat roof insulation
- Under floor insulation
- Draught proofing
- Hot water tank insulation
- Insulation to primary pipework
- Double glazing (both new and replacement)
- Secondary glazing
- Gas connection (to the mains or a district heating system)
- External doors
- Low energy lighting
- Works that will improve water efficiency

*\*Hybrid gas boiler/air source heat pumps are also eligible*

### Repairs (max. 45%)

- Roof structure, coverings and flashings
- Chimney stacks and heads including removal
- External wall repairs including external wall finishes
- Active and passive ventilation systems (including mechanical ventilation in bathrooms and kitchens with no window) where evidence of damp is present
- Wet and dry rot infestations
- Rain water goods
- Works to eradicate rising and penetrating damp
- Additional works required to make good plaster and/or decoration after a repair may also be included
- Repairs deemed essential to allow an approved measure to be carried out, for example where rewiring is needed to allow an electrically powered energy efficiency measure to be installed

Additional repair works not included on the above list may be considered on a case by case basis if information can be provided to demonstrate that they meet the scheme's criteria. These requests should be directed in writing to [Equityloans@est.org.uk](mailto:Equityloans@est.org.uk) or you can discuss the works with your Care & Repair representative.

Purely cosmetic improvements with no clear benefit to the property's energy efficiency or condition are not allowed.

## **7. Energy Report**

To determine which energy efficiency measures will be suitable for your property you must get one of the reports listed below. The energy efficiency or renewable measures you are applying for must be recommended in this report.

- **Home Energy Check** – available for free from Home Energy Scotland. You may have had one completed already when you have previously contacted Home Energy Scotland and a copy will have been sent to you by email or post. If you do not have a copy please call 0808 808 2282
- **Home Renewables report, Home Energy report, or Home Energy Improvements report** – available for free from Home Energy Scotland. If you are interested in installing a renewable system then you will need to have a special report completed to assess the suitability of this at your property. If you have enquired before about renewable technologies you may have had one already. To find out or ask for a report please call Home Energy Scotland on 0808 808 2282
- **Energy Performance Certificate (EPC)** – available commercially from a qualified assessor. An EPC is a common energy report that is now required when selling a property. Around half of all properties in Scotland already have an EPC. You can check if you already have an EPC using the link below:

[www.scottishepcregister.org.uk](http://www.scottishepcregister.org.uk)

If you would like to have an EPC completed you can find a list of assessors in your area using the link below (**please remember there will be a charge and EST will not offer any funding for this**):

[www.epcregister.com/searchAssessor.html](http://www.epcregister.com/searchAssessor.html)

We are working with Care and Repair, who can help support you with planning and organising work. Care and Repair will contact you within 5 working days of your application form being issued to discuss your planned work. You can choose whether you want their help or not.

When you know what you want to have done, we recommend you get 3 quotes for the work to ensure you get value for money. See section 8 below for more information.

## **8. Choose a contractor**

Care and Repair can help you choose a suitable contractor(s) from their network. Details for your local Care and Repair Service are below:

### **Glasgow City**

**Main contact:** Stephen Kelly, Project Officer, Ph: 0141 422 4815

[skelly@southside-ha.co.uk](mailto:skelly@southside-ha.co.uk)

### **Perth and Kinross**

**Main contact:** Trevor Mitchell, Project Officer, Ph: 0800 678 1228, Mob: 07801 576 805

[Trevor.Mitchell@caledoniaha.co.uk](mailto:Trevor.Mitchell@caledoniaha.co.uk)

## **Argyll and Bute**

**Main contact:** George Gall, Care and Repair Officer, Ph: 01436 672129, Mob: 07867 3124 16, [ggall@abcarerepair.co.uk](mailto:ggall@abcarerepair.co.uk)

**Secondary contact:** Christine Blyth, Admin Support, Ph: 01631 567780, [cblyth@abcarerepair.co.uk](mailto:cblyth@abcarerepair.co.uk)

You are free to choose your own contractor but there are some criteria to be aware of. If you are replacing a gas boiler at the property then the installer must by law be Gas Safe ([www.gassaferegister.co.uk](http://www.gassaferegister.co.uk)) registered. If you are installing a renewable system the company completing the work need to be MCS certified ([www.microgenerationcertification.org](http://www.microgenerationcertification.org)) for the measure they are working on. The system they install must also be MCS certified.

Energy Saving Trust always recommends obtaining 3 quotes to ensure you get good value for money. When asking for quotes, you should check with the installer if they will be providing you with guarantees for the work, particularly if they are installing insulation such as cavity wall or external wall insulation. We would also recommend that you seek a contractor who is a member of an accreditation body or competent person's scheme (such as PAS 20/30, TrustMark, Trusted Trader or Constructionline) and part of an applicable trade body or federation. They must also comply with the Construction and Design Management (CDM) Regulations 2015. These are regulations governing the way construction projects of all sizes and types are planned.

You must also check if approval or planning permission is required for the work you are undertaking. Care and Repair can offer assistance if you are unsure what permissions your work requires, if any. Your chosen contractor may also offer to assist you in this process but as the home owner it is your responsibility to ensure any required planning permissions, building warrants and listed buildings consents are in place prior to work starting. We cannot pay for any works that have been done without necessary approval from your local authority and will check this when you come to claim your loan.

### **9. Building Insurance**

You must hold valid building insurance for your property. Please provide evidence of this when applying for the scheme. You will also have to declare on the application form that you will keep this up to date for as long as you have the loan.

### **10. Apply**

Make sure you read the terms and conditions and eligibility criteria of the scheme. These can be found on the HEEPS: Equity loan application form. If you have any questions please contact the Services Delivery team at the Energy Saving Trust on 0808 108 9414 or email [Equityloans@est.org.uk](mailto:Equityloans@est.org.uk). Please remember Care and Repair are also available to support you, their contact details are in Section 8.

Please be aware that there will be a number of fees you will need to pay if you decide to progress with the loan:

- You will need to pay for a valuation of your property
- An administrative fee to cover the processing of the loan and the legal work around the security of the loan by the Scottish Government's solicitors – this will be £671
- Work by your own solicitor to arrange for the security to be placed on your property

The cost of the property valuation (if you use a surveyor from our framework, see section 5), administrative fee and your own legal fees (up to a maximum of £600) can be included in your loan. If you seek independent financial advice then you may need to pay for this, though we cannot offer any funding.

To apply complete the application form in full and send to us with the following information:

1. If your property is not in council tax band A – C, proof that you, or an occupier of your property, are in receipt of one of the qualifying benefits listed on page 2 of the application form
2. Written approval from each lender and anyone else who holds security on your property to apply for the HEEPS: Equity loan scheme and secure this against your property (if applicable)
3. A recent mortgage redemption statement from each lender or, if you have paid off your mortgage in full then please send us copies of the documentation you received from your lender confirming this. If you have no lending secured against your property then please indicate this in Section E of the application form
4. A quote from your solicitor if you wish to include these costs in your loan
5. The mortgage valuation report by a RICS surveyor and a copy of the invoice for this (if you use a company on Energy Saving Trust's network and wish to claim funding)
6. Copy of your energy report showing that the energy efficiency or renewable measures you are applying for are recommended for your property (see section 7 for more information)
7. Quotes for the energy efficiency and/or repair work you are applying for
8. Evidence that you hold valid building insurance

**You must ensure that you include all the required costs for the total loan you are applying for, i.e. all necessary fees listed above and the cost of the work.**

Our address can be found in Section G of the application form.

Energy Saving Trust will contact you within 10 working days to either let you know if there is any missing information or confirming we have passed your information to the Scottish Government who will then decide if the application is approved and pass it onto Anderson Strathern, the solicitors appointed by Scottish Government.

Anderson Strathern will contact your solicitor, complete additional checks and progress with the loan offer and security against the property if everything is satisfactory.

Your loan offer will be valid for 90 days.

#### **DO NOT START THE WORK UNTIL IT HAS BEEN CONFIRMED YOU WILL RECEIVE A LOAN OFFER**

Once Anderson Strathern confirms your loan paperwork is in order this will be sent to your solicitor and Energy Saving Trust will contact you to confirm work can start. Your solicitor will liaise with you directly on the legal paperwork.

#### **11. When the work is done**

Contact the Energy Saving Trust once your work has finished and you are satisfied with job. You will need to supply us with a copy of invoice(s) and complete some claim paperwork that you will be supplied with when your loan is offered. Payment will be made once the paperwork has been checked and approved, including whether planning permission or a building warrant was obtained. You may also need to have an inspection of your property.

## **12. Repaying the loan**

The Scottish Government will take a percentage security on your property equivalent to the gross loan amount (total loan amount including all fees) that they agree to provide you with. Some of this gross loan amount will be used to pay certain fees (discussed above) and the remainder will be made available to you to carry out approved works. The total loan will be repaid on the occurrence of certain events, including:

- The death of the last applicant;
- The insolvency of any applicant;
- The property secured being sold or otherwise its title being transferred;
- Any breach of any loan agreement or security condition;

How much you repay will be based on the equity stake held by the Scottish Government and the open market value of your property at the time of repayment. You may make any other alteration or addition to your property during the loan period, but this may result in an increase in the value of your property. There is a cap in place to protect owners from sharp rises in house price inflation. The repayment will always be the lesser of:

- The Scottish Government's agreed equity share of the property's sale price
- The loan amount if it had been a commercial loan at 2.5% APR for the duration of the agreement

This ensures that if the value of your home increases significantly over a short period of time what you repay will be restricted to 2.5% APR of the original sum you borrowed.

Repayment is explained further in examples below.

### Example 1 – Property value increases more than the cap

- You borrow £10,000 against your property's estimated value of £100,000
- This means the Scottish Government have a 10% stake in your property
- If you sell your property in 5 years for £120,000, the 10% equity stake would now be worth £12,000
- A commercial loan of £10,000 taken out at 2.5% APR payable over 5 years would result in an overall payback of £10,648
- The lesser of the two figures is to be paid back, so you would repay £10,648

If your property increases in value less than a comparable commercial loan at 2.5% APR, what you pay back will be based on the equity stake and the price your property sold for:

### Example 2 – Property increases in value below the cap

- Taking the example above, you borrow £10,000 against your property's estimated value of £100,000
- This means the Scottish Government have a 10% stake in your property
- If you sell your property in 5 years for £105,000, the 10% equity stake would now be worth £10,500
- A commercial loan of £10,000 taken out at 2.5% APR payable over 5 years would result in an overall payback of £10,648
- As this is below the level set by the cap, you will simply pay back 10% of the sale price, or £10,500

There is no cap if your property decreases in value, you will pay back your equity stake based on the property's then value, even if that means paying back less than you borrowed:

### Example 3 – Property decreases in value

- You borrow £20,000 of the property's estimated value of £80,000
- This means the Scottish Government have a 25% stake in your property
- You sell your property for £75,000
- You will payback 25% of the sale value, £18,750

You may be able to repay all or part of your loan before the occurrence of one of the events listed at the start of this section, subject to certain conditions (these will be detailed in your loan agreement). Please note you may also have to incur additional legal and valuation fees for this.