



Home Choice Loan

DoEH&LG

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What is Home Choice Loan?

Home Choice Loan (HCL) is a mortgage for First Time Buyers and is provided nationwide by four designated Local Authorities. Applications are received through authorised brokers. First time buyers can apply for a HCL to purchase a new or second hand property or build their own home.

HCL provides up to 92% of the market value of a property purchased. The maximum loan amount is €285,000. The loan is a normal capital and interest bearing mortgage which is repaid on a monthly basis. It offers one variable interest rate. The rate is currently set at 2.90% variable. APR 2.94%.

Who can apply?

To qualify for HCL, applicants must:

- be a first time buyer (some exceptions apply);
- earn over €35,000 as a single applicant and over €45,000 combined income as joint applicants;
- be in continuous employment for one year; if self-employed be able to submit two years certified accounts;
- provide evidence that they could not obtain sufficient finance from two banks or building societies.

How does the Home Choice Loan operate?

- Four local authorities have been designated as lending authorities acting on a regional basis. The four designated local authorities are Cork City Council, Dublin City Council, Galway County Council and Kilkenny County Council.
- These authorities draw down funds from the Housing Finance Agency and lend on to successful applicants

from within their own and other local authority areas within designated regions.

- These authorities oversee the conveyancing process, ensure mortgage charges are put in place, ensure that adequate security is obtained and issue the loan. They are also responsible for all aspects of post-draw down administration (for example, maintenance of customer records, redemptions of loans etc.).
- The four designated local authorities are supported by a Central Processing Unit (CPU), staffed by appropriately skilled personnel, including qualified underwriters, and operated with administrative assistance from the Affordable Homes Partnership.
- The CPU handles enquiries and processes all HCL applications from all local authority areas. The CPU issues a determination to designated local authorities in accordance with the credit policy. The CPU also carries out credit checks, with access to Irish Credit Bureau data.

Recent changes to HCL introduced by Minister Finneran are;

- The provision of full "approval in principle" is currently being implemented by the CPU. This will mean that applicants can apply for loan approval without necessarily having a specific property in mind.
- Applicants are now being stress-tested at 5.5% interest rate, as opposed to 6% previously, to measure their ability to repay in the event that interest rates increase. The new, lower threshold stress-test is still considered to provide a robust measure for prudent lending. *In the event of ECB rate increases*

however, this may need to be revisited.

- For applicants under the scheme that are currently renting in the private sector, the credit policy has now been amended to allow rent payments over a period of 12 months to demonstrate a repayment capacity. The period required for continuous employment has also been reduced from 2 to 1 year.
- An awareness raising campaign for HCL (see below) commenced at the end of April highlighting the main areas of change and the availability of the loan to the general public, developers, estate agents, and all authorised brokers.

Awareness Raising Campaign

The HCL marketing campaign involved targeting a number of audiences.

1. consumers: offering them an opportunity to avail of HCL,
2. brokers: to inform them of the changes to the loan, and
3. estate agents and developers to make them aware of the availability of the loan.

The type of communication campaign chosen for the campaign consisted of an online campaign, on Daft.ie, MyHome.ie and Facebook targeting first times buyers in the 25-40 year old age group. The month long campaign commenced at the beginning of May.

There was also a direct marketing campaign to the broker network. This consisted of the AHP individually contacted each broker via email to inform them of changes to the policy and issuing digital copies of all promotional materials. They were also sent a pack of new information brochures and posters.

Estate agents and developers were also sent promotional materials and the customer brochure. A number of meetings have been held with broker agents and these are continuing.

All the marketing material directed any interested person to the website or to a local number in the AHP office.

Marketing results

In a direct comparison to the previous month, since the start of the marketing campaign the overall traffic to www.homechoiceloan.ie is up 118%, reporting a visitor total of 1,932 for May compared to 887 the previous month. Statistically 81% of the traffic to the site was from new visitors, and the bounce rate (meaning, users who click on to the site and then instantly leave) did not rise equally.

Increased activity

There is an increased level of inquiries from brokers and an increased number of loan applications were received in May and June.

Up to the end of June, a total of 40 applications have been received since the beginning of the year. The total number of applications received since the introduction of the loan in January 2009 is 84 and eight of these have been recommended for approval.

Contact details

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