



Ministry of Housing,
Communities &
Local Government



Homes
England

Thank you for joining.

House Rules:

To help the session run as smoothly as possible, please turn off your microphone and video.

We encourage you to ask questions in the chat box (we are *not* using the Hands Up facility). The presenters will respond to some questions in the session, and we will issue a written response afterwards to ensure that every question receives a reply.

We will aim to try and answer the questions that receive the most likes in the chat, so please interact and 'like' questions you have a keen interest in.





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First Homes

MHCLG, Homes England



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Agenda



- **Welcome, introductions and housekeeping**
- **Mortgage Availability**
- **Local Authorities Role**
- **Policy Parameters**
- **Requirements**
- **Sales Process**
- **Invitation to Tender**
- **Programme**



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Introduction to First Homes

The story so far...



First Homes is a government policy to promote home ownership. It was included in the 2019 Manifesto and is a major priority for the Department.



An initial Consultation and Analysis phase took place from Feb 2020-Aug 2020. This was followed by a technical consultation, for which the Government has just issued a response.



The LGA and DCN, as well as 100+ local authorities, provided responses to the consultation that ended in May 2020.



Over the last year, we have been heavily engaging with stakeholders, including local authorities, developers, mortgage lenders, RICS, the Law Society, HMRC and HMLR.



First Homes will be delivered at scale through the planning system, with approximately 10,000-20,000 new properties a year. It will be a significant, long-lasting tenure. In advance of that, we have an early delivery pathfinder scheme delivering 1,500 First Homes.





Mortgage availability - AN



First Homes will be purchased by eligible buyers with a minimum 5% deposit and up to 95% LTV mortgage from a mortgage bank or building society (% ages are of the discounted purchase price).



Provision of lender product choice is vital for First Homes customers. Early engagement work with lenders has already produced strong expressions of interest for the product and many lenders are already taking steps to add First Homes as a mortgage lending product.



Given the reforms to the planning system are establishing this as a new Affordable Housing product accounting for 25% of all affordable provision, lenders have a strong market incentive to participate and this is already reflected with many lenders, national and regional, already supporting the product.



Anticipate lender statements of support from mid-May





Mortgage availability - AN



Key features for lender support already in place:



- Consistent, standardised drafting for S106 agreement
- Includes mortgagee exclusion clause
- Includes standardised wording of restriction agreed with HMLR to be registered on title
- Standardised buying process with no role for lenders in eligibility checking or approval
- Usual controls on incentives and valuation
- Regulator (PRA): 95% LTV on First Homes discount price is 66% LTV for capital adequacy
- Lenders have supported Discounted Market Sale for many years, First Homes is new standardised, national extension of DMS
- Scale: as 25% of all affordable housing





Local Authorities – HW



Local Authorities play a critical role, they are key partners and are involved from the outset

Strategic role

- Knowledge and understanding of local housing markets
- Agreeing appropriate marketing strategy
- Establishing local connection criteria

Enabling role

- Engaging with housebuilders
- Identifying potential sites
- Supporting bids



Local Authorities – HW



Delivery role

- Enter into Section 106 Agreement to secure First Homes, including discount level and eligibility criteria
- Local Authorities with a market sale housebuilding programme may bid themselves
- Receiving application pack from housebuilder
- Checking and confirming applicant's eligibility
- Receiving conveyancer pack from purchasers' conveyancer
- Checking and confirming authority to exchange
- Receiving final legal confirmation from conveyancer following legal completions

Homes England will provide standard documentation, including Section 106 draft document, reservation application form, Authority to Proceed template, Authority to Exchange template, and instructions to conveyancers



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First Homes

Feedback



Policy Parameters - AN



To be tested in the early delivery programme:

- First Homes sold at 30% discount to market value
- A price cap after the discount in England (excluding London) of £250,000
- Buyer household income cap £80,000
- Must be first time buyers
- First Homes will be marketed to local criteria FTBs first for 3 months:
 - Live or work in the Local Authority area of the First Home purchase; or
 - Are a Key worker/essential worker (using national definitions).
- If no buyer is found after 3 months, the home will be marketed to the national criteria of first time buyer and £80,000 household income cap for 3 months. If no buyer is found at the end of this period, the home will revert to market sale.
- First Time Buyer is the same definition applied by Government for Stamp Duty Land Tax first time buyer relief.
- Discount guaranteed in perpetuity through restriction registered on title and supplemental deed to existing planning agreement



Are these the correct requirements? – NG



- Discounted Price cap of £250,000
- Conversion of OMS to FH
- Leasehold only for apartments at peppercorn rent
- Description of Properties and Sites including values
- Quarterly Forecasts for Occupation
- Marketing analysis
- Local Authority Support
- Required Standards - Building for a Healthy Life MMC



Sales process - AN



All First Homes marketing will be site/scheme specific and led by the house builder. House builder and Local Authority will set out local eligibility criteria prior to customer engagement.



The standard procedure is “reservation-led”, with the builder/mortgage advisor teams “qualifying” the applicant against the agreed criteria



The Local Authority will then grant a formal eligibility approval. Customers cannot submit their mortgage applications unless in receipt of the First Homes Authority to Proceed.



The standardised buying process uses the customer conveyancer to give legal undertakings to the Local Authority that the purchase is compliant e.g. with all eligibility and financial requirements before requesting permission from the Local Authority to exchange contracts.



Early testing with lenders and stakeholders to ensure it includes the features they require to support the product e.g. consistency on approach to eligibility checking, valuation and incentives.



Sales process - AN



1

Pre-sale set up

Eligibility criteria
Homes identified, pre-sale valuations
Marketing

2

Customer enquiry

Qualification process identifies likely customer

3

Customer reservation

Builder submits application back to Local Authority
Customer selects conveyancers

4

Local Authority receives application

Checks against eligibility criteria
Confirms customer eligibility and issues Authority to Proceed

5

Authority to proceed

Conveyancing begins following standard instruction pack
Mortgage application submitted to lender, lender values

6

Authority to exchange

Mortgage offer produced. Conveyancer confirms valuation control. Conveyancer submits legal undertaking to Local Authority that it is a compliant transaction. Local Authority issues Authority to Exchange

7

Exchange of Contracts

Customer pays deposit
Conveyancers proceeds to exchange

8

Legal completion

Customer moves in
Conveyancer carries out final legal confirmations and provides to Local Authority
Local Authority Receives and updates record





Invitation to Tender – CM



It is anticipated that bid proposals will be assessed against the following draft criteria:

- a. **Cost minimisation**
- b. **First Time Buyer product “fit”**
- c. **Deliverability**
- d. **Design and quality**



It is anticipated that some criteria will be applied as pass/fail thresholds before the above assessment is made. The pass/fail requirements are likely to be:

- a. **Building Regulations 2013 Part L compliance**
- b. **the anticipated Health & Safety and Environmental and;**
- c. **other reasonable, sensible thresholds that might normally apply when awarding contracts to house builders**





Invitation to Tender – CM



Levels of housing affordability vary widely which means there is likely considerable variation in the product offer for First Homes with its England (outside London) discount cap of £250,000. The early delivery procurement is considering a number of approaches at this stage including:

- a. Applying a regional “allocation” or distribution; or
- b. Taking a “market-led” national approach; or
- b. Taking a combined approach



Estimated Timetable – NG



- PIN Notice – 6th April 2021
- Prospectus Issued – 23rd April 2021
- Closing date for return of questionnaire – 6th May 2021
- Final Webinar – 12th May 2021
- Envisaged procurement Start – Late June 2021
- Return of tenders – Mid to Late August 2021
- Award of contract – October 2021
- First Homes Marketed by Partners – November 2021
- Final First Homes completions – March 2023



Published Questionnaire



- Review of the published Questionnaire.



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Questions & Close

We will aim to answer as many questions from the chat as possible.

Any we don't manage to get to, will be answered via a Q&A sheet that will be cascaded to all participants following the event today.

We will also offer a further opportunity for you to engage with us on this process.

Thank you for joining today's session.

Any future questions regarding policy please email
FirstHomes@communities.gov.uk

Anyone wishing to know more or register interest in the Pilot please
email First.Homes@homesengland.gov.uk

