



Comhshaol, Oidhreachta agus Rialtas Áitiúil
Environment, Heritage and Local Government

Incremental Purchase Scheme

Household Means Policy

OVERVIEW

1.1 Background & Purpose of Household Means Policy

This policy sets out the manner in which housing authorities will assess the means of applicant households for the purpose of determining the household's eligibility for the incremental purchase scheme and the level of discount applicable to the sale of a dwelling to an applicant household. In relation to sales under the incremental purchase scheme, this document should be read in conjunction with the *Local Authority House Purchase Loans Credit Policy*.

The requirement to adhere to the household means policy in assessing potential purchasers for the Incremental Purchase Scheme is set out in Regulation 9 of the Housing (Incremental Purchase) Regulations 2010 which provides that *the income of an eligible household shall be calculated for the purposes of these Regulations in accordance with written guidance issued by the Minister to housing authorities (in these Regulations referred to as a "household means policy")*.

It is intended that this household means policy will be expanded in due course to encompass the assessment of a household's income for all social housing purposes, including the assessment of a household's need for social housing support.

1.2 Key Criteria

The underlying criterion to the assessment of a household's means under IPS is to ensure that the applicant household has sufficient means to service the mortgage required to purchase the property. In order to ensure that households do not find themselves in financial hardship, a minimum income requirement has been imposed by Regulation 10, which all households must meet in order to be considered for the scheme. The minimum income level set is in keeping with the principles of the Local Authority House Purchase Loans Credit Policy. Regulation 10 provides household must have a gross annual income of not less than €15,000 in order to be eligible for consideration to purchase under the scheme.

Notwithstanding the setting of this minimum income requirement, housing authorities should ensure that, in assessing a household's suitability to purchase under the scheme, the terms of the Local Authority House Purchase Loans Credit Policy are also adhered to. It is important that eligible households have sufficient income in order to maintain a mortgage, as well as sufficient income to cover insurance and maintenance costs on the dwelling. *While a household may meet the minimum income requirements of the scheme, this does not*

guarantee the approval of their application to purchase. A household should not be accepted onto the scheme where, having regard to its overall financial situation (including other liabilities) the repayment of their mortgage, and other related housing costs (e.g. insurance or maintenance costs), would place the household in financial hardship.

1.3 Information to Accompany IPS Application

Regulation 6 sets out the information that households must provide when applying to purchase under the IPS. In relation to the information that an applicant must provide on the household's income/means circumstances, the following documentation, at a minimum should be sought:

1. Employment – an up to date P60 and/or a minimum of 4 out of last 6 payslips.
2. Self-Employment – a minimum of 2 years accounts with either Auditor's Report or an Auditor's Report along with an up to date tax balancing statement and preliminary tax receipt.

Much of this documentation will also be required if applying for a loan from the housing authority in accordance with the Credit Policy.

1.4 Prohibited Categories

The following applicants should be considered **not** to have sufficient means to purchase under the scheme:

- applicants who are the subject of legal action for debt recovery;
- applicants who are declared bankrupt or currently subject to bankruptcy proceedings;
- applicants who have a court order (judgement) for recovery of debts granted against them.

INCOME

The minimum income requirement is the basic measure of whether a household is eligible for consideration to purchase under IPS. However, another important element is ensuring that households are not accepted for the scheme where the repayment of their mortgage, and other related housing costs (e.g. insurance or maintenance costs), would place the household in financial hardship. In the case of household that apply to the housing authority for a loan to finance the purchase of a dwelling the method by which a housing authority determines whether a household would or would not be in financial hardship is the net income ratio, which is applied in the Credit Policy to calculate the borrowing capacity of households.

This section begins by setting out the type and source of income that is assessable for IPS and from this, sets out the methodology by which housing authorities will determine whether the household meets both the minimum income criteria. The determination of whether an applicant/joint applicants meet the minimum income criteria, and which discount level is applicable, is based on a calculation of gross income.

2.1 How many household members are assessed for income purposes

Only the income of the applicant or joint applicants will be assessed for the purposes of determining whether an applicant household meets the minimum income requirements of the scheme. This is also the only income that is to be taken into consideration when determining the level of discount that should apply to the sale, should the household meet the minimum income requirements.

A joint application in this context means an application where two or more adult persons apply to purchase a house under the scheme. Income from other 'non applicant' members of the household will, therefore, not be taken into account in the assessment of means for the scheme, with the exception of the spouse/partner of an applicant applying alone.

100% of the gross income of the applicant/joint applicants is to be taken into consideration in determining whether the household meets all of the income criteria set out in this policy and in legislation.

2.2 Income that is assessable/not assessable for IPS

The following incomes are assessable for the purposes of IPS

- income from employment including overtime, bonuses and commissions;
- overtime payments, commissions and bonuses will be assessable in accordance with the following:

- overtime – restricted to a maximum of 10% of basic income, though special consideration can be given to regular overtime;
- bonus – restricted to a maximum of 10% of basic income;
- commission – restricted to a maximum of 30% of basic income, where applicable;
- income from self-employment ;

Income from social insurance and social assistance payments, allowances, pensions allowances and other welfare benefits is not assessable income for the purposes of IPS, except where this is a secondary source of income, i.e.

- where a person receives a social welfare payment in addition to income from employment;
- where the spouse/partner of an employed applicant receives a social welfare payment.

Notwithstanding this, in all cases income from the following sources shall not be regard as assessable income for the purposes of IPS:

- child benefit or guardians payment;
- carer's allowance;
- scholarships or higher education grants;
- foster care allowance;
- domiciliary care allowance;
- allowances/assistance from charities;
- fuel allowance;
- living alone allowance.

2.3 Marital Separation

Where an applicant/joint applicant for IPS is separated/divorced, the following guidelines apply. Where a separation agreement is in place, a copy of the agreement must be included with the application. The agreement must identify:

- the extent of maintenance being received or paid by the applicant;
- the circumstances under which the maintenance payments can cease;
- details of any payment to be made in respect of buy-out of spousal rights to the existing family home or other property which could have a bearing on the applicant's ability to purchase the dwelling;
- that no onerous conditions exist.

Where there is a reluctance to provide the full agreement due to sensitivity about some of the contents, a letter from the applicant's solicitor confirming details is acceptable.

If there is no separation agreement, a letter from the applicant's solicitor should be obtained confirming:

- that there is no formal separation agreement;
- that there are no court proceedings pending under family law legislation;
- that the position in relation to maintenance and other payments.

Where the applicant is in receipt of maintenance payments these will be considered as assessable income. Evidence, though, should be sought that the required payments have been made for at least the previous 12 months without interruption.