

## **1. Introduction**

- 1.1. The Government of Jersey supports home ownership and wants to ensure that it is in reach of as many Islanders as possible. The Minister for Housing has therefore established the First Step assisted home ownership scheme, which will help first-time buyers in Jersey to buy a home suitable for their needs in the open market.
- 1.2. The scheme is operated in partnership between the Government of Jersey and Andium Homes.
- 1.3. This policy guidance has been published by the Minister for the purposes of administering the scheme. It sets out the eligibility criteria against which Andium Homes will assess applications for the scheme, and how applicants will be prioritised under the scheme.

## **2. The First Step assisted home ownership scheme**

- 2.1. First Step is a new form of assisted home ownership scheme in Jersey, which is being piloted by the Government of Jersey in partnership with Andium Homes from 29 February 2024. The scheme will help first-time buyers who would like to buy their own home, but who cannot afford all of the deposit and mortgage payments required to purchase a home that meets their needs.
- 2.2. To overcome this hurdle, the scheme enables Andium Homes, on behalf of the Government of Jersey, to provide an applicant with an interest free loan (called an 'equity loan') on a property they would like to buy in the open market. An applicant could receive a means-tested equity loan of between 10% and 40% the market value of a property, depending on their needs.
- 2.3. An applicant must also contribute their own minimum 5% deposit towards the purchase price of a property and be able to obtain a capital repayment mortgage for the balance of lending with a participating mortgage provider.
- 2.4. The equity loan will be secured against a property in the same way as a mortgage; that is, as a second charge. The equity loan attracts no interest, and a home owner under the scheme is not required to make any repayments until either they sell their home, or if they wish to buy out a proportion of the equity loan. At that point, the home owner must repay the equity loan in full or in the agreed proportion.
- 2.5. The repayment of the equity loan is calculated as a percentage of the market value of a property at that time rather than the initial value of the loan. Any changes in the value of the property (both up and down) will, therefore, affect the amount that a home owner has to repay. Any increase or decrease in the value of the property is shared between the home owner and the Government of Jersey.

## **3. Example of the First Step scheme**

- 3.1. An example of how the First Step scheme works is set out below. This shows the combination of deposit, equity loan and mortgage borrowing required to purchase a one-bedroom flat or a three-bedroom house.

<b>Buying a one-bedroom flat with a purchase price of £300,000</b>		
	<b>Percentage of purchase price</b>	<b>Amount</b>
Home buyer's deposit	5%	£15,000
Equity loan	25%	£75,000
Mortgage (from a mortgage provider)	70%	£210,000

<b>Buying a three-bedroom house with a purchase price of £680,000</b>		
	<b>Percentage of purchase price</b>	<b>Amount</b>
Home buyer's deposit	5%	£34,000
Equity loan	40%	£272,000
Mortgage (from a mortgage provider)	55%	£374,000

3.2. The amount of equity loan offered to an applicant is based on the market value of the property when it is purchased, and subject to an independent valuation of the value of the property.

3.3. When a home owner repays some or all of the equity loan, the amount they pay is calculated as a percentage of the market value of the property at that time – not the amount they originally borrowed. Therefore, if the market value of the property increases then so does the amount of equity loan the home owner must repay on a proportional basis. If the value of the property decreases, the amount of equity loan they must repay also decreases. [See Appendix A for example].

3.4. The table below shows how much equity loan a home owner would need to repay, and how much they would receive from the sale of a one-bedroom flat or a three-bedroom house.

<b>Repayment on a one-bedroom flat</b>	<b>Repayment on a three-bedroom house</b>
<p>James buys a flat for £300,000. He:</p> <ul style="list-style-type: none"> <li>▪ pays a 5% deposit (£15,000)</li> <li>▪ takes a 25% equity loan from the First Step scheme (£75,000)</li> <li>▪ Gets a mortgage for the remaining 70% (£210,000).</li> </ul> <p>A few years later, James sells his flat, and it has increased in value by 5% from £300,000 to £315,000. This means it has increased in value by £15,000.</p> <p>When James sells his flat, he must repay his outstanding mortgage and the equity loan. The equity loan is still worth 25% of the value of the property. Because the property has increased in value, he must repay the initial 25% loan (£75,000) and also a 25% share of the proceeds from the increase in value.</p>	<p>Tom and Laura buy a home for £680,000. They:</p> <ul style="list-style-type: none"> <li>▪ pay a 5% deposit (£34,000)</li> <li>▪ take a 40% equity loan from the First Step scheme (£272,000)</li> <li>▪ Get a mortgage for the remaining 55% (£374,000).</li> </ul> <p>A few years later, Tom and Laura sell their home, and it has increased in value by 5% from £680,000 to £714,000. This means it has increased in value by £34,000.</p> <p>When Tom and Laura sell their home, they must repay their outstanding mortgage and repay the equity loan. The equity loan is still worth 40% of the value of the property. Because the property has increased in value, they must repay the initial 40% loan (£272,000) and also a 40% share of the proceeds from the increase in value.</p>

Therefore, James must give the Government of Jersey an additional £3,750 from the increase in value, and he gets to keep the remaining £11,250 profit.	Therefore, Tom and Laura must give the Government of Jersey an additional £13,600 from the increase in value, and they get to keep the remaining £20,400 profit.
James also gets his own capital investment back – which is his initial 5% deposit (£15,000), plus any capital repayments made on his mortgage.	Tom and Laura also get their own capital investment back – which is their initial 5% deposit (£34,000), plus any capital repayments made on his mortgage.

#### 4. Eligibility criteria

4.1. To be eligible for assistance through the First Step scheme, an applicant must meet the following eligibility criteria.

<p>Applicants to the First Step assisted home ownership scheme must:</p> <ul style="list-style-type: none"> <li>(a) be at least 18 years of age;</li> <li>(b) be residentially qualified to live in Jersey (that is, they have ‘<a href="#">Entitled</a>’ residential status);</li> <li>(c) is domiciled or ordinarily resident in Jersey at the time of application;</li> <li>(d) not own, or have previously owned, property in Jersey or elsewhere in the world (that is, they are a bone fide ‘<a href="#">first-time buyer</a>’);<sup>1</sup></li> <li>(e) satisfy the household income, deposit and savings requirements under this policy (see section 5);</li> <li>(f) occupy the property as their principal place of residence; and</li> <li>(g) cannot be under offer for any other assisted home ownership scheme.</li> </ul>
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#### 5. Financial assessment

5.1. When a person applies for the First Step scheme, their initial application will be considered against the following household income thresholds. This will help to determine whether they require assistance to buy a property suitable for their needs in the open market.

Property size	Maximum household income
One-bedroom flat/house	£65,000
Two-bedroom flat	£85,000
Two-bedroom house	£105,000
Three-bedroom flat/house	£125,000
Four-bedroom house	£135,000

<sup>1</sup> In accordance with paragraph 4.7 of the [first-time buyer guidance](#), only genuine first-time buyers who have never owned or had an interest in any residential property in Jersey or anywhere else in the world, including with a spouse or civil partner, are eligible for the First Step scheme. The Minister for Housing may exercise discretion to allow a person who is not a first-time buyer, and who does not currently own or have an interest in any residential property, to buy a home through the scheme in limited circumstances.

- 5.2. To be eligible for the scheme, an applicant must be able to contribute their own minimum 5% deposit towards the purchase price of a property.
- 5.3. In addition to their own 5% deposit, an applicant is expected to contribute any savings and investments they have in excess of £15,000. The amount of equity loan they are then offered through the scheme will reduce accordingly.
- 5.4. An applicant must be able to meet the costs of buying a home, including Stamp Duty costs, a bank survey, mortgage arrangement fees, legal fees and insurance fees.
- 5.5. The maximum household income thresholds (para. 5.1.) and savings (para. 5.3.) set out in this policy guidance include the income and/or savings of any member of the household involved in the purchase of a property. If, for example, an applicant is buying a property with their spouse or civil partner, the household income will include both their salaries, and any other income and/or savings.
- 5.6. The affordability of buying a home depends on the individual circumstances of a household. This includes factors such as age, which affects the level of borrowing they can obtain for a mortgage; household composition; personal savings; and the extent of other financial commitments.
- 5.7. Andium Homes will, therefore, carry out a means-tested assessment to determine whether an applicant has a genuine need for financial assistance to buy a home based on their individual household circumstances. Means-testing will establish whether or not there remains an affordability gap for the applicant to buy a home, taking into account their household income, savings and the maximum amount of mortgage borrowing available to them.

## **6. Bank lending criteria**

- 6.1. The First Step equity loan does not replace a traditional mortgage. An applicant must still take out the maximum amount of mortgage borrowing available to them with a participating mortgage provider, as well as contribute their own minimum 5% deposit towards the purchase price of the property. The balance of lending is then provided by Andium Homes through an equity loan.
- 6.2. An applicant must, therefore, also satisfy the criteria of their mortgage provider and secure a mortgage before they are given approval to buy a property through the scheme. An applicant will be asked to submit a Mortgage Approval in Principle (**AIP**) to determine their ability to buy a property.
- 6.3. Participating mortgage providers may have slightly different lending criteria, and an applicant may not be eligible for a mortgage with all participating providers. It is the responsibility of the applicant to pursue an appropriate mortgage product that is compatible with the First Step scheme, and under terms that are agreeable to them. They should make the mortgage provider aware that they are looking to buy a home through the scheme at the time of applying for an AIP.

## **7. Prioritisation of applications**

- 7.1. The First Step scheme aims to help as many first-time buyers as possible to buy a home. At this stage, the scheme is operating as a pilot and has a limited budget, so not every

applicant who is eligible will receive an equity loan in the first round of the scheme. Once a person applies for the scheme, and they have been accepted to the Assisted Purchase Pathway, their application will be subject to a full assessment and prioritised by Andium Homes according to the following criteria:

- i) Step one – application is up-to-date:** applications on the Assisted Purchase Pathway that have been updated in the last year, or an applicant has expressed interest in an assisted home ownership scheme, including the First Step scheme, will be considered for the scheme.
  
- ii) Step two – applicant is in a financial position to buy a property:** applicants who satisfy the household income, deposit and savings requirements under this policy, and have been means-tested by Andium Homes, will be prioritised for the scheme.
  
- iii) Step three – need for financial assistance:** Within the household income thresholds set out at paragraph 5.1. of this policy guidance, the scheme will prioritise applicants with lower- and median- household incomes and who are in a financial position to buy a property through the First Step scheme. The prioritisation will be extended out to higher income applicants based on the availability of equity loans up to the maximum income threshold.
  
- iv) Step four – length of time applicant has been registered on the Assisted Purchase Pathway:** applicants who have been registered for longest on the Assisted Purchase Pathway from the date of their application will be given additional prioritisation in the assessment process.

7.2. The Minister may apportion the available funding to meet specific housing needs, including allocating funding towards applicants who require a certain size of property. This is to ensure that the scheme supports as wide a range of households as possible based on demand.

## 8. Eligible property types

- 8.1. Under the First Step scheme, an applicant is able to buy a ‘re-sale property’ – that is, a property that has been previously occupied or sold as a place of residence. This includes freehold, flying-freehold and share transfer properties. The scheme does not apply to new build properties, including conversions of buildings that have never been used as homes and occupied. The scheme also does not apply to properties available for sale through other assisted home ownership schemes.
  
- 8.2. The size of property that an applicant wishes to buy should reasonably reflect the needs of the household at the time of application. This means that an applicant can buy a property type that is +1 bedroom greater than their current household need. For example, a single person or a couple without dependents with a need for a one-bedroom home will be considered to buy a one or two-bedroom property; and a single person or a couple with one child/dependent with a current need for a two-bedroom home will be considered to buy a two- or three-bedroom property.
  
- 8.3. An applicant may buy a property up to the following maximum property prices based on the upper limit of the lower quartile price of properties sold in Jersey during 2023. These figures will be reviewed before the launch of the scheme, and at least annually thereafter, to ensure

that they continue to reflect lower quartile property prices in the Jersey House Price Index published by Statistics Jersey.

Property size	Lower quartile property prices (2022)
1-bed flat <sup>2</sup>	£310,000
2-bed flat	£460,000
2-bed house	£495,000
3-bed flat / house	£680,000
4+bed house	£965,000

*Figure One: Lower Quartile property prices (2023)*

## 9. Reducing the equity loan

9.1. A home owner under the First Step scheme can reduce their equity loan by repaying the full loan at any time or in tranches, something called ‘staircasing.’ This is based on the market value of the property at the time. The minimum staircasing increment at any one time is 5% and restricted to one transaction per year. The home owner is responsible for all costs associated with each staircasing transaction.

## 10. Property obligations

10.1. A home owner is responsible for all costs associated with owning a property under the First Step scheme, including buildings insurance, utilities, parish rates, service charges and other taxes assessed against the property.

10.2. A home owner must have building insurance with reputable insurers to the full reinstatement value of their home against loss or damage by an insured risk.

10.3. A home owner is also required to cover the costs of and make all reasonable efforts to maintain the property to an acceptable standard, and to keep to all conditions of the insurance policy.

10.4. A home owner can make structural alterations to the property such as converting an attic into a bedroom or building an extension, although the home owner must seek permission from Andium Homes before carrying out the structural alterations and ensure that all necessary planning permissions are in place. Any incremental property value of these alterations will be deducted from the market value of the property when calculating the amount of equity loan due to the Government of Jersey.

10.5. The property must be occupied as the principal place of residence of the home owner at all times.

10.6. A home owner will enter into a loan agreement with Andium Homes not to secure any additional borrowing against the property without the express written agreement of Andium Homes. This will generally not be given because it can have legal implications for the security of the equity loan.

10.7. Where a home owner fails to comply with any of these conditions, they will be given the opportunity to rectify the issue. Where necessary, Andium Homes may take legal action against a home owner to secure compliance with these conditions.

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<sup>2</sup> The First Step scheme applies to 1+ bedroom properties only; studio-type properties are not supported under the scheme.

## **11. Correct information**

11.1. An applicant to the First Step scheme must keep their application up-to-date and provide information on any material changes to their circumstances that may affect their eligibility for the scheme or ability to buy a property.

## **12. Exceptional circumstances**

12.1. It is recognised that the circumstances of an applicant may not, on occasions, strictly meet the policy guidance even though they still demonstrate a need for assistance to buy a property through the First Step scheme. Any exception is subject to confirmation from the Minister for Housing or an officer holding delegated responsibility on behalf of the Minister. To ensure that all applications are treated in a fair and consistent manner, such exceptions will be kept to a minimum.

12.2. The Minister for Housing reserves the right to vary this policy or grant exceptions on any of its terms.

## **13. Cancellation of application**

13.1. An application may be cancelled:

- (a) if an applicant asks for their application to be cancelled;
- (b) if they buy a property in Jersey or elsewhere in the world;
- (c) if they fail to have an offer on a property accepted within the designated timeframe provided under the First Step scheme;
- (d) if they have an offer accepted and later refuse or fail to buy the property that they are entitled to under the First Step scheme;
- (e) if they buy a property through another assisted home ownership scheme;
- (f) if their circumstances change and they are no longer eligible to buy a property through the scheme;
- (g) if they fail to respond to an application review within the specified time limit;
- (h) if they are found to have knowingly provided false, inaccurate, or misleading information on their application; and
- (i) if they fail to provide an up-to-date Mortgage Approval in Principle from a mortgage lender within the specified time limit.

13.2. An applicant will be notified in writing if their application has been removed from the Assisted Purchase Pathway and will be given valid reasons.

## **14. Reviews and appeals against decisions**

14.1. An applicant has the right to request a review of any decision made under this policy guidance. A request for review must be made in writing to Andium Homes in accordance with its Complaints and Appeals policy. More information can be found at: <https://www.andiumhomes.je/aboutus/our-policies>.

14.2. The Minister for Housing will consider a request for review by an applicant only when the Andium Homes Complaints and Appeals process has been exhausted.

## **15. Review of eligibility and prioritisation criteria**

15.1. The Minister for Housing will keep this policy guidance under review in light of demand for the First Step scheme. The Minister may expand, change or modify any element of this policy guidance, as and when required, to ensure that the scheme continues to reflect housing market conditions and the needs of applicants under the scheme.

## **16. Contacts**

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## Appendix A – changes in the property value

1. The equity loan offered to an applicant through the First Step scheme is linked to the market value of the property, which will be determined through a Royal Institution of Chartered Surveyor (RICS) valuation report from a qualified surveyor.
2. Property prices can go up and down. Any change in property prices will affect the amount that the home owner has to repay when they sell the property, or if the property is otherwise alienated, or if they increase the size of their equity share over time. The following examples are provided for illustration purposes only.

### Example one – increase in price of one-bedroom flat

<b>Example two – increase in property price for one-bedroom house</b>			
Price the property was bought for: <b>£300,000</b>			
5% deposit paid by the home buyer: <b>£15,000</b>			
25% equity loan: <b>£75,000</b>			
70% Repayment mortgage: <b>£217,000</b>			
<b>Year</b>	<b>% increase in property prices</b>	<b>One-bedroom flat market value</b>	<b>Equity loan that would need to be repaid (25% of market value)</b>
Year 1	-	£300,000	£75,000
Year 2	2%	£306,000	£76,500
Year 3	2%	£312,120	£78,030
Year 4	2%	£318,362	£79,591
Year 5	2%	£324,729	£81,182
Year 6	2%	£331,224	£82,806

The table shows the amount of equity loan that would have to be repaid when the property was sold if property prices had increased 2% every year.

### Example two – increase in price of three-bedroom house

<b>Example two – increase in property price for three-bedroom house</b>			
Price the property was bought for: <b>£680,000</b>			
5% deposit paid by the home buyer: <b>£34,000</b>			
40% equity loan: <b>£272,000</b>			
55% Repayment mortgage: <b>£374,000</b>			
<b>Year</b>	<b>% increase in property prices</b>	<b>Three-bedroom house market value</b>	<b>Equity loan that would need to be repaid (40% of market value)</b>
Year 1	-	£680,000	£272,000
Year 2	2%	£693,600	£277,440
Year 3	2%	£707,472	£282,989
Year 4	2%	£721,621	£288,649
Year 5	2%	£736,053	£294,422
Year 6	2%	£750,744	£300,310

The table shows the amount of equity loan that would have to be repaid when the property was sold if property prices had increased 2% every year.

### Example three – decrease in price of one-bedroom flat

<b>Example two – increase in property price for one-bedroom house</b>			
Price the property was bought for: <b>£300,000</b>			
5% deposit paid by the home buyer: <b>£15,000</b>			
25% equity loan: <b>£75,000</b>			
70% Repayment mortgage: <b>£210,000</b>			
<b>Year</b>	<b>% increase in property prices</b>	<b>One-bedroom flat market value</b>	<b>Equity loan that would need to be repaid (25% of market value)</b>
Year 1	-	£300,000	£75,000
Year 2	-2%	£294,000	£73,500
Year 3	-2%	£288,120	£72,030
Year 4	-2%	£282,358	£70,590
Year 5	-2%	£276,711	£69,178
Year 6	-2%	£271,177	£67,794

The table shows the amount of equity loan that would have to be repaid when the property was sold if property prices had decreased 2% every year.

### Example four – decrease in price of three-bedroom house

<b>Example two – increase in property price for three-bedroom house</b>			
Price the property was bought for: <b>£680,000</b>			
5% deposit paid by the home buyer: <b>£34,000</b>			
40% equity loan: <b>£272,000</b>			
55% Repayment mortgage: <b>£374,000</b>			
<b>Year</b>	<b>% decrease in property prices</b>	<b>Three-bedroom house market value</b>	<b>Equity loan that would need to be repaid (40% of market value)</b>
Year 1	-	£680,000	£272,000
Year 2	-2%	£666,400	£266,560
Year 3	-2%	£653,072	£261,229
Year 4	-2%	£640,011	£256,004
Year 5	-2%	£627,211	£250,884
Year 6	-2%	£614,667	£245,867

The table shows the amount of equity loan that would have to be repaid when the property was sold if property prices had decreased 2% every year.