

LOW COST LOANS

FACT SHEET

Low Cost Loans

Disabled Facilities Grants [DFGs] are means tested and in some cases, clients who qualify for this grant to carry out adaptations to their home may have to make a contribution towards the cost of the work.

This can also happen when the total cost of the eligible work exceeds the grant limit [currently £30,000]. For example, where the adaptation needed involves building a substantial extension to the home.

What can I do if I have to make a contribution towards the cost of my adaptation?

There are a number of funding sources that you can consider, such as:

- Using some of your personal savings
- Discussing your need for the adaptation with close family members, who may want to help you with the costs
- Approaching your mortgage lender to see if they will allow you to extend your existing mortgage. They may be prepared to do so if the adaptation adds capital value to your home or you have enough equity in the property
- You may qualify for charitable or benevolent funding, for example through a trade union or other work related organisation. If you have access to the internet try looking at www.turn2us.org.uk or www.charitiesdirect.com for more information
- Discretionary low cost loan offered by the Council (see also Adaptations [equity mortgage] Loan)

Who qualifies for the Council's low cost loan?

This loan scheme is available to **owner-occupiers** to help with their means tested DFG contribution or where the cost of the eligible works is more than the grant maximum and, in both circumstances, the client isn't able to access funds from a reputable lender, savings, family or charitable organisations.

In some cases you will need to provide us with evidence that you have been unable to access funding, as above.

How much can I borrow?

Once assessed, you can borrow the full amount of your contribution towards the cost of eligible grant works [up to £5,000 maximum], assuming that you are able to make the repayments. The maximum repayment term of the loan is 5 years – although you may be assessed as being able to repay the loan in a shorter period. *[Please note that the loan will only cover the cost of essential works required as part of the grant].*

How much will it cost me to take out a loan with the Council?

The loan charge is equivalent to 5% of the amount that is borrowed. The Council reviews this % rate annually – but any future changes to this rate will not affect anyone with an existing loan.

In addition, the Council charges an administration fee [currently £100] to set up the loan. This fee covers the costs incurred by the Council in providing the loan, such as Land Registry and bankruptcy searches, obtaining proof of identity to satisfy Money Laundering Regulations, registering the charge at the Land Registry and the loan agent fees.

The administration fee can be paid separately or added onto the loan. The table on page 3 illustrates the costs of a typical £5,000 loan from two reputable lenders and the Council, calculated over a 5 year repayment period [**information obtained via the internet from the lender's site on 17th February 2012*]

*The APR** or Annual Percentage Rate is a measure of the cost of credit on a yearly basis. It enables two or more financial products to be compared, as it takes into account all the fees and / or charges that go with the product. The total amount repaid less the amount borrowed is the real cost of the credit.*

Provider	Terms	Monthly re-payments	Total amount repaid on loan	APR**
Royal Bank of Scotland	£5,000 unsecured loan for existing customers <i>[Secured loans at lower rates are available for loans greater than £7,000]</i>	£123.14	£7,388.40	17.9%
Lloyds TSB	£5,000 unsecured loan for existing customers <i>[Secured loans at lower rates are available for loans greater than £7,000]</i>	£114.09	£6,845.40	13.9%
Warrington Borough Council	Secured loan of £5,000 with a loan fee of £250 Administration fee of £100 paid separately by the client	£87.50	£5,250 <i>[plus the administration fee of £100 already paid]</i>	0%
Warrington Borough Council	Secured loan of £5,000 with an administration fee of £100 added to the loan plus a loan fee of £250	£89.16	£5,350	0%

How will I be assessed for a loan?

The Council will carry out a search to confirm that your property is registered at the Land Registry and will also complete a bankruptcy search. You will also be requested to complete a financial outgoings form so that our loan agent [Warrington Housing Association] can work out how much you can afford to repay over the term of the loan. Before a loan is agreed we must also satisfy the Government's money laundering and fraud requirements and so will need to check certain personal documents, such as your passport or driving licence and utility bills.

How will the loan be paid out?

When the grant work has been completed satisfactorily, the loan will be paid directly to the contractor on your behalf unless you have already paid their invoice. The Council will protect its financial interest by placing a charge on your property at the Land Registry.

Is this loan from the Council “a good deal”?

Neither the Council nor the loan agent can offer you advice on this loan product. We recommend that you contact an independent financial advisor if you want such advice. You may be charged for this service.

What are the terms of the loan?

To be eligible for the loan the applicant [*or the parents / guardians of the disabled child in the case of a child application*] **must** have an owner's interest in the property.

All loans are secured loans against your home with the consent of your existing mortgage lender and will therefore be registered as a charge against the property at the Land Registry until the loan is repaid. The property must have suitable and sufficient buildings insurance in place until the loan is repaid in full.

The applicant [*or the disabled child and their parents / guardians*] must occupy the property as their main residence until the loan is repaid.

The loan maximum repayment term of the loan is 5 years – although you may be assessed as being able to repay the loan over a shorter period.

How will I repay the loan?

When the loan has been paid out then you will make the repayments by direct debit from your bank account to our loan agent [Warrington Housing Association] for the agreed loan term. When the loan has been repaid in full then the Council will remove the charge.

Can I repay the loan early and will there be any penalty charge?

Yes you can make early repayment of the loan in full if you wish to do so, although the amount repayable will be the same as if you paid it over the term initially agreed.

There are no penalty charges if you decide to repay the loan, in full, before the end of its term.

What can I do if I need to borrow more than I can obtain through the loan?

If you need to borrow more than the £5,000, or we are unable to let you borrow the full amount as we do not think that you have sufficient disposable income to make the repayments, you can consider any or all of the options on page one.

Alternatively, you can consider an Adaptations [equity mortgage] loan, also offered by the Council.

This information fact sheet has been prepared by Warrington Borough Council.

**If you require any further information please contact:
The DFG Agency Team on 01925 246909**