

# BRIEFING



## Government Housing Package

2 September 2008

The Government today (2 September 2008) announced a package of housing measures, with three core elements:

- A £1bn housing package from CLG ([Click to view “Ensuring a fair housing market for all” and “CLG Housing Package Statement”](#));
- A one-year stamp duty exemption for all properties under £175,000 (Treasury, [please click here to view](#));
- Reform of the Income Support for Mortgage Interest system (Department for Work and Pensions).

HBF has welcomed the package as a move in the right direction. In April, HBF put forward its own proposals for a Housing Market Package to the Treasury and CLG. We are particularly pleased with the stamp duty exemption and the £300m HomeBuy Direct scheme, both of which we advocated in our April submission.

However in our public reaction ([click here to view HBF press release](#)) to the package, we have stressed that the Government also needs to take urgent measures to increase the flow of mortgage funding, without which the housing market will be unable to recover. We understand Sir James Crosby’s review of mortgage finance has been accelerated for completion by the end of September. The Treasury is likely to announce any such measure in the Pre-Budget Report which we hope will be published in early-mid October.

The key elements of the package for house builders are as follows:

### **HomeBuy Direct for New Homes**

£300m over two years for a new shared equity scheme, HomeBuy Direct, offering qualifying first-time buyers (the same qualifying criteria as existing HomeBuy schemes, including household incomes under £60,000) an equity loan of up to 30% of market value to buy **newly built** properties, funded equally by the developer and government. The loan, likely to be in the form of two second charges, will be free for the first five years, after which a rent will be payable (likely to be 3% from years 5 to 10, thereafter Bank Rate). HomeBuy Direct will apply to specific new housing schemes brought forward by developers through a competitive bidding process. The scheme is expected to help 10,000 first-time buyers buy new homes over the next two years.

Full details of how HomeBuy Direct will operate are not yet available. However HBF has been in close discussions with the Housing Corporation to help design the scheme in as developer-friendly a form as possible. At present, house builders cannot apply for these funds. However we hope to be able to provide full details within the next couple of weeks, including directions about how to bid for these funds. A formal launch of the scheme is envisaged by the end of September.

### **Stamp Duty Exemption**

From 3 September 2008 and before 3 September 2009, stamp duty land tax (SDLT) will not apply to purchases of residential property of £175,000 or less.

The Treasury statement says: "This will provide an exemption from stamp duty land tax for land transactions consisting entirely of residential property where the chargeable consideration is not more than £175,000."

The Treasury estimates that the exemption will cost around £615m and will exempt about half of all housing transactions from SDLT, adding about 20% to the number of transactions that would have been exempt under the existing £125,000 threshold.

**Other measures** in the package include:

- A mortgage rescue scheme to help avoid repossessions, benefiting up to 6,000 vulnerable home owners;
- Bringing forward £400m from the 2010-11 affordable housing budget to deliver up to 5,500 additional new social rented homes over the next 18 months. The money will be available to RSLs, as well as to local authorities who manage housing stock which can now bid for grant to build new social housing;
- CLG will work with RDAs and the Homes and Communities Agency (HCA) to help support key regeneration schemes;
- Improving the support offered through housing benefit to homeowners with mortgages who lose their jobs.

**John Stewart**  
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