



Comhairle Cathrach
& Contae **Luimnigh**

Limerick City
& County Council

Limerick City and County Council

Incremental Purchase Scheme (IPS)

New Build Houses

Applicant Information

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1. What is the Incremental Purchase Scheme?

This scheme is for the purchase of **new** local authority built houses. It does not apply to apartments/flats or existing local authority houses.

The Incremental Purchase Scheme is a purchase option to meet the needs of those requiring long-term housing support. The scheme supports existing low-income tenants and assists prospective local authority tenants to make a start on the route to home ownership. There are two types of household that can be considered for inclusion in the incremental purchase scheme:

- (a) Households that have been assessed by Limerick City and County Council as being eligible for and in need of social housing support
- (b) Households who are already in receipt of social housing support from Limerick City and County Council, i.e. existing Local Authority or Approved Housing Body tenants and households accommodated under RAS (Rental Accommodation Scheme), HAP (Housing Assistance Payment) Scheme and Long Term Social Housing Leasing Scheme

The main statutory provisions governing the Incremental Purchase Scheme are as follows:

- Part 3 of the Housing (Miscellaneous Provisions) Act 2009 (No. 22 of 2009)
- The Housing (Miscellaneous Provisions) Act 2009 (Commencement) (No. 2) Order 2009 (S.I. No. 540 of 2009)
- The Housing (Incremental Purchase) Regulations 2010 (S.I. No. 252 of 2010).

2. How does the Scheme work?

Under this scheme, the purchaser pays a discounted price for a new house and in return receives full ownership of the house and responsibility for maintaining the house and insuring it.

The housing authority in turn places a reducing charge on the property that is equivalent to the discount afforded to the purchaser.

The broad terms of the scheme are as follows:

- the scheme will apply to new-build houses only;
- the charged share is released to the purchaser over the period of the charge as follows:
 - the charged share reduces in increments of 2% of the total equity in the dwelling over the charge period
 - the 10% reduction for the first 5 years after sale is released at the end of year 5
- the property can be resold by the purchaser at any time at market value with the housing authority being paid, from the proceeds of the sale, an amount equal to the proportion of the outstanding equity charge in the property;

- the housing authority has first option on buying the property in the event of the resale of a dwelling by the purchaser during the charged period; and
- special arrangements will allow purchasers to undertake improvement works with the agreement of the authority.

3. Can I apply?

You can apply for the scheme if you meet the following conditions:

• Social Housing Support

There are two types of household that can be considered for inclusion in the incremental purchase scheme

- (a) Households that have been assessed by Limerick City and County Council as being eligible for and in need of social housing support
- (b) Households who are already in receipt of social housing support by Limerick City and County Council, i.e. existing Local Authority or Approved Housing Body tenants and households accommodated under RAS (Rental Accommodation Scheme), HAP (Housing Assistance Payment) and Long Term Social Housing Leasing Scheme

All of the above must satisfy the 'Household Means Policy' to determine income eligibility and affordability. Applicants must be in receipt of the above social housing supports or on Limerick City and County Council's Housing waiting list for a minimum period of 1 year.

• Income

You must have a gross annual income of not less than €15,000 in order to be considered to purchase under the scheme.

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.

Reckonable income must come mainly from regular employment and not solely from social welfare. This includes income from wages, salaries, and some social welfare payments but only where they are additional to employment income. There are certain income disregards listed on the application form, which shall not be regarded as assessable income for the purposes of the Incremental Purchase Scheme.

Eligible applicants must satisfy the Household Means Policy to determine income eligibility and affordability.

• Anti-Social Behaviour

No-one living in your house can be engaged in anti-social behaviour (this will be checked with the Gardaí).

- **Arrears**

You must not have been behind in your rent or local authority charges for more than 12 weeks in the past three years. If you were, you must have made a payment arrangement with your local authority and be following that arrangement.

- **Previous ownership**

You must not have previously bought a dwelling from any housing authority.

- **Finance**

Please confirm that you have applied for approval in principal either through a Local Authority Home Loan or a Private Lending Institution or provide confirmation of how you are going to finance the purchase at the time of application.

4. Are all Local Authority properties included in the scheme

No. The scheme does not apply to dwellings

- that have not been designated for incremental purchase at the time the dwelling was allocated to a household in need of social housing support;
- that have been specifically designed for occupation by older persons;
- that have been specifically designed for occupation by members of the travelling community in a group setting (i.e. traveller specific accommodation/group housing);
- transferred to local authorities under section 96 of the Planning & Development Act 2000 for the purposes of providing social housing, including dwellings that have been built on land and sites that were transferred to the local authority under section 96 also for the purposes of providing social housing,
- such as caravans, mobile homes or structures capable of being moved.

5. Who will maintain the house after I buy it?

Like all homeowners, you will be responsible for maintaining and carrying out repairs on your house from the date you buy it.

You will also have to get and keep adequate property insurance on your house and pay for this yourself. As the owner of the house, you will be responsible for the payment of the local property tax for the house.

6. Are there restrictions on the use of the house after I buy it?

Yes. You must:

- if the purchaser decides to sell the house while the charge in favour of the housing authority is still in place, the purchaser must pay the authority an amount of money equivalent to the proportion of the charge that is outstanding
- live in the house as your normal place of residence
- get agreement from your local authority if you want to sell, assign, let/sub-let the house;
- not engage in anti-social behaviour or be a nuisance to your neighbours and
- the purchaser may not make any material improvements to the house without the prior written consent of the housing authority

7. How much will I pay for the house?

The purchase price of the dwelling is equal to the cost to the authority of providing the dwelling in the first place, less a discount.

8. How is my income calculated for the scheme?

Limerick City and County Council will calculate your gross income (that is, your income before deduction of income tax, Universal Social Charge, pension contributions, pension related deductions and PRSI).

This includes income from wages, salaries, and some social welfare payments but only where they are additional to employment income.

There are a number of income disregards, which are detailed on the application form.

9. Whose income is included?

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 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.

10. What discount will I get?

Depending on your gross annual income, the discounts will vary between 40% and 60%. The discount will be given against the purchase price of the dwelling determined by the local authority.

Gross Annual Income	Discount
Between €15,000 and €19,999	60%
Between €20,000 and €29.999	50%
€30,000 or more	40%

Example:

If the local authority determines the purchase price as €289,000 and your gross annual income is €18,000, you will get a discount of 60% against the purchase price. This means you will pay €115,600 for the property.

However, the local authority will place an incremental purchase charge on the house equal to the discount you get.

11. What is the incremental purchase charge?

One of the conditions of the sale is that the local authority will place an incremental purchase charge on the house equal to the value of the discount you get. This charge will reduce to zero over 20, 25 or 30 years (called the 'charge period'), as long as you obey the conditions of the sale under the scheme.

You will have to pay back the value of the outstanding charge to the local authority if:

- you sell the house before the end of the charge period; or
- your incremental purchase charge is not reduced for one or more years because you did not obey the conditions of the scheme. It remains due for repayment at the end of the charge period.

The period of the incremental purchase charge will depend on the discount. For example, if you get a discount of 50% based on your gross annual income, the charge period will be 25 years.

Discount	Charge Period
60%	30 years
50%	25 years
40%	20 years

12. Can I re-sell my house?

Yes. You can re-sell your house at any time.

However, if you re-sell your house while the incremental purchase charge is in place, you will have to get the written agreement of your local authority. You will also have to pay the current value of the outstanding incremental purchase charge to your local authority.

Your local authority will have first option to buy back your house while the incremental purchase charge is in place.

Here are two examples of how the scheme works.

Example 1:

Example based on the resale of the dwelling by the purchaser to the housing authority after 10 years:

Market Value of House (Yr 10)	€260,000
Proportion equal to remaining charged shared	40%
Amount which Housing Authority pays to buy Incremental Purchase Scheme House	$€260,000 - (€260,000 \times 40\%) = €156,000$

Example 2:

Example based on the resale of the dwelling by the purchaser to a person other than the local authority after 10 years:

Market Value of House (Yr 10)	€260,000
Proportion equal to remaining charged shared	40%
Amount which vendor pays to Housing Authority	$€260,000 \times 40\% = €104,000$

13. How do I finance the purchase?

You will have to pay the purchase money in full at the time the house purchase is completed. You will be responsible for raising the money to do this (for example, from savings, a mortgage loan, and so on). You must meet the local authority's requirements in relation to how you are going to pay for the house.

If you can afford it, you can buy your house without a mortgage loan as long as you meet all the eligibility criteria. This includes having a gross annual income of at least €15,000. You must have this income so that you can maintain your house during the charge period.

You must show your local authority how you intend to pay for the house. If you are buying your house with a mortgage loan, you must provide approval in principle at the time of application.

You will not have to pay a deposit as part of your purchase.

You may be able to apply to your local authority for a Local Authority Home Loan (See [Section 14](#) for more details).

Approval in Principal from a lending institution or evidence to finance the purchase is required at the time of application.

You will have to pay all your costs, including legal fees, to complete the purchase of your new home.

14. What is a Local Authority Home Loan?

A Local Authority Home Loan is a Government backed mortgage for first time buyers or other eligible applicants through local authorities. The scheme is for the purchase of new or second-hand residential properties and for self-builds. It also includes the purchase of homes through State schemes such as the Tenant Purchase Scheme and Affordable Housing Schemes, with the exception of the First Home Scheme.

The "Fresh Start" principle means that people who are divorced or separated and have no interest in the family home, or who have undergone personal insolvency or bankruptcy arrangement or proceedings or other legal process, will be eligible to apply.

To apply for this loan, you must be:

- be a first-time buyer
- be aged between 18 and 70 years
- be in continuous employment for a minimum of two years, as the primary earner or be in continuous employment for a minimum of one year, as a secondary earner
- as a single applicant have an annual gross income of not more than €50,000 (gross)
- as joint applicants have an annual gross income of not more than €75,000 (gross)
- submit two years certified accounts if self-employed
- provide proof of insufficient mortgage offers of finance from two regulated financial providers
- not be a current or previous owner of residential property in or outside the Republic of Ireland, unless you are a "Fresh Start" applicant
- applicants are required to declare that they are first time buyers. They must authorise the Local Authority to conduct such checks as are necessary to confirm this, such as conducting Local Property Tax check.
- occupy the property as your normal place of residence
- purchase or self-build a property situated in the Republic of Ireland
- purchase or self-build a property which does not exceed the maximum market value applicable for the county in which it is located
- consent to a Central Credit Register check
- currently have a legal right to reside and work in the State and be able to demonstrate that they are habitually resident in Ireland

Eligibility is subject to submission of a complete Local Authority Home Loan application form and confirmation by your local authority.

The Local Authority Home Loan Application Process is separate from your application for the Incremental Purchase Scheme.

15. Is there a closing date for the scheme?

Yes, there will be a closing date for each new scheme. Please refer to the application form.

16. How do I apply?

- Pay the Stage 1 Application Fee of €50 (non-refundable) to the Cash Office, Customer Services, Limerick City and County Council

- You must fill out an Incremental Purchase Application Form available on the website or by contacting Customer Services
- You must provide proof of income
- You must show your local authority how you intend to pay for the house.
Approval in Principal from a lending institution or evidence to finance the purchase is required at the time of application
- You must give the local authority any other information it asks for about your application
- Where applicable pay the Stage 3 administration fee of €200 (non-refundable) to the Cash Office, Customer Services, Limerick City and County Council

17. How will my application be processed?

In general, your application will be processed in four stages:

Stage 1 – Income, Tenancy Eligibility and Confirmation of Purchase Funding

Limerick City and County Council will assess your application to make sure it follows the rules about income and tenancy. It is important to provide all the supporting documentation requested. This is to make sure your application is acceptable. Support documents include statement of liability, employment detail summary, payslips, and salary certificates and so on. If we ask for more information, you must supply it within the time specified. If you do not qualify for the scheme, your local authority will inform you.

You will have to supply evidence (such as a bank statement of savings or a letter of loan offer from your lender) to show that you have the money to complete the purchase.

Stage 2 – Allocation of Homes and Letter of Offer

There are a certain number of dwellings for sale under the scheme. All valid applications will be considered by the allocation's team after the closing date. In the instance where there are more applicants than properties, shortlisting will occur based on the Council's Allocation Scheme. Full details on the Allocation Scheme can be found by clicking [here](#).

If successful your local authority will send you a 'letter of offer', outlining:

- the purchase price of the house
- the discount you may get under the scheme
- the price you must pay to complete the purchase
- the terms and conditions regarding the sale
- a viewing of the property will be arranged

The offer will last for a set period. All successful applicants will be required to obtain independent legal advice and pay their own legal costs to process the sale of the property. These and other associated costs must be considered when applying.

Stage 3 – Accepting the offer

If you are happy to accept the offer and go ahead with the purchase, you must confirm it in writing within the timeframe specified.

The stage 3 administration fee of €200 (non-refundable) is payable to the Cash Office, Customer Services, Limerick City and County Council

The legal transfer of the new property will start only when this stage has been completed.

Stage 4– Completion of purchase and transfer of ownership

When you have paid the purchase price in full, the legal transfer of the house will be completed by combined transfer and charge order, as set out in the regulations and you will become the owner. The local authority is not obliged to transfer the property to you until all stages of the application and legal process have been completed.

18. Breaching the terms and conditions of the Scheme

If any of the terms and conditions of the Scheme are breached the following may apply:-

Any improvements carried out without the consent of the Local Authority will not be taken into account in the event the house is being re-sold.

If a breach occurs, a suspension of the reducing charge may be applied by the Local Authority for a period of time, this outstanding money must be paid by the household if the house is re-sold or at the end of the charge period.

If the house is re-sold to someone other than the Local Authority and any money due to the Local Authority is not paid at the time of sale, the Local Authority can recover monies owed to through the courts.

19. Where can I get further information on the Incremental Purchase Scheme or make an application for same

Information can be obtained from our website <https://www.limerick.ie/starter-new-home-purchase> or contact Housing Strategy & Non-LA Housing Construction on 061 557028 or email starternewhomepurchase@limerick.ie.