



# Affordable Purchase:

## Two new options for affordable home ownership

	Local Authority Affordable Purchase	Affordable Purchase Shared Equity
Which homes?	Any home advertised for sale by a local authority and designated for affordable purchase.	Eligible homes in private developments with a sale price lower than location based price caps.
Which buyers?	First time buyers availing of their maximum mortgage entitlement, and unable to buy the home at its market price.	
Bridging the funding gap with an equity share	<p>First time home buyers can face a funding gap where the combination of deposit, and the maximum mortgage, from a participating bank, is lower than the cost of a home:</p> $Price - (Deposit + Mortgage) = Funding\ Gap$ <p>Home buyers can bridge this funding gap with an equity share.</p> <div style="text-align: center;"> <p>Mortgage</p> <p>Equity share bridges the funding gap</p> <p>Deposit</p> </div> <p>Households can use the Help to Buy incentive towards a deposit where their mortgage is at least 70% of the price of the home. The equity amount may vary depending on whether the buyer avails of the Help to Buy scheme</p>	

### Example:



€70,000 Household income



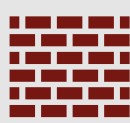
€320,000 Price of new-build first time buyer home



€32,000 10% deposit



€245,000 Mortgage (€70,000 x 3.5)



€43,000 Funding gap = €320,000 - (€32,000 + €245,000)



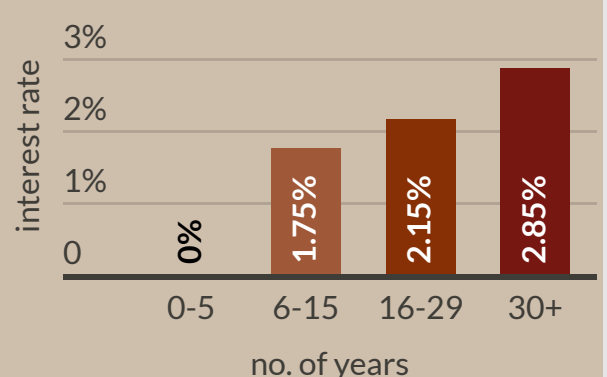
13.4% Size of equity share bridging funding gap

### How the equity share works

The equity share reduces the amount of finance a first-time home buyer has to raise, and reduces the level of mortgage repayments. The equity share is a partial stake in the home, and is held by a third party:

- For homes built on local authority land, the local authority will hold the equity share
- For homes sold in private developments, the equity share will be held by a Special Purpose Vehicle - jointly funded by €75m in State funding and participating banks.
- First time home buyers can buy out the equity share at any time.
- Any remaining equity share will be recovered by the third party when the home is being sold.

- A simple annual interest rate applies to the equity share:



### Accessing affordable homes

In general, first time home buyers will be able to access homes under these supports on a 'first come, first served' basis.

Local authorities will allocate:

- 70% of homes on the basis that the home is a suitable size - on a first come, first served basis.
- 30% of homes may be targeted at particular groups, at the local authority's discretion.
- In private residential developments, there are no conditions on the size or location of home first time buyers can purchase.
- Homes must be for sale on the open market at a price lower than location based price caps.