



Your guide to the **Tenant Home Purchase Product**



PLEASE NOTE: This guide is for information only.

WARNING: We strongly recommend you seek independent financial and legal advice if applying for this product.

WARNING: Property prices can go up and down. As the equity facility is linked to the value of your home, any change in property prices will affect any partial or final redemption amounts. If property prices increase/decrease over time, the percentage equity you have to redeem will remain the same but the € amount will increase/decrease. See example in the case of a price increase below:

Example: Home Purchase (private development)

Customer purchases a property for €350,000, availing of €35,000 from the First Home Scheme (FHS) which means the FHS has a 10% FHS Equity Share in your home.

Sometime in the future you decide to buy out the FHS Equity Share. The home is now valued at €400,000. As the FHS Equity Share is unchanged at 10%, you will now need €40,000 plus any accrued service charges payable, to redeem the FHS Equity Share in the home.

WARNING: The First Home Scheme is not regulated by the Central Bank of Ireland and the equity product is not governed by the Central Bank and its statutory codes of conduct and/or other regulations to include the Consumer Protection Code. However, this does not affect your rights under consumer law.

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For more information relating to the general scheme rules, please see ‘Your Guide to the First Home Scheme’ on our website (www.firsthomescheme.ie).



INTRODUCTION

The First Home Scheme (FHS) is available to tenants who are looking to purchase the home they are renting, where they have received a Notice of Termination from their landlord, as the landlord is putting the property on the market. This is known as the Tenant Home Purchase product (THP).

Where tenants have insufficient funds to purchase their rental home when they combine their mortgage and deposit, they may seek to bridge the funding gap by availing of the THP, subject to meeting the qualifying criteria for the scheme.

How does the Tenant Home Purchase product work?

- Use our eligibility calculator to see the minimum and maximum support you could potentially qualify for through the Scheme.
- You can then register and submit your application online through the First Home Scheme website (www.firsthomescheme.ie).
- To submit an application online for the THP, documentation required will include a copy of your Mortgage Approval in Principle (AIP) and a copy of your Notice of Termination.

All other eligibility criteria that apply under the FHS continue to apply under the THP.

All applications are subject to additional screening processes including anti-money laundering, fraud and terrorist screening, criminal conviction data searches and adverse media searches. FHS may at its sole discretion reject an application if the FHS does not consider you as a suitable applicant.

What is a valid Notice of Termination?

A valid Notice of Termination is a written notice served by a landlord on their tenant and meeting all of the requirements of a Notice of Termination as outlined by the Residential Tenancies Board.

As a tenant looking to purchase my rental home using the THP, can I also avail of the Help to Buy Scheme?

No. The Help to Buy Scheme is only available for newly built and self-built homes. You may, however, be eligible for up to 30% of the property purchase price (the maximum equity share available) under the FHS.



EXAMPLES OF HOW THE THP PRODUCT WORKS

All examples assume that the property rules have been met and the property purchase price is at or below the relevant property price ceilings detailed on our website.

Example one (using HTB): single first-time buyer

Homebuyer	Never owned a property (first-time buyer)
Salary	€55,000
Property purchase price	€350,000
Mortgage available from Participating Lender (up to 4x salary)	€220,000
Savings/gift (deposit)	€35,000 (10% of purchase price)
Help to buy	€30,000
Outcome	Eligible for the FHS, as the shortfall is €65,000 (19% of the property purchase price)

Example two (not using HTB): two homebuyers

Homebuyer one	Never owned a property (first-time buyer)
Homebuyer two	Divorced, no longer retains a beneficial interest in the previous family home
Joint salary	€65,000
Property purchase price	€450,000
Mortgage available from Participating Lender (up to 4x salary)	€260,000
Deposit	€45,000 (10% of purchase price)
Outcome	Not eligible for the FHS, as the shortfall is €145,000 (32% of the property purchase price) Maximum equity facility available is 30% if not availing of the Help to Buy scheme

REDEEMING THE EQUITY SHARE

You can redeem all or part of the equity share at any time, although there is no obligation to do so unless a mandatory redemption event occurs.

The following are considered mandatory events and require you to redeem the full equity share, as well as service charges that have accrued against the equity facility:

- The property is sold
- The property is no longer your Principal Private Residence
- You move or switch your mortgage to a non-Participating Lender
- If you die (or, in the case of joint applications, the last applicant dies)

The events above will be referred to as 'realisation events' in your Customer Contract.

Property Valuations

Because the equity share is linked to the market value of your property, for all redemptions you will need an up-to-date property valuation. This is performed by an independent, FHS Approved Valuer.

Redemption repayments can be made to the equity share within the first six months with no requirement for a new valuation.

For full or partial redemptions after 6 months of drawdown, an updated valuation is required for redemption calculations.

You will need to pay the fee for the valuation, which remains valid for 12 months from the date set out on the valuation.

Partial Redemption Payments

If you choose to redeem part of the equity share, the partial redemption payment must be at least 5% of the original amount provided by the FHS.

Up to two separate redemption payments can be made against the equity share in any 12-month period.

Once you have made a partial redemption, your annual service charge will be calculated using the updated equity share percentage, thereby reducing the service charge amount you would otherwise need to pay.

Full Redemption Payments

If you choose to make a full redemption, that is to buy back all of the equity share, you will also need to pay back any accrued service charges.

The following pages show redemption examples where property prices have increased or decreased.

REDEMPTIONS

WHERE PROPERTY VALUE HAS INCREASED

The impact of a full redemption on the equity facility when the property valuation has increased, and no partial redemptions have been made:

Full Redemption where property value has increased	
Original property purchase price	€400,000
Original FHS Equity Share percentage	20%
Original FHS Equity Share amount	€80,000
Updated property valuation	€500,000
Updated value of FHS Equity Share	€100,000
Accrued service charges (for illustrative purposes only)	€1,000
Amount payable for full redemption	€101,000

How we calculated this full redemption:

The updated value of the FHS Equity Share amount is based on the updated property valuation multiplied by the original (as no partial redemptions have been made) FHS Equity Share percentage ($€500,000 \times 20\%$) = €100,000.

The amount payable for full redemption is the above €100,000 plus accrued service charges payable of €1,000, giving a total of €101,000.

The impact of a partial redemption on the equity facility when the property valuation has increased:

Partial redemption where property value has increased	
Original property purchase price	€400,000
Original FHS Equity Share percentage	10%
Original FHS Equity Share amount	€40,000
Updated property valuation	€500,000
Amount redeemed	€10,000
Redemption percentage	2% (€10,000/€500,000)
Updated FHS Equity Share percentage	8%

The updated FHS Equity Share percentage is the original FHS Equity Share percentage minus the redemption percentage i.e. $10\% - 2\% = 8\%$.

If you want to make a partial or full redemption payment in the first six months after drawdown of your equity facility, you do not need a new valuation; the value used in the redemption calculation will equal the original amount drawn down from the FHS. After six months from the date of purchase, a new valuation will be required from an FHS Approved valuer.

REDEMPTIONS

WHERE PROPERTY VALUE HAS DECREASED

The impact of a full redemption on the equity facility when the property valuation has decreased, and no partial redemptions have been made:

Full redemption where property value has decreased	
Original property purchase price	€400,000
Original FHS Equity Share percentage	10%
Original FHS Equity Share amount	€40,000
Updated property valuation	€390,000
Updated value of FHS Equity Share	€39,000
Accrued service charges (for illustrative purposes only)	€1,000
Amount payable for full redemption	€40,000

How we calculated this full redemption:

The updated value of the FHS Equity Share amount is based on the updated property valuation multiplied by the original (as no partial redemptions have been made) FHS Equity Share percentage ($€390,000 \times 10\%$) = €39,000.

The amount payable for full redemption is the above €39,000 plus the accrued service charges payable of €1,000, giving a total of €40,000.

The impact of a partial redemption on the equity facility when the property valuation has decreased:

Partial redemption where property value has decreased	
Original property purchase price	€400,000
Original FHS Equity Share percentage	10%
Original FHS Equity Share amount	€40,000
Updated property valuation	€390,000
Amount redeemed	€10,000
Redemption percentage	2.56% (€10,000/€390,000)
Updated current FHS Equity Share percentage	7.44%

The updated current FHS Equity Share percentage is the original FHS Equity Share percentage minus the redemption percentage ($10\% - 2.56\% = 7.44\%$).

If you want to make a partial or full redemption payment in the first six months after drawdown of your equity facility, you do not need a new valuation; the value used in the redemption calculation will equal the original amount drawn down from the FHS. After six months from the date of purchase, a new valuation will be required from an FHS Approved valuer.



MORTGAGE TOP-UP

A mortgage top up is a facility that allows you to borrow more money against the current value of your home to spend on things like home improvements.

It is managed by your Lender, but you must notify the FHS of your intention to top up.

See below example where the FHS would have no objection and can support your request.

Example of Homeowner Equity Share greater than 10% post Top Up	
Current property valuation	€400,000
Mortgage amount currently outstanding	€260,000
Top Up amount sought	€20,000
Total Debt (Outstanding Mortgage + Top Up Sought) as a percentage of the Property Valuation ($(€260,000 + €20,000) / €400,000 \times 100$)	70%
Current First Home Scheme Equity Share	10%
Your Equity Interest in the Property Post Top Up ($100\% - (70\% + 10\%)$)	20%

In the example above, the FHS has a 10% equity share in your home. The sum of your outstanding mortgage and the top up amount being requested represents 70% of the current value of your home.

This means that you will have an equity interest of 20% ($100\% - (70\% + 10\%)$) of your home's estimated market value post top up. This is greater than the minimum 10% equity interest which the First Home Scheme requires that you have post top up and therefore the FHS can support your request.

MORTGAGE TOP-UP

See below example where the FHS would have an objection and cannot support your request.

Example of Homeowner Equity Share less than 10% post Top Up	
Current property valuation	€400,000
Mortgage amount currently outstanding	€260,000
Top Up amount sought	€40,000
Total Debt (Outstanding Mortgage + Top Up Sought) as a percentage of the Property Valuation (€260,000 + €40,000) / €400,000 x 100	75%
Current First Home Scheme Equity Share	20%
Your Equity Interest in the Property Post Top Up (100% - (75% + 20%))	5%

In the example above, the FHS has a 20% equity share in your home. The sum of your outstanding mortgage and the top up amount being requested represents 75% of the current value of your home.

This means that you will have an equity interest of 5% (100% - (75% + 20%)) of your home's estimated market value post top up. This is less than the minimum 10% equity interest which the First Home Scheme requires that you have post top up and therefore the FHS cannot support your request.

Customers who have an equity facility with the FHS and want to switch and top up their mortgage, as part of the switching process, should refer to the brochure 'Your Guide to the First Home Scheme' (Switching your mortgage) for more information on the steps involved in the process.







**To apply for the First Home Scheme,
please visit www.firsthomescheme.ie**

If you have any questions or would like to speak to
our team, please email us at info@firsthomescheme.ie
or call us on 0818 275 662*

*Lines are open Monday-Friday, 9am – 5:30pm,
excluding bank holidays

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