

Guidance Note re interaction of the Local Authority Affordable Purchase Scheme with the Local Authority Home Loan with Worked Examples.

Introduction

The purpose of this note is to provide guidance to local authorities on how the Local Authority Home Loan (LAHL) should be applied when being used to finance the purchase of a home under the Local Authority Affordable Purchase scheme (LAAPS). It is important to note that the LAHL cannot be used to purchase homes in the private market through the [First Home Scheme](#), since this scheme requires that applicants draw down a mortgage from a participating commercial lender¹.

This note reflects the policies in place as of 1 March 2023 and the associated property price and income limits. In the event of future changes to property price or income limits, it is intended that the principles in this note can be used as a guide as to how the LAHL and LAAPS should interact.

This guidance note should be read in conjunction with the April 2025 Credit Policy for the Local Authority Home Loan Scheme and the LA Home Loan Technical and Operational Manual for Local Authorities.

Background

HOUSING LOANS REGULATIONS 2021 - S.I. No. 701 of 2021 and amended by S.I. No. 76 of 2023.

These Regulations, which came into operation on 4 January 2022, provide for the provision of loan finance by local authorities to eligible first-time buyers (and certain 'Fresh Start' non-first-time buyers) for the acquisition of new or existing dwellings or for the construction of dwellings. This regulation provides the statutory basis for the LAHL.

The text of the Regulations is available online at;

https://www.irishstatutebook.ie/2021/en/si/_0701.html?q=SI+701+&years=2021

The maximum market values of the property that can be purchased or self-built under the Local Authority Home Loan, as of 1 March 2023, are as follows:

Property Price Limits

- ▶ **€360,000– DLR, SDCC, DCC, Fingal, Wicklow, Kildare**
- ▶ **€330,000– Galway City, Cork City, Louth, Meath, Galway County, Cork County**
- ▶ **€300,000– Limerick, Waterford, Clare, Wexford, Westmeath, Kilkenny**
- ▶ **€275,000– Kerry, Laois, Offaly, Carlow, Sligo, Tipperary, Monaghan, Cavan, Mayo, Donegal, Roscommon, Longford, Leitrim**

Income Limits

- ▶ **Single applicants €70,000**
- ▶ **Joint applicants €85,000**

¹ Currently Allied Irish Bank (including EBS and Haven), Bank of Ireland and PTSB

The maximum loan to value is 90% of the market value or purchase price of the property, whichever is lower. This limits the amount that can be borrowed to no more than €324,000; €297,000; €270,000; €247,500 across each of the four bands.

AFFORDABLE HOUSING REGULATIONS 2023 – S.I. 20 of 2023

These Regulations deal with the assessment of income/means (under Section 10 of the Affordable Housing Act 2021) for eligibility for the Local Authority Affordable Purchase Scheme, and were made with the consent of the Minister for Public Expenditure and Reform.

The Regulations provide that an applicant or joint applicants will not be eligible where his/her/their annual gross income multiplied by 4 times (or the maximum amount they can obtain in a bank mortgage/loan, if less than this) exceeds 85.5% of the market value of the dwelling. This is based on their borrowing capacity from a bank or financial institution under the usual operation of the Central Bank's Macro-Prudential Rules, assuming a mortgage for 90% of the purchase price and a deposit of 10%. The assessable gross income is as set out in an Affordable Housing Income Assessment Policy. Savings/money are also to be taken into account for eligibility on income/means grounds, as set out in the Regulations.

The text of the Regulations is available online at; <https://www.irishstatutebook.ie/eli/2023/si/20/made/en/pdf>

Specific Points to note when assessing application for LAHL to purchase an LAAPS home

- **Eligibility of an LAAPS Home for LAHL – Market Price vs Purchase Price**

As set out in Regulation 4 (2) of the amended LAHL Regulations, if a dwelling is being sold under the Local Authority Affordable Purchase Scheme (or Tenant Purchase), the relevant price, for the determination of the dwelling's eligibility for the LAHL and for the maximum borrowing amount, is the 'purchase price' determined by the relevant local authority for that dwelling. Regardless of the market value, if the 'purchase price' is below the relevant maximum price under the LAHL for that local authority, it is eligible to be purchased using the LAHL.

Regulation 6 further sets out that the deposit required for the LAHL is at least 10% of the 'purchase price' of the dwelling, not 10% of the 'market price'. For information, a deposit is not required for a home sold under Tenant Purchase.

The relevant definitions are set out below.

Market Value

"market value" in relation to a dwelling, means the price for which the dwelling might reasonably be expected to be sold on the open market for the estate purchased by the applicant, freed and discharged of any mortgage or, as determined by the housing authority concerned.

Purchase Price

“purchase price” in relation to a dwelling, means the price of the dwelling determined by the housing authority making a housing loan in respect of it.

- **Eligibility of a LAAPS applicant for LAHL – Insufficient offers of finance**

Under LAHL, an applicant must demonstrate that they cannot access sufficient financing from a financial provider to purchase a dwelling in order to be eligible for the scheme. This requirement has been a feature of LA mortgage lending policy for several decades. A borrower can generally obtain a larger mortgage under the LAHL than from commercial banks, which is a key feature of the demand for the LAHL. Typically, when a dwelling is sold at the market price, this requirement is fairly clear: either a person can access the sufficient bank finance they require to purchase a dwelling or they cannot.

If a dwelling is being sold under a Local Authority Affordable Purchase (LAAP) Scheme, the relevant price for the determination of a properties’ eligibility for the LAHL and for the maximum borrowing amount is the ‘purchase price’ determined by the relevant local authority for that home. Regardless of the market value, if the ‘purchase price’ is below the relevant maximum price under the LAHL for that local authority, it is eligible to be purchased using the LAHL.

Under the LAAP scheme, the purchase price of a dwelling varies, within a range, according to the mortgage-financed purchasing capacity of the eligible buyer. The LAAP scheme generally provides for discounts from market value of between 5% and 40%, making for prices between 60% and 95% of market value. Within the bounds of this potential price range, the price set for a purchase will, in line with Central Bank macro prudential rules, be by default 4 times the applicant’s income. The larger the buyer’s mortgage-funded purchasing capacity, the more they will pay for the LAAP property. This means that, subject to the minimum price set for a property, the price adjusts to match what a purchaser can afford using the maximum commercial mortgage available to them (within the limits set by the Central Bank rules). Since the local authority takes an equity share in the property equal to the percentage discount from market value, it can be seen that the equity share is already built into the purchase price in the form of the variable discount.

This purchase price range is subject, however, to a minimum purchase price set by the local authority for each property. In order to ensure that an applicant household may also avail of the Help to Buy tax rebate (which requires a mortgage loan of at least 70% of the full value of a home), it is anticipated that local authorities will set a minimum purchase price at c.80% of market value.²

Therefore, it is important to set out how the LAHL principle of eligibility based on insufficient financing is aligned with the variable equity stake available under the LAAP scheme. Since the scope of the LAHL is to provide public financing where insufficient commercial finance is available to fund a purchaser, it follows that LAHL applicants must show that they cannot access commercial financing that would allow them to pay at least the minimum price set by a local authority for a particular LAAP property. LAs should apply the following rules when they are assessing eligibility for the LAHL when the property being purchased is an LAAP home.

² After the purchaser pays 10% in deposit, this will leave the LTV ratio at 70%.

- Applicants will not be eligible to use the LAHL for the purchase of an LAAP property if they can meet the minimum purchase price of the property using a commercial mortgage and deposit.
- Applicants will be eligible to use the LAHL for the purchase of an LAAP property if the minimum purchase price falls within the relevant price limit for LAHL and they cannot meet this minimum price using a commercial mortgage and deposit.

As a result, the amount of financing that an applicant can be advanced under the LAHL cannot exceed 90% of the minimum purchase price of a property under the LAAP scheme, leaving a 10% deposit to be contributed by the purchaser and/or potentially through the Help To Buy tax rebate. In other words, eligible LAHL applicants buying a LAAP property will benefit from public financing only as much as is necessary for them to afford the minimum price set for the LAAP property.

Examples

1: LAAP home not eligible for LAHL

- Market value of the dwelling - €460,000
- Maximum discount made available by LA (20% equity stake) - €92,000
- Minimum purchase price - €368,000
- Minimum purchase price, with maximum discount from market value of 20%, exceeds LAHL price limit. Dwelling is not eligible to be purchased using LAHL.

2: LAAP home eligible for LAHL

- Market value of the dwelling - €400,000
- Maximum discount made available by LA (20% equity stake)- €80,000
- Minimum purchase price - €320,000
- If house is located in €360,000 or €330,000 property price areas, the minimum purchase price is within the relevant LAHL limit. Dwelling is potentially eligible for LAHL.

3: Applicant can purchase LAAP home using commercial mortgage

- Market value of the dwelling - €400,000,
- Maximum discount made available by LA (20% equity stake) - €80,000
- Minimum purchase price - €320,000
- If property is located in €360,000 or €330,000 house price areas, the minimum purchase price is within the relevant LAHL limit. Dwelling is potentially eligible for LAHL.
- Minimum mortgage deposit (10%) - €32,000
- Minimum mortgage required - €288,000
- Applicant income (joint) - €80,000
 - Mortgage offered by Commercial Lender - €320,000³ (exceeds minimum mortgage required by €32,000)
 - Potential LAHL Mortgage - €324,000⁴
- The applicants' mortgage offer from a commercial lender exceeds the mortgage which would be required to meet the minimum purchase price, so they are able to purchase the LAAP home using this commercial mortgage.

³ Calculation assumes borrower can borrow at maximum of the Irish Central Bank's macro-prudential mortgage lending rules. To note in example 3, if an applicant can prove that they cannot borrow at the maximum of 4 times their gross income, and therefore cannot borrow enough from a commercial bank to afford the minimum purchase price of the LAAP home (a €288,000 mortgage in the case of example 3), they would be eligible for the LAHL for the purchase.

⁴ Calculation assumes borrower can borrow at maximum amount under the LAHL scheme rules. .

- The applicant has sufficient commercial financing and therefore cannot purchase the property using the LAHL.

4: Applicant who cannot purchase LAAP home using commercial mortgage and is eligible for LAHL

- Market value of the dwelling - €400,000
- Maximum discount made available by LA (20% equity stake)- €80,000
- Minimum purchase price - €320,000
- If the property is located in €360,000 or €330,000 house price areas, the minimum purchase price is within the relevant LAHL limit. Purchase is potentially eligible for LAHL.
- Minimum mortgage deposit (10%) - €32,000
- Minimum mortgage required - €288,000
- Applicant income (joint) - €60,000
 - Mortgage offered by Commercial Lender - €240,000 (lower than minimum mortgage required by €48,000)
 - LAHL Mortgage - €324,000 (€36,000 higher than minimum mortgage required)
- Applicant is unable to purchase a property at the minimum purchase price with their available mortgage from a commercial lender. Applicant has insufficient commercial financing and therefore can purchase the property using the LAHL. However, the amount allowed under the LAHL is restricted to the minimum mortgage required of €288,000, which will enable the buyer to meet the minimum purchase price.