

# Mortgage finance for housing co-operatives

A brief guide



For further information  
Call – 0845 674 5566  
E-mail – [loans@ecology.co.uk](mailto:loans@ecology.co.uk)  
or write to the address below

MF100

May 2008



7 Belton Road, Silsden, Keighley, West Yorkshire, BD20 0EE

T 01535 650770 F 01535 650780 E [info@ecology.co.uk](mailto:info@ecology.co.uk)

Ecology Building Society is authorised and regulated by the Financial Services Authority

Printed on 100% post-consumer waste recycled paper

[www.ecology.co.uk](http://www.ecology.co.uk)

# Introduction

Ecology Building Society is a unique lending institution established to provide mortgages for properties, which give an ecological payback. We seek to ensure a sustainable future and our philosophy includes lending to formally constituted housing co-operatives. The type of property is less important than the fact that we are enabling a more sustainable, community based lifestyle. We lend nationally, in England, Scotland, Wales and Northern Ireland. We seek to support ecological and community aspects of lifestyle as demonstrated by housing co-operatives and tele-cottaging, which reduces commuting activity. We will lend to maintain or add to resources that strengthen a community's viability (retention of a post-office, shop, etc.). When lending to housing co-ops, there is often a linked activity such as organic gardening, a recycling scheme, craft workshop, for example. We normally require a housing co-operative to be made up of at least **four housing units** occupied by members of the co operative. We are also happy to consider mortgage applications from established worker co-operatives.

## Mortgages for the long-term

Our aim is to provide long-term protection for the environment and long-term value for the borrower. We offer a competitive variable rate repayment loan with low initial fees. A preferential interest rate is available to established housing co-operatives, subject to a credit risk appraisal. Please call the mortgage department on 0845 674 5566 for our current interest rates or see our *Current mortgage rates and charges* leaflet.

## Types of property and projects considered

We are pleased to support housing co-operatives through mortgage finance and we will consider a wide range of properties as security for the loan, whether they require repair and renovation or not. Mortgages are available on properties that would often be turned down by other lenders, for example:

- **For the rescue of a derelict building**

Our aim in this instance is to reduce the number of new houses that need to be built, to make use of existing resources and to minimise use of non-renewable resources. We are particularly interested where a project incorporates ecological renovation techniques such as the use of reclaimed, recycled and sustainably produced materials with low toxicity, pollution and embodied energy. It is also appropriate to consider energy saving features as part of the renovation, such as solar panels, insulation, energy and water efficient heating and appliances. We are also interested when sustainable, locally appropriate building methods are being used, such as clay lump, cob and wattle and daub.

- **To convert a disused building into a home**

Converting a barn, water tower, lock house, signal box or other unused building into a home reduces the demand for new houses, helps to protect greenfield sites and makes constructive use of an otherwise redundant resource. Again, we are particularly interested where a conversion incorporates the use of ecological

renovation techniques. It is also appropriate to consider energy saving features as part of the work, such as solar panels, insulation, energy and water efficient heating and appliances.

- **To buy back-to-back houses**

In urban and rural locations. By their nature these houses are energy efficient and we are keen to support buyers of these properties.

- **On ecological new builds**

Where the ecological impact of the property is taken into account in its design and construction, which therefore has a low impact in terms of global warming, ozone depletion, pollution and use of natural resources. We will lend for the purchase of land, up to 80% of valuation. We often see the use of solar panels, wind turbines, water saving technology and similar features in these cases. Examples include timber framed properties, earth sheltered dwellings and low impact Walter Segal houses. Not many housing co-operatives build a new property from scratch, but the option is there for those interested!

## **How much can be borrowed?**

We will lend up to 80% of purchase price or valuation of a property, whichever is lower. We are flexible in our approach and will release funds, either to buy land or to buy a sound but derelict property. We will then release further funds as the value of the property is increased through building or renovation work, subject to a maximum 80% loan to value at any one time. Should the co-operative not have sufficient money to meet the 20% deposit, it may be possible to cover this with funding from another organisation such as Radical Routes (who maintain a fund for such purposes). Please see our leaflet *Current mortgage rates and charges* for the maximum loan amount.

We will need sight of your **memorandum & rules** which confirms that the co-operative has the power to borrow money, the co-operative's **last three years accounts** and a list of the **co-operative members**. We require a copy of the co-operative's accounts be sent to the Society on an annual basis.

As with any loan, a mortgage must be repaid. We therefore need to be satisfied that the co-operative will have sufficient income from its members to meet the mortgage repayments. We expect at least half the members of the housing co-operative to be in paid employment and we can also take some housing benefit payments into account. We will need to see a business plan showing the projected rental income of each housing unit, taking into account items such as the cost of services, utilities, council tax, any other borrowings and making provision for voids (unoccupied housing units).

For details of the early repayment charge which applies to this mortgage, please see section *Early repayment charges and additional payments* in the *After your mortgage completes* leaflet.

## What is the interest rate?

Please call the mortgage department on 0845 674 5566 for our current rate or see our *Current mortgage rates and charges* leaflet. Housing co-operative mortgages will not be eligible for any of the Society's discount schemes.

## Possible housing co-operative mortgage scenario

Purchase price	£98,000
Current valuation	£96,000
Estimated renovation/conversion cost	£66,000
Total cost (purchase + renovations)	£164,000
Estimated valuation on completion of works	£176,000
Maximum initial advance (80% x £96,000)	£76,800*
Maximum total advance (80% x £176,000)	£140,800*

\* Dependent on projected income of co-operative as shown in the business plan.

## Setting up a housing co-operative

Radical Routes is a network of co-operatives working for positive social change and can usually provide help when setting up a co-operative. For more information and details of their publications, visit their website [www.radicalroutes.org.uk](http://www.radicalroutes.org.uk) call 0845 330 4510 or e-mail [info@radicalroutes.org.uk](mailto:info@radicalroutes.org.uk)

Catalyst Collective offer worker and housing co-op registration and support. For further details visit their website [www.catalystcollective.co.uk](http://www.catalystcollective.co.uk) call 01600 775414 or e-mail [catalyst@co-op.org](mailto:catalyst@co-op.org)

## How to contact us

Please contact any of our mortgage staff to discuss a potential mortgage or possible project on 0845 674 5566.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**