

Summary of Research Findings and Learning Points from the Pilot VRTB Programme

The Research Approach

- The research team was commissioned in January 2016 by the National Housing Federation (NHF) and the five pilot housing associations to assess the lessons from the pilot programme for the Voluntary Right to Buy (VRTB). This report on the action-learning study is based on several data sources: management information data on VRTB applicants provided by the pilot associations and the NHF; an analysis of 428 of the application forms returned to the pilot housing associations in response to the launch of the pilot programme at the end of 2015; an online survey of 668 tenants who had expressed an interest in, or had applied for, VRTB (April 2016); a follow-up online survey of 126 tenants who were still in the process of applying for VRTB (August 2016); qualitative interviews with 34 tenants examining their reasons for applying, their experiences of the process and their financial position in terms of their intention to purchase; and ongoing in-depth interviews and discussion with senior officers in the pilot associations.

Key Research Findings

- **There was a fairly strong level of interest in VRTB as a proportion of those tenants who were living in eligible properties to apply.** Twenty seven per cent of respondents living in properties eligible for VRTB overall expressed interest in VRTB, rising to around a third of tenants in two of the pilots (L&Q and Sovereign). However, at the time of the most recent analysis (November 2016), just six per cent of households in eligible properties had made an application. The highest proportion, nine per cent, was in Riverside. This proportion is, however, likely to be an underestimate of final demand for the VRTB for a number of reasons: some applications were still working through the system; one pilot (L&Q) had been compelled to ration demand to make the process manageable, some tenants were waiting for the national scheme before applying; and, for those living in excluded properties, the possibility of a portable discount was not available in the pilot programme.
- **The majority of those tenants expressing an interest in VRTB found the process of applying relatively straightforward.** Few applicants were deterred by having to pay the £250 administration fee at a relatively early stage in the process. This reflects their

strong motivation to purchase and to take advantage of the discounts offered if they could secure the necessary finance to do so.

- **VRTB is providing the opportunity for home ownership to many tenants who would not otherwise have been able to buy their own home.** Only 16 per cent of respondents thought that they would have looked to buy on the open market if VRTB had not been on offer; 62 per cent thought they would have continued to rent from their landlord. This highlights the extent to which VRTB is seen as a once-in-a-lifetime opportunity by many tenants.
- **Those who had applied were very strongly motivated to go through with the purchase.** Their motivations reflected a preference for owning their own home (41 per cent of respondents said they would prefer to be a home owner), legacy, housing security for their family (28 per cent said it would give them something to pass on to their children) and opportunism (17 per cent said it was an offer too good to refuse).
- **When making applications for VRTB, there was a widespread lack of knowledge among tenants about the eventual discounted price.** Seventy one per cent of respondents in April 2016 said they did not know what the purchase price of their property would be, while 21 per cent said they had a rough idea. However, even those tenants who had undertaken some research into local property prices from websites often found that there were few comparables to give them an idea of the price prior to receiving the valuation.
- **The average valuations of VRTB properties varied widely, reflecting marked local housing market differentials between the pilot areas.** By August 2016, the average valuation figure for L&Q properties (£374,800) was four times greater than for Riverside properties (£93,600).
- **By treating the discount as a deposit, lenders were prepared to offer mortgages at relatively high multiples of household income, raising concerns about future financial risk for some applicants.** Over 70 per cent of Riverside applicants had received valuations that were less than four times their household income (including those who could purchase outright). This compared with just a third of Sovereign applicants and less than 30 per cent of L&Q applicants. One fifth of Sovereign applicants, and 37 per cent of L&Q applicants, had received valuations that were over *six times* their income. It is likely that a proportion of this latter group will not be able to secure a mortgage sufficient to purchase. Nevertheless the findings do raise questions about potential risk and financial vulnerability among some VRTB applicants, especially if economic indicators (such as interest rates) were to change in the future. Nine out of the 21 L&Q households who had completed the purchase of their homes by November 2016 with a mortgage had received a mortgage at more than four times their income.

Main Learning Points from the Pilot VRTB Programme

- The pilot programme was an effective and valuable testing ground for the VRTB process, especially in view of the speed at which the five pilot housing associations had to launch and administer the programme. This success was aided by the strong commitment to mutual learning across the programme and the diversity of the housing markets covered by the pilot associations.

- The very strong motivation to purchase by applicants meant that most of them were not deterred by administrative hurdles such as the application process, verification of tenancy records or the payment of the administration fee at an early stage in the process.
- The impact of any delays to the application process, or where applications were 'paused', produced a very negative and anxious response from those applicants being held in the queue. This has direct implications for the management of the expanded regional pilot and eventual national programme, given the likely scale of overall demand. Restricted access to the VRTB programme, followed by greater certainty about being able to purchase within a set time frame, would be preferable to more open access initially, followed by an indeterminate wait.
- There is a judicious balance to be struck between the competing claims of allowing housing association discretion in the implementation of the regional pilot and the national scheme on the one hand and promoting consistency across the programmes on the other. Any differences of approach in these schemes will be magnified in those areas where more than one housing association owns stock. For example, it would be possible that housing associations might treat properties in the same area (or even next door to each other) differently in relation to exclusions. Such territorial overlaps were explicitly avoided in the pilot programme.
- Reasons for property exclusions which were not easily explainable to tenants (obscure covenants, idiosyncratic s106 agreements, cost floor problems) caused intense dissatisfaction, especially where these only became evident later in the application process. This may be partially mediated by the option of the portable discount in the full scheme, but associations would be well advised to examine any apparent anomalies of this kind as soon as possible once the details of the expanded regional pilot and then the national programme have been made clear.
- While some of the direct consequences of VRTB on administrative workloads can be scoped in advance, additional pressures are likely to ensue from managing and communicating with pro-active and engaged applicants, securing valuations and signposting to other legal and financial services. The scale of this workload will be difficult to anticipate in advance, when the expanded regional pilot and national programme are launched.
- It is likely that many housing associations will need to review and strengthen their systems for fraud protection and investigation in advance of the VRTB scheme being launched.
- It is difficult to gauge the underlying level of demand for VRTB at this stage, especially given the lack of detailed provisions about the full scheme at the time of writing. There is some evidence that lenders in high value areas will be prepared to lend at relatively high (above four times) mortgage to income ratios. This in turn raises questions about the potential financial vulnerability of some applicants who are stretching their resources close to the limit in order to complete their purchase.
- Although it is too early to assess effective demand for the VRTB it is possible to predict that geographical patterns of demand will be uneven, with certain locations (as well as certain property types) likely to be over-represented in sales. In lower value areas, for example, purchase is likely to be more affordable.