

## **2.9 Deputy G.C.L. Baudains of St. Clement of the Minister for Housing regarding regarding an alternative to the States Loan Scheme:**

This is a follow-up question to that which I put to the Chief Minister recently. I see collective responsibility is now extended direct from the Minister for Housing. Further to my question on 15th May 2012 regarding the States loan scheme, would the Chief Minister advise whether any homeowners are still using it, why it has been decided not to reintroduce it, and what research and consultation has taken place on the alternative scheme as outlined recently?

### **Deputy A.K.F. Green of St. Helier (The Minister for Housing):**

The States loan scheme was established in 1950 because at the time the local banks had not become involved in lending for house purchases. This has obviously changed and while we still have 200 longstanding loans remaining, the scheme is largely inactive. As to expanding the scheme, this would have very significant costs and could mean that house prices would rise in response to a significant increase in the credit market. Instead, I would suggest that we need a response that meets the challenge of our time, in particular, one that addresses the inability of many households to raise a deposit. This is why, along with the Minister for Treasury and Resources, we are developing the States Deposit Loan Scheme to lend money for deposits to first-time buyers at a low interest rate. The scheme is currently being researched by officers and recognising that it is not without difficulties or challenges, it will be consulted on before it is introduced.

### **2.9.1 Deputy G.C.L. Baudains:**

I am concerned about the new scheme. Would the Minister comment on whether he believes it is going to work? My understanding is that it is to subsidise the deposit. Surely a bank who would then be covering the mortgage later on will look at this and say: "Well, hang on, the applicant already cannot afford the deposit and is paying interest on a sum for the deposit, so we are therefore not going to issue the mortgage in the first place."

### **Deputy A.K.F. Green:**

The Deputy expresses a concern that we had when we were first looking at it. We have discussed with potential lenders the opportunity of what would be known as a second charge. Clearly, the bank would expect to have the first charge. I have to say that we are going to help people - if we get the scheme off the ground - with their deposit. We are not going to give them the whole deposit. We will expect them to have made some contribution and some savings in the past but we are going to assist people to get on to that first rung of the homebuyer system. So the Deputy is right. There are difficulties but we have been in consultation with the banks and we believe that we can get a scheme that will work.

### **2.9.2 Deputy G.P. Southern:**

Has the Minister noted the comments of a leading mortgage broker on the Island to suggest exactly that the total borrowing would be taken into consideration and that this does not help? Furthermore, does he accept that the overall problem is the sheer unaffordability of housing in Jersey and his task is to build houses cheaper?

### **Deputy A.K.F. Green:**

Dealing with the second part of the question first, that is one of the problems. Housing is unaffordable for many families even on a reasonable salary, and that is one of the challenges that I need to take up. Of course, part of meeting that challenge is the increase in supply. I accept that and I take that very seriously and that is why we need a Strategic Housing Unit that will provide a strategy for housing right across the Island and help with solving those problems. I have noted the comments of a leading mortgage lender. It is quite interesting that he encouraged people to go and visit his establishment.

### **2.9.3 Senator L.J. Farnham:**

The Minister mentioned there were some 200 longstanding loans remaining from the original scheme. Does he happen to know the value of the debt outstanding and generally is the debt safe?

### **Deputy A.K.F. Green:**

I do not have the total value of the loans outstanding but I am quite happy to get that and pass it on.

### **Senator P.F.C. Ozouf:**

If it helps, it is £4.6 million.

### **2.9.4 Deputy G.C.L. Baudains:**

I think we all subscribe to the view that homes are too expensive for first-time buyers, they cannot afford them. Does the Minister agree with me that by creating - if we should ever manage to do it - lower cost housing for first-time buyers, then we would be creating negative equity for existing buyers and that they would be then exposed to the bank? Whereas if we were financing it ourselves, through something like the old States loan scheme, then we might be more relaxed about it than a bank.

[10:45]

### **Deputy A.K.F. Green:**

The Deputy makes a very valid point and this is one of the challenges. The last thing we need is to see are families in a negative equity situation. Some of us have seen that in the U.K. in the past and know how difficult that is. At the same time, I have a challenge to provide homes that more families can afford. This is all part of the challenge that I have to meet. I think one of the best things that can happen at the moment is that prices remain stable to enable people to invest in a home rather than invest and speculate. It is home ownership we want to encourage not speculation.