Living in an Affordable Home/Clawback

Affordable housing schemes have been discontinued. However if you were one of the affordable home buyers in the last number of years, the following information may still be relevant for you.

Affordable homes were provided for people who could not afford to buy a home on the open market. They were provided at a discount to the market price on the condition that you had to live in it.

If you sold it within 20 years, you had to pay back a percentage of the sale price to the local authority. This is known as a 'Clawback'.

Selling an Affordable Home

If you sell your affordable home within 20 years of buying it, you must pay back to the local authority an amount known as the 'clawback'. This applies whether you have a local authority mortgage or a mortgage with a bank or building society.

How Does the Local Authority Calculate the Clawback?

When you bought your affordable home, you got it at a discount to other similar properties on the market. The clawback is based on the percentage discount you got when you bought your affordable home. If you decide to sell your home, the local authority applies this percentage to the price you get for the sale, depending on the current value of the property. Depending on the value of your property when you sell it, the calculation of the clawback may vary. Examples of different scenarios are set out below.

Generally, if you **sell within the first 10 years**, you must pay back the **full percentage** from the sale that you got as a discount when you bought your home.

After 10 years, the percentage you must pay back reduces by one-tenth for each full year you live in your home. If you sell your home **after 20 years**, **you do not have to pay any 'clawback'** to the local authority.

Example of How the Clawback Works

John and Mary bought an affordable home. The market value of this property was €280,000, and they bought it at an affordable price of €196,000. So, the market value discount to John and Mary, which is known as the clawback, was 30%.

Scenario 1 – if they sell the home for less than the affordable price
If the market value of the home decreases below the original affordable price of the home, and the home is sold at this lower price, then no clawback is payable to the local authority.

Scenario 2: if they sell after 20 years
If John and Mary sold their affordable home after 20 years, they would not have to pay any clawback to the local authority as the clawback charge is discharged after 20 years. However, they would have to repay any money owed to the mortgage lender to clear their mortgage.

Scenario 3 - If the Market Value of the Affordable Home Decreases
If John and Mary sell their home and the market value has decreased from €280,000 to €210,000, then the clawback would be reduced so that it does not reduce the proceeds of sale below the price they paid. So they have to pay back €14,000 to the local authority when they sell in addition to any money owing on their mortgage.

Scenario 4 – if the market value of the affordable home increases:

If John and Mary sell their home for a higher amount than the original market value for example, €330,000 after five years, the clawback would be €99,000 (30% of €330,000). They would have to pay back €99,000 to the local authority. They would also have to repay any money owed to the mortgage lender to clear their mortgage.

The above covers the main scenarios.

For further information please contact the Loan Accounts Section directly.