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Maureen Watt MSP  
Convener  
Infrastructure and Capital Investment Committee  
Scottish Parliament  
EDINBURGH  
EH99 1SP



5 March 2012

Dear Maureen

I have announced today that the Scottish Government will offer a guarantee to support the launch of a mortgage indemnity scheme for new build housing in Scotland. Over a three year period the guarantee would support the purchase of up to 6,000 new build houses and flats, with a maximum price of £250,000.

My intention is that the indemnity scheme, which has been developed by Homes for Scotland following the receipt of £250,000 loan and grant funding last June, will provide a real and vital contribution to Scotland's construction sector and wider economic growth. The commitment of a guarantee will unlock the increased availability of high loan to value mortgages for new build housing in Scotland, helping credit-worthy households who are currently unable to buy a new home due to high deposit requirements, supporting housebuilding activity and jobs and boosting Scotland's economy. Homes for Scotland have estimated that over three years the scheme could create or safeguard 22,800 construction jobs and over 650 apprenticeships.

The guarantee will sit behind indemnities provided by participating housebuilders and will only be called on in the event that the funds set aside by a housebuilder in a cell within the scheme are fully exhausted. We will set an overall limit to our potential exposure.

The commitment to provide a guarantee will enable further work to be done with Homes for Scotland and the Council of Mortgage Lenders to finalise the details of the scheme, including to confirm participating lenders and housebuilders. A further announcement will be made once those discussions have concluded and the scheme is ready to be launched.

I would be happy to meet with the Committee to discuss this in more detail.



ALEX NEIL