

# Frequently Asked Questions for Investors

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## 1. Why should I invest in a Hope into Action house?

There are so many reasons! We're told in The Acts of the Apostles that the believers 'shared everything they had so there was no needy amongst them' (Acts 2 and 4). How do we do that in our society? Christians are very good at tithing and giving, but what about sharing? Sharing is arguably more difficult than giving: When my daughter was young and shared her favourite toy she expected it back and had to trust the recipient to look after it. When she gave away her sweets she didn't mind what the recipient did with them.

**Our mission is to show Christians a wise, responsible but also radical, loving way to share their resources with the poor.** Currently Christians are sharing billions of pounds with the rich by putting money in banks that invest money with wealthy businesses, or by investing in stocks and shares etc. We see a time when Christians are serving thousands of homeless people in this country through wisely sharing their wealth with the poor.

Hope into Action was started by people who believe that the local church can have a vital role to play in helping people who are in a vulnerable situation. Hope into Action provides a relational, holistic model which meets the needs of the vulnerable and, in partnership with the local church, helps them transition into a local community. The model is proving to be successful with tenants, churches and investors. The need is enormous. We'd love you to help meet that need.

**That's the summary, but here's more detail if you want to think more about why you should invest:**

The Bible uses words like 'give to' but it also uses words like 'share.' The current paradigm and culture in our country is to give away 10% of our earnings to a good cause and save or spend the rest elsewhere. Hope into Action are saying that as part of your investment portfolio why not 'share' your money with the poor by investing in a house?

Jesus told a parable about a man who stored his wealth in barns. He said to the person who did so 'you fool.' Currently Christians have £billions 'stored up in barns' (banks, stocks, shares, ISAs, pensions). The church also has £billions stored up in barns. Would Jesus think this wise? We want to encourage Christians to 'share' their money with the poor.

The parable of the talents immediately precedes the verses about 'when I was hungry you fed me, in prison you visited me etc.' (Matt 25). Jesus linked money and values. We are giving people a way they can do the same.

So what we are doing is saying that as part of your investment portfolio please invest also in the poor. We believe that Christians have a responsibility to be wise stewards of the resources God has given them custody of. This model fulfils so much of what Jesus spoke

about money: We are giving people a way they can 'fulfil the parable of the talents', 'serve the poor', 'build up the church', 'build up their riches in heaven', 'provide the poor wanderer with shelter', 'not store money in barns' all in one stroke.

Doing so will lead to a more just society: when you put money into stocks and shares you are sharing your money with those who already have plenty, enabling the rich to get richer. In itself, there is nothing wrong with wealth but in part this leads to a greater gulf between rich and poor and a more divided society. By putting money into homes for the homeless the poor benefit from your wealth.

Most importantly for us, however, each house is in partnership with a church who provide pastoral support in partnership with our professional workers. In such a way we are able to provide a holistic, professional, long-term relational approach to the poorest in our cities and towns without having to dilute the gospel. As a result Hope into Action are seeing people give up crime, come off drugs, get jobs and turn their lives around.

Just imagine how much money is saved by Christians in England, then think what God might be able to do with that wealth if it was released? If that money, held by Christians, stored up in barns, was shared, then we might be able to see the churches once again at the fore-front of social reform in the area of homelessness offering a more community based response to homelessness.

Accessing this source of finance means that we can build a model of housing provision that is not dependent on Government money. Not only does this save the taxpayer money, but it allows us greater freedom, within the requirements of legislation, to house and help the homeless in a flexible and responsive way.

## **2. How much can I invest?**

Nationally the majority of Hope into Action houses are owned by single investors. However several are now owned by multiple investors. For example in Nottingham 12 people came together investing £10,000 each to purchase a house. We can help with this model in terms of the legal framework.

We have a minimum investment of £5000, but no maximum! The reason for the minimum is that the cost of administering reports and payments to multiple investors with small investments would be prohibitive. However, you are welcome to make gifts / donations of any sum you wish, as at this stage we are not covering the overhead costs of running the project from rental income. Every investment and gift, however small, will be used to boost the effectiveness of the project in transforming the lives of some of the poorest people in our society.

### **3. Can I own more than one house?**

We have no problem with investors owning more than one house in partnership with Hope into Action.

### **4. Can I withdraw my investment?**

When you invest you agree to sign the house over to us on a 5 year business lease. If you needed to 'withdraw' your investment this could only be done at the end of the lease period. We would hope that investors agree to renewing the lease at each 5 year point but you are completely at liberty not to do so.

In the event of a 'force majeure' we would of course do all we can to facilitate you with drawing your investment including either selling the property or looking for another investor.

### **5. What is the return on investment?**

Primarily the return you'll receive is a spiritual and social return! Through your investment we pray that lives will be transformed, and will work towards that end in conjunction with a local church.

Financially you will receive up to 2% return on investment (per year) – which is similar to putting your money in an interest-bearing bank or building society account. However, you will also gain from any capital growth should the property be sold at the end of the lease period. Please be aware that property values can also fall.

### **6. Are returns paid on investments from date of purchase or start of 'tenancy'?**

Once the house is 'tenant ready' you would sign and date a business lease and we start paying a return from that date, not before. We would work with you to make the house tenant ready as quickly as possible after completion of the purchase.

### **7. What happens if an Investor does not want a return?**

This is entirely up to the investor. Some of our investors are happy not to have a return and we are happy with this arrangement also.

### **8. Is the return of 2% based on achieving full occupancy?**

No. We take the risk. If full occupancy we will make a surplus. If not, then we won't. This incentivises us to run full occupancy and serve as many people as possible.

## 9. What type of property would you help me purchase?

The typical HiA house is located in a good, non-prime residential area which is not recognised for having serious social problems. Some tenants will need as much help as possible not to fall back on old habits, so we try to locate them away from areas known for high crime rates, drug dealing or prostitution.

Houses will generally be of traditional construction with two or three bedrooms and could be detached, semi-detached or terraced. Flats are also an option in some circumstances.

Before being suitable for occupation by two or three tenants, it will most likely require some refurbishment, redecoration and adaptation for its new use as a shared house with private rooms and shared facilities (technically a House in Multiple Occupation or HMO, although not licensable due to its size or number of residents).

A key issue is affordability. This means that houses in some areas are unlikely to be suitable. We also recommend against buying in cul-de-sacs for reasons we can't state easily here. A house at the end of a street or a terrace are all good choices.

We would caution against buying a property which needs a lot of remedial work. Hope into Action always recommends that important remedial works are undertaken immediately to establish a good "baseline" for future maintenance. This is also in the investors' interest.

If the internal décor is excellent, it's a bonus, but in most cases a complete redecoration is needed. The cost of initial refurbishment and redecoration needs to be factored into the price and the cost to the investor, along of course with legal fees etc.

## 10. What information do you give me when purchasing a property?

We work closely with investors to see that properties purchased are both a reasonable price and suitable for the needs of our residents, in terms of size, location, proximity to churches, transport and other amenities etc. Ultimately, we are trying to create 'homes', not just houses made of bricks and mortar. So, the layout of a house, and the detail of refurbishment and furnishing, are all things we would talk about prior to purchase.

We recommend a full professional survey before purchasing.

We ask investors to sign a disclaimer saying Hope into Action are not liable for poor information. Ultimately, the purchase is your decision.

Investors can be as involved as they wish in the purchase and refurbishment of a property. Most investors want to seriously consider the house themselves and after we have explained what we are looking for, go out and purchase accordingly. The specifics are discussed in detail nearer the time of purchase and occupation, but in summary, we want to

reflect Christ's love for tenants through the quality of the house. If we give them clean, well-equipped and well decorated houses, they are more likely to respect and maintain the property.

### **11. How many tenants will live in the house**

Generally we look for three bedroom houses and put two tenants in. Each tenant has exclusive use of two rooms and share kitchen and bathrooms. Depending on the layout we may have to convert a bedroom into a lounge. However, we have a growing number of family houses for refugees or mothers with children for example. We also have some houses where tenants have one room each and a shared lounge. This is due to high property prices in some areas requiring a higher occupancy in order to make it financially viable.

### **12. Do I have to manage the property?**

No. We take all the management responsibility in terms of collecting rent, ensuring the house is maintained properly, and administering the legal agreements with residents. We will give you regular updates including a 6-monthly full, open and transparent accounting of the finances and condition of the house and, within the bounds of tenant confidentiality, how the tenants are doing. We'll have a coffee with you regularly if you so wish (and are local) and give our commitment to complete honesty in our dealings with you. We carry out, at a minimum, a monthly check on each house. There are no management charges to you as the investor (unlike renting through a commercial letting agency!).

### **13. Once the property has been purchased, what happens next?**

There are likely to be some initial refurbishment and decorating works necessary, for which investors need to set aside money above the purchase price. Once a house is established, the work of Hope into Action and the local church can proceed. As we and people from the church are talking and meeting with tenants on a weekly basis, we have an in-built way of assessing not only the tenants' well-being, but also the condition of the house.

### **14. Who does the repairs?**

We arrange for any repairs that are needed. We have a team of skilled volunteers who can do many of the jobs, or we have contractors we trust that we can call on.

Our tenants may have limited experience of maintaining a home. They may take the opportunity to develop these skills whilst living in a Hope into Action house. It will make their task easier if the furnishings and decoration are simple, robust and can withstand a good cleaning.

You can be involved as little or as much as you like in the initial refurbishment of the property.

### **15. Who pays for repairs?**

If they are major repairs, such as a new roof or a boiler breakdown (capital items), you as the owner will be liable for the cost of repair. These will always be discussed with you beforehand.

For minor repairs we or the tenant bear the cost. In the unusual event a tenant causes damage to the property then we will cover the cost of repairing that.

As the investor and owner of the house you are responsible for any initial refurbishment cost in order to get the house to a 'rentable' standard.

### **16. Who pays for insurance?**

You do, but there are companies that specialise in this field.

### **17. Who pays for council tax, water and utilities?**

We will cover the council tax and then we ask the tenants to pay the water and utilities. We usually put the utilities on pre-paid meters.

### **18. What happens if there is a dispute between investors and Hope into Action?**

Such a dispute could potentially arise over HiA spending an investor's money on repairs which the investor doesn't feel is really required, for example.

We would seek to reach a mutually satisfactory agreement. Ultimately the investor doesn't have to pay.

We work hard with investors to keep the relationship strong. Investors normally invest in and support the project because they are passionate about the church serving the poor, and not about the money! We try to make sure that you go into the investment with your eyes wide open!

### **19. What happens if an investor dies during the 5 year lease?**

We would be as supportive to the family as possible and if they want the house for other purposes then we would be happy, whatever is signed, to return it to them. We'd hope that the family would give us time to re-settle the residents elsewhere.

### **20. Can people invest through a SIPP or as part of their pension plan?**

Pension money transferred to a SIPP (Self-Invested Personal Pension) can only be used for purchase of Commercial property and as such cannot be used for HiA housing.

If the individual or individuals who wish to invest are eligible under new pension regulations

to use some of their pension for any investments of their own choosing then they may use these funds to invest into HiA housing.

In all cases their pension provider should be contacted to discuss use of funds and to provide independent financial advice.

## **21. Who does Safety checks?**

Hope into Action ensure all the safety checks, including gas and electrical safety checks which are done throughout the life-cycle of the 5 year lease.

## **22. Is it best to buy near the church?**

If possible we always like the house to be within 5 minutes walk of the church. Sometimes this isn't possible and a practical solution needs to be found.

## **23. In 5 years time what happens if investors want to pull out?**

Hope into Action and the other investors will look for other investors to buy out those who want to leave. In the event these cannot be found then Hope into Action will work with all parties to sell the property.

## **24. What happens if the house burns down and it is the tenants fault?**

We advise all property owners to get insurance and we advise on the particular insurance which covers for this eventuality.

## **25. Are the tenants sourced/ chosen independently of one another?**

Yes, with independent risks, needs and strengths assessments. The exception to this is a family unit.

## **26. Do churches invest?**

Yes. We strongly encourage churches to invest.

## **27. What about Stamp Duty Land Tax (SDLT)?**

SDLT rates and thresholds change from time to time. For latest rates see

<https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>

If one investor owns another house then all other investors must pay the higher rate of SDLT for a second property.

Charitable Trusts are granted relief from SDLT. This includes if they are only one of several investors, on their share of the investment. This should, however, be checked with your



solicitor. See here for more information: <https://www.charitytaxgroup.org.uk/tax/stamp-duty/stamp-duty-land-tax/charity-relief/> and <https://www.gov.uk/hmrc-internal-manuals/stamp-duty-land-tax-manual/sdlm26005> .

## **28. Can it work with Churches Together?**

Yes. However, one church needs to be the lead church and have responsibility for signing the SLA (Service Level Agreement) with Hope into Action and managing the volunteers.

## **29. Do Investors get reports?**

Yes. Every 6 months.

## **30. Can I trust you?**

We hope so! Hope into Action has been operating since 2010 is both a registered Charity and Company, financially transparent and operates under a committed Christian Board of Trustees which includes people with business and property skills. We also have an Advisory Board made up of people with a wide range of skills, and skilled paid Christian staff who together have many years of experience in Project Management and support for vulnerable people.

Hope into Action was started in 2010 in Peterborough. Since then we have worked in many parts of the country and have opened over 100 houses, in partnership with churches supporting the residents of those houses.

## **31. What are the risks or drawbacks to investing in this project?**

If you are looking for a significant financial return this project is not for you. We know that you can earn much more from a traditional buy-to-let property. However, we believe the 'Kingdom returns' far outweigh the monetary returns! We're looking for investors who are passionate about seeing the lives of the poor transformed by sharing their wealth.

Any investment bears some element of risk. House prices may fall (although we think this is unlikely over the long term), so the value of your investment could go down as well as up, and if the house was sold you could receive less than the amount you invested. Please note that we are not qualified to give financial advice, and the final decision about investment will always be your responsibility.

Whilst we screen tenants carefully and each tenant signs up to having support from our staff and mentoring from a local church, we will be renting your house to people who may have (had) chaotic lifestyles. In itself this presents a risk. Your house could be the one that gets burnt down! We hope that will never happen, and you will need to insure against such an event, but the risk exists.

You are tying your money up for at least 5 years. If you can't commit to investing for at least that long, this project is not for you.

Because prospective tenants are carefully assessed by us, there is a reduced likelihood of tenancy turnover or rental default, but these risks exist as with all tenanted properties. When Hope into Action and its partners have played their part, it is normal for tenants to move on in their lives, and new people take their place.

### **32. Conclusion**

We hope that having seriously considered all of the above you will be willing to work with us, investing in a property so that we can provide a home to vulnerable people, with support in partnership with a local church.

If you have any further questions we would be very happy to talk with you. Please contact us by Email: [info@hopeintoaction.org.uk](mailto:info@hopeintoaction.org.uk)

or via our website: <https://www.hopeintoaction.org.uk/contact>

Franchises – please feel free to insert your contact details here:

**N.B.** None of the content of this document is to be viewed as contractual. Individual circumstances may apply.