

Have you heard about Shared Ownership?

A guide to buying a home from a housing association in stages



INTRODUCTION

If you would like to buy a home of your own but can't quite afford to, shared ownership may be what you are looking for.

This booklet is a general guide to how shared ownership works. Housing associations running the scheme will be able to provide you with more detailed guidance.

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QUESTIONS AND ANSWERS

What is shared ownership?

Shared ownership was introduced to help people who cannot afford to buy a home outright. Through shared ownership you buy a share of the property and pay a rent on the remaining share you do not own. Gradually you may buy further shares and eventually own your home outright.

This leaflet tells you about the shared ownership schemes offered through housing associations and financed by the Housing Corporation.

What is a housing association?

They are non-profit making organisations who provide and manage homes for rent and sale for people in housing need who cannot afford to rent privately or buy. Most housing associations provide housing with the help of public money given by the Housing Corporation or a local authority; in some cases, the association may provide housing using its own money.

Housing organisations registered with the Housing Corporation are legally known as registered social landlords. In this booklet the term 'housing association' will be used to mean 'registered social landlord'.

Where does the Housing Corporation fit in?

The Housing Corporation was set up by Parliament in 1964. Our job is to fund homes built by housing associations from money we get from central government. We also make sure that the money is well spent and provides good quality homes and services for residents.

Housing associations must be registered with the Corporation before we can give them public money. Once registered, housing associations are monitored and regulated by our staff to help maintain a good standard of management of their property and finances.

Who can buy through the shared ownership scheme?

The scheme is intended for people who cannot afford to buy a suitable home in any other way. They must be in housing need and be unable to afford outright purchase. Priority will normally be given to existing public sector tenants or those on local authority or housing associations' waiting lists.

Although you have not bought the property outright, you will have the normal rights and responsibilities of a full owner-occupier. You are advised to ask your legal adviser as well as the housing association if there are terms you do not understand.

Can I buy a shared ownership home with someone else?

Up to four people can become joint owners but all joint applicants must individually and jointly meet the eligibility criteria. Ask your solicitor/licensed conveyancer to advise you.

What kind of property can be bought through shared ownership?

Shared ownership homes may be new or renovated flats or houses which are sold through housing associations. Prices vary according to location but are expected to be within the means of those people who cannot afford the prices of properties available for sale in the open market.

How does shared ownership work?

The scheme allows you to purchase a share of a property usually from a housing association. The share you purchase is funded by a mortgage which you will need to arrange with a bank or building society. The remaining share you do not own is rented from the housing association.

The size of the share to be purchased will depend on your income and savings. Normally applicants buy a 50% share but you may purchase a smaller or larger share (to start with, you can buy as little as 25% or as much as 75%). The higher the share you purchase the less rent you will have to pay. You will also have to pay a service charge when you buy a flat. Later on, if you wish and can afford to do so, you can buy further shares until you own the property outright.

Remember that house prices can go up or down. This means that sometimes you might pay more for buying additional shares or have to sell at a price less than you originally paid.

When you purchase through shared ownership, the housing association will grant you a lease which sets out your rights and responsibilities.

Please see page 7 for a step-by-step guide to purchasing a shared ownership property.

What does the shared ownership lease entitle me to?

Whether you buy a house or flat under shared ownership terms, the housing association will grant you a lease usually for 99 years. It will entitle you to live in your home as an owner-occupier. It will also entitle you to buy further shares in the property and sets out how you can do this. It also states that you can sell your property.

Other points covered in the lease set out your responsibility for repair and payment of rent and service charge. Although you have not bought the property outright, you will have the normal rights and responsibilities of a full owner-occupier.

If you have any questions on how the scheme operates ask the housing association selling the property. You are also advised to take your own legal advice on the terms and conditions of the lease.

THE COST OF BUYING YOUR OWN HOME

It is important to give careful thought to the costs and responsibilities of buying your own home. You will need to do some careful calculations to help you decide how much you can afford to spend on buying and running a home. You may also want to contact a housing advice centre for guidance and there are a number of books and magazines about buying a home which you may wish to look at.

What are the initial costs of a shared ownership home?

You will have to pay for:

Survey

You may wish to have your own, independent survey which you must pay for.

Legal fees

You are advised to get a solicitor/licensed conveyancer to help you with buying your share. It is worth asking for an estimate before engaging a legal representative, as fees vary.

Deposit (if required)

Stamp duty

This is a form of tax on the transfer of property. You should check with your solicitor/licensed conveyancer whether stamp duty is payable at the time of your purchase. If stamp duty is payable, you can either pay duty on your share or on the full value of the property. Your solicitor/licensed conveyancer should be able to advise you on which option to take.

Mortgage indemnity insurance (if required)

Removal costs

You will need to consider the costs of removal. These can be quite large if you are moving several miles from the area in which you currently live.

What are the running costs?

Mortgage repayments

You may need to borrow all or part of the cost of your share from a building society or bank. Repayments will vary as interest rates change.

Rent

The monthly rent will be a proportion of the total rent for the property, calculated by the housing association based on the proportion of the share you do not own. For example, if you own a 50% share you would pay 50% of the total rent. This rent will take into account the fact that you are responsible for the costs of building insurance, maintenance and repairs. It will therefore be less than the normal rent you would pay if you were renting the whole property. The rent will usually be reviewed every year.

Council tax

You will have to pay the council tax to the local authority.

Repairs, insurance and service charges

If your home is a house, you will be responsible for all repairs and redecoration both internally and externally. The housing association will insure the structure of your home and you will have to pay a small management charge to cover this and to help meet the costs of rent collection. If your home is a flat, you will be responsible for all repairs and redecoration internally. The housing association will undertake to keep the building in which your flat is situated in good structural repair, to keep the structure insured and to keep any common parts, such as the staircase and corridors, decorated, clean

and lit. You will have to pay a share of those costs. This is called a *service charge*. The housing association must tell you how the service charge is spent and you will be consulted before any major repair or maintenance work is put in hand.

Heating and lighting bills and water and sewage charges

You are responsible for your own bills.

Fittings and furniture

You are responsible for supplying your own fittings and furniture and for the cost of insurance for the contents of your home.

A STEP-BY-STEP GUIDE TO BUYING THROUGH THE SCHEME

How do I buy a shared ownership home?

Step 1 — applying to buy

- The housing association sends you details of the scheme and an application form.

Step 2 — the housing association's response

- If they consider you a suitable applicant, they will usually ask to meet you to talk over your application.
- If successful you will be invited to view the property and told the purchase price. The price is usually based on an independent qualified valuer's valuation.
- If you want to go ahead and buy, you agree the size of share you wish to buy and then arrange your own mortgage.

Step 3 — arranging a mortgage

- If you already save with a building society/bank, approach them first.
- If your building society/bank would like to see a copy of the lease, ask the housing association to send them one.
- In some cases the housing association may be able to help you arrange a mortgage. They should certainly be able to recommend local building societies or banks which they know to be helpful.

Step 4 — purchasing the home

- Once the building society/bank has offered you a mortgage, let the housing association have the name and address of your solicitor/licensed conveyancer.
- The housing association then sends a copy of the draft lease to your solicitor/licensed conveyancer, who advises you on what it says, approves it on your behalf, makes a local authority search, and investigates title to the property.

- The housing association will advise you of the amount of rent and service charge you will have to pay on the remaining unsold share.
- The purchase can then be formally completed and the house or flat will be yours.

Take this leaflet with you when you first contact a building society/bank or solicitor/licensed conveyancer.

Step 5 — buying further shares in my home

- If you want to buy a further share, you will first need to tell the housing association in writing the share you wish to purchase. The detailed procedure is contained in your lease. Your association will get the property valued when it receives your letter and will let you know the cost of the further share. You will have to pay the valuer's fee. You should be given three months to arrange a mortgage and complete the purchase of the further share.

ADDITIONAL INFORMATION FOR SHARED OWNERS

Can I make improvements or alterations to my home?

If you wish to improve your home or make structural alterations to it, you must request the housing association's written agreement to what you want to do.

What if I fall behind with my mortgage repayments?

The mortgage contract is between you and your building society/bank. If you begin to have financial problems which may mean you cannot pay your mortgage, you should let them know as soon as possible. If you do fall behind on your payments and cannot agree on a solution with your building society/bank, there is a risk that they will take possession of your home and sell it. You would be entitled to your share of the money received, after all your debts have been paid.

What if I fall behind on my rent or service charges?

Under the lease you will be obliged to pay the rent and service charge. Again, if you find you have financial problems, get in touch with the housing association to see if they can advise you.

What do I do when I want to sell?

You may sell at any time but you must tell the housing association in writing that you want to move. You can either sell the part that you own or you can buy the remaining share and then sell the property outright. You will benefit from any increase in the value of the property according to the share you own, but you should be aware you may be affected by any fall in values.

Unless you own the property outright, clauses in the lease may enable the housing association to nominate prospective buyers and to restrict the sale price to an independent valuer's valuation. The reason for this is that they wish the property to remain available to the people for whom shared ownership is intended. Ask your housing association or legal adviser whether either of these or any similar clauses are included in your lease.

In some rural areas the housing association may restrict your ability to buy further shares in your home or reserve the right to buy back the property (at full market value). These arrangements are limited to rural areas and are intended to provide a means of keeping low cost housing for rural communities. The housing association will tell you if the home you want to buy is in an area where these restrictions apply.

OTHER HOME OWNERSHIP SCHEMES

Is there only one kind of shared ownership?

Some housing associations offer non-government funded shared ownership schemes that work on the same principles but some details may vary. Also, private developers offer shared ownership schemes where a wide range of conditions apply.

Are there any other home ownership schemes offered by housing associations?

The Housing Corporation funds a number of other low cost home ownership schemes designed to make it possible for people on lower incomes to buy a home of their own. These are outlined below:

Leasehold for the elderly. This scheme enables older people to buy a sheltered home from a housing association on a shared ownership basis. Depending on the money they have available, they can buy either a 25%, 50% or 75% share. As the scheme is intended to help older people, sales and re-sales are limited to people of 55 years or over. The maximum share that can be bought is 75% at which level no rent is payable on the remaining share.

Self Build. A group of people may form a 'self build housing association' to build their own homes. The Housing Corporation can help these groups to raise the money to develop these homes for shared ownership, outright ownership and rent.

Right to Buy. Some tenants of non-charitable housing associations have the right to buy their homes at a discount which depends on the number of years they have been a public sector tenant, subject to certain conditions.

Voluntary Purchase Grant. Some tenants of participating housing associations may be able to buy their homes at a fixed discount rate, which depends on the area where they live, subject to certain conditions.

Right to Acquire. A scheme that gives some tenants of housing associations the right to buy certain properties (built or purchased through social housing grant, or transferred from a local council to a housing association, on or after 1 April 1997) at a fixed discount rate which depends on the area where they live.

Homebuy. This scheme helps people who are existing council or housing association tenants or nominated by their council from the housing waiting list to buy a home on the private market. The purchaser needs to find 75% of the purchase price whilst the remaining 25% is covered by an interest free equity loan. This loan is repayable at 25% of the current market value when the home is sold, or during occupation if the purchaser wishes to buy the remaining 25%.

Leaflets of these options are available from our offices listed on the back page.

WHERE TO GO FOR FURTHER ADVICE

The Housing Corporation's offices listed on the back page can give you the names of housing associations who are developing shared ownership, or other home ownership schemes, in the area in which you wish to buy.

Your local housing advice centre or Citizens Advice Bureau should be able to give you helpful advice and more detailed local information. Your local authority may also be able to help. Some local authorities fund their own shared ownership schemes. Other organisations (e.g. house builders) may also offer schemes, but without government funding.

Bear in mind that demand for shared ownership homes is high and that there are relatively few homes available. In some areas there may be none. Even if you are accepted by a housing association as a suitable applicant, you may have to wait some time before a property is available.

Maple House

149 Tottenham Court Rd
London W1T 7BN
Tel: 0845 230 7000
Fax: 020 7393 2111
www.housingcorp.gov.uk

Central:

Attenborough House
109/119 Charles Street
Leicester LE1 1FQ
Tel: 0845 230 7000
Fax: 0116 242 4801

31 Waterloo Road
Wolverhampton WV1 4DJ
Tel: 0845 230 7000
Fax: 01902 795001

Trinity House
Cambridge Business Place
Cowley Road
Cambridge CB4 0WZ
Tel: 01223 393 516

London:

Waverley House
7–12 Noel Street
London W1F 8BA
Tel: 0845 230 7000
Fax: 020 7292 4401

North:

4th Floor
One Piccadilly Gardens
Manchester M1 1RG
Tel: 0845 230 7000
Fax: 0161 242 2001

1 Park Lane
Leeds LS3 1EP
Tel: 0845 230 7000
Fax: 0113 233 7101

St. George's House
Team Valley
Kingsway Trading Estate
Gateshead NE11 0NA
Tel: 0845 230 7000

South East:

Leon House
High Street
Croydon
Surrey CR9 1UH
Tel: 0845 230 7000
Fax: 020 8253 1444

South West:

Beaufort House
51 New North Road
Exeter EX4 4EP
Tel: 0845 230 7000
Fax: 01392 428201