

Your Guide to Shared Ownership



Homes that change
people's lives

What is Shared Ownership?

Shared Ownership is an affordable way to buy your own home. With Shared Ownership you can part-rent and part-buy a property. If you have a regular income but cannot afford current house prices, Shared Ownership could help you and start you off on the road to full home ownership.

Shared Ownership is usually through a Registered Provider such as Elim Housing. Registered Provider's are not-for-profit organisations who provide good quality affordable homes for rent and Shared Ownership. We build new properties specifically for Shared Ownership as well as taking them from developers on new housing schemes.

You will need to be registered with your local Homebuy Agent. For the areas we work in this is Help to Buy south.

Elim will retain the share of the property you do not buy and you will be charged a rent on this share. Shared Ownership is subsidised by the Government or is provided by a developer as part of their Section 106 Affordable Housing Contribution which enables us to charge an affordable rent.

How does Shared Ownership work?

If you bought a home from the open market, you would agree a purchase price through an estate agent. Then you would take out a mortgage to cover the total purchase price of the property minus any deposit you might have available.

With Shared Ownership the price of the property is fixed at the Open Market Value, this is assessed by a qualified valuer. We will agree the share of the property that you can afford based on government guidelines. This is referred to as the equity share. The deposit you need to pay will be based on the value of your equity share, not the whole property and you will only need to borrow enough to cover the share you are buying.

The total monthly cost of the rent plus your mortgage will be lower than the monthly cost if you bought the property outright with a mortgage as the rent you pay for share you do not own is subsidised.

For example:

Open Market Value of a house:	£200,000
Purchase of 40% equity share via a mortgage	£80,000
Typical Rent on remaining 60% of unsold equity	£275 pcm

Based on a rent of 2.75% of unsold equity each year ($\text{£120,000} \times 2.75\% = \text{£3,300 pa}$)

For legal reasons, while you are only buying a part-share of the property, you will have a leasehold interest of 125 years. However, you may buy further shares; this is called 'staircasing', and may eventually progress to outright ownership. Some properties have restricted staircasing which means you cannot buy 100% of the home. We would advise you of this before you purchase.

What will it cost me?

When you work out how much you can afford to spend, you should consider the following:

Mortgage payments

Your mortgage lender will let you know how much this is going to be, it is important that you can afford the repayments.

Rent payments

Your rent must be paid by Direct Debit each month, the rent is subsidised and is reviewed annually in line with inflation.

Service or estate charges

These charges will apply where there are communal areas owned by us. Purchasers of flats are usually charged a service charge which relates to communal entrances, bins stores or outside areas for example. Those purchasing a can be charged an Estate cost to cover the cost of grounds maintenance for landscaped areas for example. All properties are required to contribute equally to the appropriate charge.

Buildings insurance

This covers the rebuilding costs of your home in the event of a fire or disaster, but does not cover the cost of replacing your belongings. We will arrange buildings insurance for your home, which will be included within the service charge payment.

Contents insurance

This covers your personal belongings, furniture, carpets etc and needs to be arranged and paid for by you.

Other outgoings

You will need to allow enough money to cover all other day-to-day living expenses such as gas, electricity, water, food, Council Tax, repairs, decoration, maintenance and all other household bills.

Additional one-off costs before moving in

Valuation fee

This will normally be required and arranged by your mortgage lender, you will be required to pay for the valuation, so make sure you ask about the cost.

Survey

You may wish to have your own, independent survey undertaken by your own surveyor at your expense. However, it is worth noting that your home will benefit from a 10-year guarantee provided by Zurich/NHBC or Premier.

Legal fees

You will have to pay a solicitor to protect your interest when purchasing your new home. Your solicitor will also have to make payments on your behalf such as legal searches, Stamp Duty and VAT. Ask your solicitor to provide you with a fixed fee to act on your behalf in the purchase before you commit yourself.

Reservation fee

You will be asked to pay a £250 reservation fee to secure your home/plot. This is deducted from your final bill of sale. Please note that in most cases this fee is non-refundable if you do not proceed.

Stamp Duty land tax

This is a tax on the transfer of the property, which currently applies to purchases of £125,000 and over. If the property you are buying is over £125,000 even though you are only buying a 50% share, you will still have to pay Stamp Duty. It may be worth discussing the options relating to Stamp Duty with your solicitor as the rules are continually changing. If you only pay the Stamp Duty on the share you buy and subsequently staircase over the £125,000 threshold you will have to pay the remaining Stamp Duty on the value of the property at that time.



A step-by-step guide to buying

Please read all of the information contained in this brochure carefully so that you understand the process and your responsibilities.

Once you have a property in mind:

- **Make sure you can afford to go ahead.**
- **Seek advice** from a mortgage advisor, bank or building society about the cost of mortgage repayments. Think carefully about other costs such as rent, legal fees, removal expenses and on-going bills.
- **Get a Mortgage in Principle** certificate or letter from your mortgage lender.
- **Get written quotes from a solicitor** who will be happy to act for you. We recommend a fixed fee basis. **DO NOT INSTRUCT A VALUATION AT THIS STAGE.**
- **Register with the Homebuy Agent** - Help to Buy South West. You can do this online. If you qualify for the scheme we will then invite you to proceed. We will ask you to choose your plot and pay a £250 reservation fee.

Once we have invited you to proceed you should:

- **Advise us** of the name and address of your solicitor and your mortgage lender.
- **Instruct** a solicitor to act on your behalf and advise your mortgage lender to proceed.

Your Shared Ownership property

- We will send the necessary documents to your solicitor in readiness for completion.
- You will be asked to sign a purchase contract and shared ownership lease and contracts will be exchanged. If you are paying a deposit towards your mortgage you will need to pay it now.
- Once contracts are exchanged a date for completion will be set, the sale is legally-binding
- between you and the vendor once you have exchanged contracts. If you are renting your current home remember to give the landlord notice.
- Your solicitor will send you a statement showing how much money you need to pay to complete the purchase.
- On completion day your solicitor will forward the completion money and pass the deeds (the ownership documents) to your mortgage lender, as security for money you have borrowed on them, you will then be given the keys and can move in.

Your responsibilities

As a home owner you will have certain rights and responsibilities, these will include taking care of all the repairs and ensuring your home is maintained. You should understand that although Elim owns a percentage of the property, you will be occupying 100% of it and are therefore 100% responsible.

Our new build properties are covered by a 10 year NHBC, Zurich or Premier warranty against defects in workmanship. However the contractor is also responsible for correcting defects resulting from poor workmanship or faulty materials within the first 12 months following handover of the property to us. A Elim representative will visit your home, by appointment, to check that all defects have been satisfactorily rectified at the end of the 12 month period. If you wish to make any improvements or alterations to your property, you must first seek written approval from us.

This is not required for simple improvements such as redecoration. If you do make improvements or changes they will not alter the percentage share that you own and any increase in the property value will be split depending on the share you own. You may wish to discuss any increase in value before completing any alterations.

Buying further shares or selling shares

Buying further shares is known as 'staircasing'. If your lease allows you to do this, you will need to inform us in writing if and when you want to buy more shares. The current value of the property will need to be determined by a qualified valuer. Once we know the current value, we can work out how much you will have to pay for your extra shares. You will have to pay for the valuation fee yourself, along with the solicitor's fees, when you increase your shares. You will have three months from the date of the valuation to increase your share. You will never be required to increase your share; it will be entirely up to you.

When you decide to increase your share, we will reduce your rent by the same percentage. For example, if you decide to increase from 50% to 75% ownership, your rent will be decreased from 50% to 25%. Unless you staircase to full 100% ownership, your rent can never drop lower than £250 per year, as this is the minimum allowed under the Leasehold Reform Act 1989. You can increase your share by as much as you want but the minimum increase is 10%. You may sell your home at any time, before you do, you must tell us in writing that you wish to do so. If you do decide to sell your home, we ask that you advertise your property solely with Elim Housing or our agent for a minimum of 28 days, during this period we will try to find a suitable buyer. If you choose to use an estate agent they will charge you a fee.

Remember to advise the estate agent that your property needs to be advertised as a Shared Ownership property. Any potential buyer must complete an application form and be approved by us before the sale can proceed.

Glossary of common terms

Below is a brief explanation of the key terms you may come across when purchasing a home.

Agreement in Principle (AIP): Also known as a 'Decision in Principle' or a 'Mortgage in Principle', an Agreement in Principle is confirmation from a mortgage lender that they will lend you money as part of a mortgage towards a property.

Conveyancing: Conveyancing is all the legal work that needs to be done when buying your new home. You will pay a conveyancing solicitor to do this on your behalf.

Deposit: the amount of cash you pay upfront to purchase a home. This can be a percentage of the mortgage or share that you purchase. This does vary from lender to lender but usually starts from 5% of the property purchase price.

Eligibility Criteria: Requirements set by housing associations or developers regarding income, residency, and other factors to qualify for shared ownership.

Equity: Your share of ownership in the property, is calculated by subtracting the amount you owe on the mortgage from the property's market value.

Independent Financial Advisor (IFA): An Independent Financial Adviser (IFA) provides specialist advice on how to manage your money.

Mortgage: A loan used to purchase a property, with repayments typically consisting of both principal and interest. A mortgage cannot be used for decoration or debt consolidation.

Resale: The process of selling your shared ownership property to another buyer, often facilitated by the housing association to ensure compliance with regulations.

Service Charge: A fee paid by shared owners to cover the costs of maintaining communal areas and services within the property development.

Stamp Duty: Stamp Duty is the tax that buyers need to pay when purchasing a property. It does not apply to first-time buyers.

Staircasing: The process of buying additional shares in your property, gradually increasing your ownership percentage, and reducing the amount of rent paid.

Valuation: An assessment of the property's market worth, crucial for determining the price of additional shares during staircasing or when selling the property.

