

Original model

# Shared Ownership guide



## 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 start you on the road to full home ownership.

Shared Ownership is usually through a registered provider such as Two Rivers Housing. Registered providers are not-for profit organisations which offer good quality affordable homes for rent and Shared Ownership. Two Rivers Housing builds new properties specifically for Shared Ownership.

Two Rivers Housing 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, which enables us to charge an affordable rent.

## How does Shared Ownership work?

If you bought a home on 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, as assessed by a qualified valuer.

You borrow just enough to cover the share you are buying. This is referred to as equity share. The equity share amount will be an amount that you can afford, as set out under government guidelines.

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.

For legal reasons, while you are only buying a part-share of the property, you will have a leasehold interest. However, you may buy further shares. This is called 'staircasing', and may eventually progress to outright ownership.

Some rural properties have restricted staircasing which means you cannot buy 100% of the home. We would advise you of this before you purchase. If you are on one of these type of leases the property will always remain leasehold.

### Shared Ownership Criteria

- You must be unable to afford to purchase 100% of a property on the open market.
- In some areas you may need a local connection i.e. You must currently live/work in the area, have relatives in the area or have grown up there.
- We need to check that you are eligible for a mortgage and therefore need confirmation of how much you can borrow prior to accepting an offer. (Your mortgage broker will provide you with evidence).
- Your household must earn less than £80,000 per annum.

## 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 you can afford the repayments.
- Rent payments - Your rent must be paid by Direct Debit each month. The rent is subsidised and reviewed annually in line with inflation.
- Service charge - This charge will apply where there are communal areas owned by Two Rivers Housing. All properties are required to contribute equally to the cost of maintaining these areas.
- Buildings insurance - This covers the cost of rebuilding your home in the event of a fire or disaster, but does not cover the cost of replacing your belongings. Two Rivers Housing will arrange buildings insurance for your home, which will be included within the service charge payment.
- Contents insurance - You need to arrange your own contents insurance to cover personal belongings, furniture, carpets etc.
- Other outgoings - You need to budget 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 of the structure.
- 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 before you commit yourself.
- Deposit - 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 for Shared Ownership property - You may have to pay Stamp Duty Land Tax (SDLT) when you buy a property through a Shared Ownership scheme. This will depend on your own personal circumstances and the rules in place when you buy the property. Further information can be found at: Stamp Duty Land Tax - GOV.UK ([www.gov.uk](http://www.gov.uk))



## A step-by-step guide to buying

Please read all of the information carefully

If you are looking to buy a property or this is the first time you are looking at Shared Ownership, you need to get yourself mortgage ready.

**Even if you plan on using cash reserves your application will have to be signed off by an Independent Financial advisor.**

- Find out if you can get a mortgage. Think carefully about other costs such as rent, legal fees, removal expenses and on-going bills. Make sure you tell your mortgage broker that you are looking at buying a Shared Ownership property, as it is a slightly different type of mortgage. We can signpost you to a mortgage advisor who deals in Shared Ownership if you are unsure who to use. If you have any loans or credit cards, the balance of these will affect how much a mortgage company is prepared to lend you, so it is a good idea to try and reduce this **BEFORE** you look to buy a property.
- Save a deposit – Mortgage companies will expect you to put some of your own money into the property, so you will also be expected to pay a deposit – normally at least 5% of the share you plan to buy.
- Get written quotes, on a fixed-fee basis, from a solicitor who will be happy to act for you.
- We have a panel of recommended providers if you do not know anyone who deals with shared ownership properties.

## Finding your Home

All Two Rivers Housing Shared Ownership properties are advertised through TwoCan Estate Agent [www.twocan.estate](http://www.twocan.estate) . This includes new build homes as well as resales. Please read the particulars as some properties you need to meet a strict criteria to be able to purchase.

TwoCan and Two Rivers Housing will check your eligibility for the property as well as expect you to provide some personal information to carry our anti-money laundering checks. Once these enquiries are satisfied we then show you around the property or allow you to reserve 'Off Plan'. We will send you some Key Information documents on the property so you fully understand what

you are buying and any future costs you may incur.

If you want to purchase a new build home we will ask you to pay a non refundable £250 reservation fee. We will also need the name and address of your solicitor and your independent mortgage advisor will have to sign off that the purchase is affordable for you. We can recommend service providers if you are unsure.

## Shared Ownership allocation policy

The demand for our Shared Ownership homes far outstrips the supply, it is therefore imperative that we are clear in how we allocate and offer our Shared Ownership homes to prospective eligible customers.

In line with regulative guidance we have to be open in offering our Shared Ownership homes on a first come first served basis.

Our first come first serve policy at Two Rivers Housing is based upon;

- Whoever is first to pass their assessment and submit all their documents and meet any local connection criteria.

## Adverse policy

From time to time there will be customers who will have experienced circumstances beyond their control and have had a history of bad credit. We will consider these applicants based on their personal circumstances guided by the following:

Missed mortgage/rent arrears	If this has happened in the last 12 months, it won't usually be accepted. That said, we may consider the situation through an individual assessment with one of our approved IFAs.
Unsecured arrears	An individual assessment needs to be carried out by one of our approved IFAs.
County Court Judgments or registered defaults	None in the last 36 months. Plus, they must be satisfied prior to the mortgage application. They may be acceptable in the following situations: <ul style="list-style-type: none"><li>• All CCJs/defaults were registered more than three years ago and satisfied prior to mortgage application.</li><li>• All CCJs/defaults were satisfied more than 12 months prior to application regardless of date of registration.</li><li>• The CCJs/defaults in aggregate amount to less than £300, regardless of date of registration, and were satisfied prior to mortgage application.</li></ul>
Individual voluntary arrangement (IVA) and discharged bankrupts	IVA/bankrupts who have been discharged over three years ago and who have no residual debt may be accepted subject to individual assessment with one of our approved IFAs.
Repossessions	Not acceptable.



## What happens next?

The purchase process can take a number of months. On average you should expect for this to take 3-4 months in total:

- TwoCan will send out memorandum of sale to all acting parties. Your solicitors will then do the legal work for the purchase.
- Your solicitor will ask you to pay for certain checks up front such as searches. Searches tell you and your solicitor about the property, the area in which it is built and things that may affect you, such as rights of way / where the drains are located / flooding in the vicinity.
- Both sets of solicitors will talk to each other to resolve any queries that arise.
- Once your solicitor has done all their checks they will explain to you the terms of the contract you will be agreeing to, and they will ask you to sign a contract.
- You will need to provide your solicitor with a sales deposit. This is normally between 5 and 10% of the purchase price. The solicitors cannot proceed until this money has cleared their account.
- The solicitors will exchange the shared ownership lease and contracts. This legally ties you into the purchase. You will then agree a completion date.
- Your solicitor will send you your completion statement showing how much money needs to pay to complete the purchase. This payment normally includes your first months rent.
- On completion day your solicitors will forward the money to Two Rivers Housing solicitors. Once the purchase is complete we will release keys. (please note that completion can be any time in the day and keys cannot be realised until the solicitors have confirmed the transaction has gone through).



## Two Rivers Housing New Build Standard

Shared Ownership properties are sold 'as is'. The kitchen and bathroom suites have already been chosen, and you do not have a choice over the colour, style or finish. Buying your first home is an expensive time, which is why we provide some extras to help you on your home ownership journey. We will:

- turf any garden areas.
- fit six-foot close board fencing to the rear garden (where allowed by planning).
- lay a small patio area.
- fit a shower over the bath.
- provide all floor coverings (these will be decided by us before the property is sold).
- provide at least one allocated parking space.
- fit extractor fans in all bathrooms.
- fit the kitchen with a hob, oven and extractor hood.
- install chrome spotlights in the kitchen.
- house the boiler in a kitchen wall unit.

Additional extras may be provided on different developments.



## Reserving off plan

If you are buying off plan (you reserve a property whilst it is being built) we will give you an indication of when you can move in. The properties will be handed over to the housing association (known as the handover date) but this is not the date you will be able move in.

There are often changes to the handover date and we will keep you updated. Do not give notice on rented property or arrange for furniture delivery etc until the completion date is confirmed.

## Resales

Two Rivers Housing also sells shared ownership properties for people when they decide to move on. In this case any applicant will have to meet the Shared Ownership criteria, but the final choice of who to sell to lies with the vendor of the property.

Two Rivers Housing do not carry out any maintenance checks to the property as this responsibility lies with the home owner.

## Your responsibilities

As a home owner, you will have certain rights and responsibilities. These include taking care of all the repairs and making sure your home is maintained. You should understand that, although Two Rivers Housing 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 new-build 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 Two Rivers Housing 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 Two Rivers Housing. 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 according to the share you own. You may wish to discuss any increase in value before completing any alterations.

## Buying 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 the valuation fee and 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 is entirely your decision.

If 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 amount 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 but, before you do, you must tell us in writing that you wish to sell.

If you do decide to sell your home, you must advertise your property solely with Two Rivers Housing. 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 Two Rivers Housing before the sale can proceed you will have to pay a fee to Two Rivers Housing for this.

Two Rivers Housing's sister company TwoCan is an estate agent that specialises in Shared Ownership homes. Special rates are available to Two Rivers Housing clients.

## CONTACT US

**Telephone: 0800 316 0897**

If you would like this leaflet in large print or audio CD, please call us.

**Website:** [www.tworivershousing.org.uk](http://www.tworivershousing.org.uk)

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