



GreenSquare

A GUIDE TO

Shared Ownership



Shared Ownership

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What is shared ownership?

Shared ownership is a scheme where you can buy a share of a property and pay rent for the rest of it. You have the same rights and responsibilities as any other homeowner. You can buy more shares if you want to and possibly own the whole of the property.

Who can buy a home under this scheme?

To be able to buy a house under this scheme, you must be in housing need and unable to afford to buy a home on the open market. We will give priority to:

- people who already rent housing association or local authority homes;
- Ministry of Defence personnel; and
- we also give priority based on local priorities as defined by the local government.



All applicants must be registered with the local HomeBuy agent. You will also need to be able to show that you can afford to meet the costs of owning your own home as well as other living costs. Therefore we will need to ask you some questions about what you earn and the bills you pay each month. You need to think about all the other costs you have each month (such as transport, childcare, credit cards and loans) and make sure that you can manage to pay them all. Don't forget, you need to have some spare cash for emergencies as well.

In general, you are unlikely to be accepted for the scheme if:

- your household income is less than £15,000 per year (as you are unlikely to be able to afford the payments);
- your household income is over £60,000 per year (as your income is too high to be eligible);
- you already own your own home;
- you are in a lot of debt (over £15,000, excluding student loans); or
- you have county court judgments against you.

There is a lot of demand for shared ownership properties and sometimes you may need to go on a waiting list.

What sort of properties are on offer?

Under this scheme, you can buy a newly built or renovated flat or house. We match properties to the people who want to move in. For example, families would be offered three bedroom homes as priority, while smaller flats are more likely to be offered to couples or single people.

We occasionally also have older properties for sale if the original buyer wants to sell their share; these are called 'resales'.

How does it work?

You buy at least a 25% share in the property. The share can differ, but this will be stated when the property is advertised. You can buy a larger share if you wish but you must be able to arrange a mortgage with a bank or building society to pay for it. The bigger the

share you buy, the less rent you will need to pay, but you must make sure you can afford the mortgage repayments.

You then pay us rent for the share that you don't own. We will ask you to sign a lease (a legally binding document) which sets out what your rights and responsibilities are. It also tells you how much rent you need to pay, how to buy and sell shares and which repairs you are responsible for. If you don't understand the lease, you can ask us to explain it but you should also ask your own legal advisor/solicitor to go through it with you. We recommend that you ask for legal advice before you sign the lease. You can get free advice at the Citizens Advice Bureau, or find a solicitor in the Yellow Pages or from the Law Society's website at <http://www.lawsociety.org.uk/choosingandusing/findasolicitor.law>.

How much will it cost?

Shared ownership properties are designed to be within the price range of people who can't afford to buy a home on the open market.

There are some costs that you will pay as a one-off before you move in:

- Legal fees: you will need to employ a solicitor or licensed conveyancer to help you buy your share. You can ask them for an estimate of how much it will cost. We recommend that you ask if they know about shared ownership otherwise they may charge you for the time it takes them to find out.
- Stamp duty: this is a form of tax that you may have to pay depending on the value of the property. Please ask your solicitor for further details.
- Reservation fee: you will need to pay an amount of money (usually £250) to reserve a new build property with us.
- Mortgage set up costs: some mortgages can have a set up cost (also called an arrangement fee). Your lender may also ask you to pay for indemnity insurance. The lender will also carry out a valuation of the property, which you will have to pay for (you will need to discuss this with your mortgage advisor).
- Deposit: most lenders ask you to pay towards

the purchase price, so that you are not borrowing the full amount to pay for your share, this amount will vary from lender to lender.

- Survey: this is a professional report on the quality of the building. You can choose whether to have one of your own done. There are three levels: basic (the cheapest), homebuyer's report, and full structural.
- Removal costs: hiring a removal firm can cost a significant amount of money depending on how far you are moving and how many belongings you need to move.
- Buying carpets, curtains, furniture and appliances.

You will also have to pay ongoing costs while you are living in the property:

- mortgage repayments;
- rent;
- service charges (usually for flats, but sometimes for houses too);
- repairs and maintenance;
- our charge for buildings insurance;
- contents insurance;
- council tax; and
- utility bills.

We have given some example costs later in the leaflet.

How do I get a mortgage?

If you are already with a bank or building society, you could ask them about the mortgages they offer. You could also ask an Independent Financial Advisor (IFA) to recommend a mortgage lender. You may have to pay your IFA once you have taken out the mortgage, although advice is usually free. You can find an IFA in the Yellow Pages or on the internet at www.unbiased.co.uk. You can also get further information from your HomeBuy agent's website www.southwesthomes.org.uk and www.catalysthomebuy.org.uk.

You can usually borrow 3.5 times your own income, or 3 times your joint income if you are buying with someone else. If you are self-employed, you will need to produce accounts. The bank or building society will

tell you how much the monthly repayments will be.

Unfortunately, we cannot recommend any mortgage lender but a list of mortgage providers who deal with shared ownership and their comparative rates can be found at www.fsa.gov.uk/tables. If you would like us to talk to your bank or building society about the purchase, please just let us know.

How do you decide what the rent will be, and will it go up?

On a new property we will set the rent based on the share of the property that you do not own.

The rent cannot be any higher than 3% of the value of the share of the property that you don't own. We will set the rent for each property on an individual basis. The rent is usually less than we would charge for our social rent homes, because you are responsible for your own repairs and maintenance.

We can increase the rent each year in line with inflation RPI plus 0.5%.

EXAMPLE

Property value: £140,000

Share you purchase: 25% (£35,000)

Share we will charge rent on: 25% (£105,000)

Rent as 2% of unsold share: £105,000 x 2% = £2,100 a year

Monthly rent: £2,100 divided by 12 = £175 per month

What are service charges?

If your property is on an estate or in a block of flats which we own, we have to provide services such as cleaning, repairs and grounds maintenance in shared areas such as staircases, lifts and communal garden areas. We will charge you a fee to cover the cost of these services. We will tell you approximately how much it will be before you sign the lease.



If you buy a flat, you will also pay an amount that goes into a sinking fund to go towards any major repairs needed in the future, such as if the building needed a new roof.

There are also common areas to some houses e.g. a car parking area, where there may also be a service charge payable.

Does that mean you will repair and maintain my home?

No. Generally, you are responsible for keeping the inside and outside of your home (including the garden) in good condition and carrying out any repairs needed. However, we will maintain shared areas and facilities such as footpaths and sewers.

In addition, if you live in a flat, we will:

- keep the whole building in good structural repair;
- insure the structure of the building; and
- keep shared areas (for example, staircases and lifts) clean, decorated and well-maintained.

What happens if house prices change?

If you buy or sell shares, the price is based on the current market value of the property. Remember that house prices can go up or down. If you want to buy more shares in the property in the future, they may cost more than your original share. If you decide to sell your share you might make a profit but you might have to sell your share at a lower price than you paid for it.

Can I buy with other people?

Up to four people can become joint owners under this scheme, as long as you all meet the criteria to do so.

How do I apply?

STAGE ONE

You should contact us directly. We will be happy to answer any queries and give you information on the properties that we have available at the moment.

Our telephone numbers are:

Swindon: **01793 602830**

Oxford: **01865 773000**

Chippenham: **01249 466109**

Alternatively you can email

sales@greensquaregroup.com.

You will need to be registered with the local HomeBuy agents for your area, who will also have details of other schemes in your area.

For the South West Region you can register online at **www.southwesthomes.org.uk** or telephone **0300 100 0021**.

For the South East Region you can register online at **www.catalysthomebuy.org.uk** or telephone **0845 601 7729**.

You must also be registered with your Local Authority.

You can also look on our website to see photographs and details of properties that are available under the shared ownership scheme. Visit **www.greensquaregroup.com** and follow the links to either Westlea Housing or Oxford Citizens Housing Association (OCHA).

At this stage, it may be useful for you to talk to a financial advisor or mortgage advisor to get an idea of how much you can borrow and what it will cost you. This will help to speed up the process once you find a home.

STAGE TWO

When a property becomes available, we contact the HomeBuy agent for a list of suitable applicants (which is why it is important that you are registered with them). We then contact all the applicants by either, post, phone or email. Once we have a list of suitable applicants we request their application(s) from the HomeBuy agent. In some cases the Local Authority for the area will prioritise applicants or this can also be done by us (depending on the scheme).

STAGE THREE

If you like the property and your application is suitable to go forward, we will arrange an interview to talk about your finances in more detail.

At this stage we will need:

- evidence of your income e.g. copies of pay slips or accounts;
- copies of bank statements;
- evidence of savings;
- a deposit of £250 to reserve the property; and
- proof of identification e.g. passport, birth certificate.

STAGE FOUR

You can now arrange your mortgage. If the mortgage company wants to see a copy of the lease, just let us know and we will send them a copy.

STAGE FIVE

Once your mortgage is arranged, you will need a solicitor or licensed conveyancer to carry out the legal work involved in buying a property. We will send your legal representative the draft lease, and you should send ours details of your mortgage offer. They will carry out some checks (also called searches) on the property and make sure that the lease is satisfactory. A Energy Performance Certificate (EPC) is issued with every new home. When everyone is happy that they have all the necessary information, you will sign a contract to purchase the property. We will then exchange contracts and your mortgage lender will pay any deposit needed at this point.

STAGE SIX

We can then complete the sale. Your bank or building society will pay us the rest of the money at this point. Sometimes exchange and completion happen on the same day. Once the sale has completed and the money is received by our solicitors you can collect the keys from us and move in to your new home.

How do I buy more shares?

This is called staircasing. You just need to let us know in writing that you want to buy more shares. We will send you a valuation form for you to select a valuer, then send us the correct fee to have the property valued. When we receive the report we will let you know how much the extra share will cost. You will then have three months to arrange a mortgage and complete the purchase of the share. We will

recalculate the rent, which will be lower now that you own a bigger share.

If you buy 100% of the property, you will no longer pay any rent but you will have to pay any service charges.

What if I want to sell my share?

You can do this at any time, by letting us know in writing. We will then arrange a valuation (which you pay for) to decide how much your share is now worth. We have a certain amount of time to find a buyer for the share. This means that we can offer the property to someone else who is in housing need. If we find a buyer for your share, you will be charged a fee – please ask the Marketing and Sales team for the current fee.

If we cannot find a purchaser in the timescale, you can then market your property with an estate agent, at the price you have already been given.

If you own 100% of the property, you can sell it on the open market. However, we may have first refusal for 21 years after the date when you reached a 100% share. This means that if you put it up for sale and we want to buy it back, you must sell it to us. We will pay the market value. Please ask us to find out if this is the case.

What happens if I can't afford the payments?

If you cannot afford to make your mortgage repayments, you must talk to your bank or building society immediately to try to find a solution. They can take possession of your home and sell it if you do not pay them.

If you are struggling to pay your rent and service charges, you should contact us straight away to talk about the problem and we will give you support and guidance. We want to help people stay in their homes, but as a last resort, we can ask the county court to make you leave if you don't pay.

There are lots of sources of help available if you are struggling with money, for example from your local Citizens Advice Bureau.



Guide to costs

One off costs

Mortgage deposit	Minimum of 10% deposit of purchase price.
Stamp duty	Please confirm with your solicitor if stamp duty is payable.
Legal fees	These vary depending on solicitor and which searches you request to have carried out. It is advisable to get a few quotes before you instruct a solicitor.
Reservation fee	Usually £250. The reservation fee is deducted off the sale price on completion.
Mortgage costs	Advice is usually free, but if you take out a mortgage, there may be a fee payable – check with your IFA. The mortgage company will have to value the property you are buying – they will also charge you for this.
Removal costs	These costs vary depending on the level of service you require.

Your new property may not have any carpets or vinyl, blinds, curtains, lampshades, white goods or furniture. Remember to have some money put aside to cover these extra costs when you first move into your property.

Glossary

Completion: this is when the contracts are finally signed and all the money has changed hands. The property is now yours, and you can collect the keys and move in.

Conveyancing: this is the term for the legal work involved in buying a property. It is usually done by a solicitor or licensed conveyancer.

Exchange of contracts: this is the point in the contract when you and the seller agree to and sign contracts given to you by your solicitors. This is also the point when you will pay your deposit. You may lose your deposit if you pull out after the exchange.

First refusal: in some cases, if you own 100% of the property and want to sell it, you must give us the chance to buy it first (at current market value) before you try to sell it on the open market.

Indemnity insurance: this is insurance that covers your mortgage lender's loss if you don't keep up your mortgage payments and your house is then repossessed and sold for less than you still owe on the mortgage. It does not give you any protection.

Staircasing: this is the process of buying more shares in your home until you reach the point where you own 100%.

Sinking fund: is where a proportion of the service charge you pay is kept in a separate bank account and can be used towards larger repairs to common areas.

RPI: Retail Price Index.

FINANCIAL ASSESSMENT

Income & Expenditure

Date	/ /	
Scheme		
Applicant(s)		
Property value	£	%
Share value	£	
Monthly charges		
Rent	£	
Service charge	£	
Management fee	£	(OCHA only)
Purchaser's deposit	£	

*Please complete this form and bring with you to the interview with the marketing and sales officer.

**If you are paid weekly please calculate your monthly salary as follows: (weekly gross pay x 52 weeks) divided by 12 (months) = monthly pay.

Applicant 1	Present finances MONTHLY	Future finances MONTHLY
Income before deductions	£	£
Net income after deductions (take home)	£	£
Other income e.g. benefits, tax credits, pension etc	£	£
Total net income	£	£
Applicant 2	Present finances MONTHLY	Future finances MONTHLY
Income before deductions	£	£
Net income after deductions (take home)	£	£
Other income e.g. benefits, tax credits, pension etc	£	£
Total net income	£	£
Combined total net income	£	£

Housing costs	Present finances MONTHLY	Future finances MONTHLY
Rent	£	£
Service charge	£	£
Mortgage	£	£
Gas	£	£
Electricity	£	£
Water	£	£
Council tax	£	£
Contents insurance	£	£
Total housing costs	£	£

Other essential costs	Present finances MONTHLY	Future finances MONTHLY
Child maintenance	£	£
Existing loans	£	£
Credit cards (minimum payment)	£	£
Life insurance	£	£
Telephone / mobile phone	£	£
Housekeeping (food, toiletries, cleaning etc)	£	£
Essential car costs (petrol, insurance, maintenance)	£	£
Essential travel costs	£	£
Child care	£	£
TV licence	£	£
House maintenance (e.g. annual boiler servicing)	£	£
Total other essential costs	£	£

Non-essential costs	Present finances MONTHLY	Future finances MONTHLY
Sky TV / internet costs	£	£
Clothes	£	£
Newspapers and magazines	£	£
Cigarettes	£	£
Alcohol	£	£
Holidays	£	£
Savings	£	£
Other memberships / subscriptions	£	£
Any other costs	£	£
Total non-essential costs	£	£

OFFICE USE ONLY		
Net income	£	£
Total housing and essential costs	£	£
Remaining disposable income	£	£



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