



# A GUIDE TO LOW-COST HOME OWNERSHIP **New-build HomeBuy**



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## New-build HomeBuy

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Words in *italics* in the text are explained in the glossary at the end.



### What is low cost home ownership?

Low cost home ownership (LCHO) is the new name for shared ownership. We offer an LCHO scheme called new-build HomeBuy.

This 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 gradually buy more shares if you want to, until you own the whole 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;
- people on housing waiting lists; and

- keyworkers.

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 (we cannot accept your application in this case);
- you already own your own home;
- you are in a lot of debt (over £15,000, excluding student loans); or
- you have county court judgements against you.

There is a lot of demand for LCHO 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.

## How does it work?

You buy at least a 25% share in the property, but we usually expect people to buy a minimum share of 40%. 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 Citizen's Advice Bureau, or find a solicitor in the Yellow Pages or from the Law Society's website at <http://www.lawsociety.org.uk/choosinga-ndusing/findasolicitor.law>

## How much will it cost?

LCHO 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:

- Survey: this is a professional report on the quality of the building. You can choose whether to have one of your own done but your mortgage lender will insist one is carried out. There are three levels: basic (the cheapest), homebuyers' report, and full structural.
- Legal fees: we advise you 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 LCHO 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.
- Deposit: you will need to pay an amount of

money (usually about £250) to reserve a property.

- 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*.
- 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 and curtains.

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.
- 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. This is free, as they are paid commission from the lender. You can find an IFA in the Yellow Pages or on the internet at [www.unbiased.co.uk](http://www.unbiased.co.uk)

You can usually borrow 3.5 times your own income, or 3 times your joint income if you are buying with someone else, although many banks offer more. 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.

When you talk to the bank or building society, make sure that you tell them that you need a mortgage for a low cost home ownership property as not everyone offers mortgages for these properties. Unfortunately, we cannot

recommend any mortgage lender but a list of mortgage providers who deal with LCHO and their comparative rates can be found at [www.fsa.gov.uk/tables](http://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?

The rent cannot be any higher than 3% of the value of the share of the property that you don't own (we normally charge 2%). 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.

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#### EXAMPLE

Property value: £140,000

Share you purchase: 50% (£70,000)

Share we will charge rent on: 50% (£70,000)

Rent as 2% of unsold share: £70,000 x 2% = £1400 a year

Monthly rent: £1400 divided by 12 = £116.50

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We can increase the rent each year in line with inflation, but not by any more than the rate of inflation plus 0.5%.

### 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 fund to cover any major repairs needed in the future, such as if the building needed a new roof.

### 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;
- keep shared areas (for example, staircases and lifts) clean, decorated and well-maintained.

This is paid for by your service charge.

### 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. We can also give you details for the local HomeBuy agent, New Futures, who will have details of other schemes in the area. We can either send you an application form or you can download one from our website.

Our telephone number is **01249 466109** or you can email us at **sales@westlea.co.uk**

You can look on our website to see photographs and details of properties that are available under the HomeBuy scheme and download an application form. The website

address is **www.westlea.co.uk**

At this stage, it may be useful for you to talk to a financial advisor or mortgage companies 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:** we will assess your application to see if you are eligible, and discuss the costs with you to make sure that you can afford it. We will keep your details on our register of applicants.

As soon as we have a property that is suitable for you, we will contact you to arrange a viewing. If there are more people who want a property than there are properties available, we will have to prioritise the applications.

**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;
- copies of bank statements; and
- a deposit of £250 to reserve the property.

**Stage four:** you can now arrange your mortgage. If the mortgage company want 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. 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 then have the property valued and let you know how much the extra share will cost. You will have to pay for the valuation. 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 carry on paying 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 can't find anyone in the timescale, you can sell to someone else.

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 try to help you. 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.

**North Wiltshire Citizens' Advice Bureau:**  
**0845 1203707** or **01249 443054** (minicom)

We have set up a scheme with North Wiltshire Citizens' Advice Bureau, so that our tenants will be treated as a priority when you ask them for help. Jennie Jopling, the project worker based there, will help you claim all benefits available to you and help you manage your debt problems.

To contact Jennie, please phone  
**01249 445115** (extension 4) or e-mail  
**westlea@northwiltscab.org.uk**

**West Wiltshire citizens advice bureau:**  
**0845 1203737**

**Swindon citizens advice bureau:**  
**0845 0505155**

# Guide to costs

One off costs	
Professional survey	£400 –£900 depending on the level of detail
Stamp duty	Properties worth £125,000 or less: none Properties worth £125,001-£250,000: 1% of the contract price
Legal fees	These vary but can be around £300-£500, plus a further £300-400 for property searches
Deposit	Usually £250
Mortgage set up costs	These can be £100 upwards depending on your mortgage; sometimes as much as £900
Removal costs	These vary, but you should budget for a minimum of £500. We recommend you get several quotes
<b>Total</b>	Potentially up to £3,000 on a property worth less than £125,000. You should have a minimum of £2,500 available to cover these costs

Monthly costs	
Mortgage repayments (based on 50% purchase of £140,000 property)	Mortgages cost around £60 per month for each £10,000 borrowed (on a 25 year mortgage with an interest rate of 5%), therefore in this example a mortgage on £70,000 would cost approximately £420 per month
Rent (on remaining 50%)	At 2% of the remaining £70,000, this would be £116.50 per month
<b>Mortgage and rent</b>	£536.50 per month

## What else do you need to pay?

Use this table to help you think about your other monthly costs. Does your monthly income give you enough money to pay them all?

Service charges	
Home contents insurance	
Council tax	
Utilities (gas, phone, electricity, water)	
Life insurance	
Pension	
Loans and credit cards	
Television licence	
Housekeeping (food etc)	
Child maintenance payments	
Transport costs and petrol	
Childcare costs	
Pet costs	
Living costs/emergencies	
Other	
<b>Total</b>	

All costs are approximate and should only be used as a guideline. You must look at what you actually pay for these things.

**We cannot give legal or financial advice, or recommend mortgage lenders. We always advise you to take your own legal and financial advice.**

# 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%.

For more information call **01249 466109**  
or you can email us at **[sales@westlea.co.uk](mailto:sales@westlea.co.uk)**



Methuen Park  
Chippenham SN14 0GU  
tel 01249 465465  
[www.westlea.co.uk](http://www.westlea.co.uk)