

Shared Ownership

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ENGLISH RURAL

Produced by

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INTRODUCTION

This document will help to explain what English Rural Housing Association is and how our shared ownership model works. We recognise that our housing developments should be tailored to meet the varying aspirations and needs of small villages, and part of this need may be for shared ownership.

Our shared ownership housing is designed to cater for households who can afford a modest mortgage but are unable to purchase on the open market. We would typically look to sell around 40-60% of the open market value.

ABOUT ENGLISH RURAL HOUSING ASSOCIATION

English Rural is a Registered Social Landlord and was created in 1992 as a specialist provider of affordable homes for local people in rural areas. We aim to enhance and sustain rural communities by enabling local people, unable to afford open market prices, to remain in their home village.

SHARED-OWNERSHIP EXPLAINED

Shared ownership is a tried and tested initiative which helps households excluded from the open market buy a stake in a property. It is an alternative to renting but is only appropriate for those who can support the financial demands of a modest mortgage. For example, if one of our properties was valued at £200,000 on the open market and you purchased a 50% share, then you would be expected to pay a purchase price of £100,000.

Because English Rural is registered with the Homes and Communities Agency we are able to access funding allocated by Government for affordable housing. This public subsidy helps ensure the homes are affordable.

Your equity stake will keep pace with house price inflation, and if your salary also increases, you will hopefully find yourself in a position where you can purchase on the open market. Please bear in mind that property prices can decrease as well as increase.

If you bought a 50% share for £100,000 and later decided to move, the house would be revalued as if it was being sold on the open market and 50% of the new value would be the sale price. If the new market value was £220,000, then you would sell your 50% share for £110,000. For consistency we insist that all valuations are carried out by an independent valuer (estate agents valuations are not accepted).

All homes are sold on a long lease basis and English Rural retains ownership of the percentage that you do not buy. Because the homes are leasehold an annual ground rent of around £550 is

payable to English Rural. Any homes built from April 2010 onwards will have a specified rent payable instead of a ground rent, which is calculated proportionate to the share of the property which is unsold. Rents on these newer properties can be marginally higher than the old model and you should check the specific details of the property you are considering to buy; as a minimum the charge to you will be £500 per annum.

We are also required to take out building insurance on your behalf, recharged at a reasonable cost (buyers should check the annual premium on offer letters) and shared owners do not need to take out additional buildings insurance cover. A summary of the policy we hold on their behalf can be viewed on our website. Some developments are subject to a service charge for maintenance. You will be expected to set-up a monthly direct debit to cover the costs payable to English Rural.

WHO QUALIFIES

The majority of our homes are allocated on a local needs basis. This means that in order to qualify applicants must have a local connection to the parish in which the property has been built, either through several years' residency (past or current), employment or close family. The Parish Council is asked to verify local connections.

Those applying will also need to demonstrate that they have a housing need and are not able to purchase on the open market, but could still raise and afford a mortgage for the selling price. All applicants will be asked to complete an application form that will be used to assess suitability. Applicants are also interviewed in their current residence prior to an allocation decision being made.

THE COSTS

The initial purchase price will depend on the percentage of the property that you're buying; this is calculated by us and depends on property values in the area and development costs incurred, but is normally in the region of 40%-60% of the open market value. You will probably need to raise a mortgage and negotiate with a bank or building society to arrange this. Not all banks or building societies will lend on shared ownership properties but we are able to provide you with details of those that do. Your lender will not normally lend 100% of the value, so you are expected to contribute some of your own funds towards the purchase; this is normally referred to as your 'deposit'.

Depending on the type of mortgage that you arrange you may also be required to take out mortgage protection, which provides insurance should your financial circumstances change and you default on payments.

When buying a shared ownership home you should also expect to pay appropriate professional fees, which will include a solicitor and surveyor. Stamp Duty is currently payable on sales over £125,000.

If you are offered a property we will also request a non-returnable deposit of £250 from you. This ensures that we will hold the house for you whilst the sale proceeds and will be refunded by deducting £250 from the purchase price on completion (this applies to new build properties only).

Although English Rural will always own a share of the property we are not responsible for any of the ongoing costs for maintenance and repairs. Your lease will state that as the purchaser you will be responsible for all maintenance and repairs to the property.

If you are buying a brand new home, it is possible that some of the repairs may be covered by the Building Guarantee provided by NHBC or Zurich Insurance, where the repair is as a result of a building defect. For further details purchasers should refer to the Building Guarantee booklet provided with the property manual.

AFFORDABILITY

Before committing to shared ownership and the responsibilities of a mortgage it is important to assess your financial capabilities. Similar to purchasing a property on the open market, purchasing a shared ownership home is a serious commitment and should be considered carefully.

Your monthly outgoings will include:

- Your mortgage. The monthly repayment will vary according to the amount you have borrowed, repayment period and interest rates.
- Buildings insurance. Because the properties have been built with public subsidy and English Rural will still own a stake in your home we are required to take out buildings insurance on your behalf. You will be expected to pay this through your monthly direct debit. Because we are insuring a number of homes we are able to access a very competitive deal.
- Contents insurance. You will be expected to insure your own personal possessions.
- Ground rent. Because the property is sold on a leasehold basis, on a number of our older properties an annual ground rent of up to £500 is payable by you to English Rural. This is normally paid via a monthly direct debit; or
- Specified rent. A specified monthly rent may be payable on the unsold share of your property (post April 2010 properties only). This rent will decrease the higher the share purchased, to a minimum of £500 per annum once a 70% share is purchased. As with ground rents the specified rent is reviewed annually in line with the Retail Price Index (RPI).
- Service charges. Some developments may have communal areas, private roads, or infrastructure which will need to be maintained. If this is the case then all residents are required to contribute towards these ongoing costs through a nominal service charge, payable by monthly direct debit.

- Utility bills. You will be expected to arrange and pay for your own utilities which will normally include electricity, gas (if used), oil (if used), water, and telephone. These bills will be calculated using meter readings and costs vary depending on usage. It will be your responsibility to make arrangements with the suppliers and payment methods can normally be tailored to suit your needs.
- Council tax. This will vary according to values and the local authority area.

BUYING EXTRA SHARES

Shared owners are eligible to buy additional shares in their property, but only up to a maximum of 80%, because the homes are designed to remain affordable the property can never be purchased outright.

You must have lived in your home for more than one year before you attempt to buy any additional shares and you can only exercise your right to do so three times. The value of additional shares will be based on a current open market valuation of the property, discounting any major improvements made by you. As a minimum you must buy an additional of 10% and tranches of 10% thereafter.

On some of our newer properties your rent will decrease as you buy further shares in your property.

DEALING WITH MORTGAGE DIFFICULTIES

Your home is at risk if you fail to maintain your mortgage payments. If you experience problems you should tell us and your mortgage provider straight away. We may be able to offer advice and guidance to help steer you through your financial problems.

MOVING ON

When you move, you sell your interest to a new purchaser. A new valuation is carried out on your home, using an independent surveyor, and the sale value calculated using the percentage you own as a proportion of this valuation.

English Rural will facilitate the selling of your home. You will need to have your property independently valued before we market your home to interested applicants and select who the purchaser will be. To cover the costs of the legal, administrative and professional works involved for us in the sales process, we will charge a fee of 0.75% plus VAT of the total sale value, which will be payable to English Rural when the sale completes.

We advertise the property in the local area using posters in both your village and the surrounding villages and, where possible, the parish magazine and local media. We will also normally have a list of people interested in purchasing your home. We will initially advertise the property for 4 weeks and all those who apply will be interviewed and assessed, in much the same way as those

living in the property were originally, and we will make an allocation on this basis. Priority is always given to applicants from the parish and failing this the surrounding parishes. After the initial 4 week period we may widen our area and also place an advertisement in the local newspaper if we have not been able to find a suitable purchaser.

English Rural understands the pressures involved in moving and will strive to make the process as quick and straight forward as possible. However, it is important to remember that buying a house takes time and purchasers will need to arrange a mortgage and instruct professionals to advise them. We would look to have found a new purchaser within 4-8 weeks of receiving your confirmation to sell and for a sale to take place 4-8 weeks from that point.

LIVING IN A SHARED OWNERSHIP HOME

Shared owners can live in the home as long as they wish, although many use it as a stepping stone to purchasing on the open market. It is important to recognise that these homes are designed to remain affordable in perpetuity for people on lower incomes, and that some restrictions apply to ensure this is achieved, including:

- You can not carry out any alterations to the property without our written consent. In principal we have no objections to modest conservatories or MINOR internal amendments, but we will not allow extensions. It is important to give us details of ANY PROPOSED alterations and you may also need to consult with the local authority planning or building regulations department. We also advise shared owners to consider any expensive additions/alterations carefully as they are liable for 100% of the costs but will only benefit from financial gains proportionate to the percentage that they own when they decide to move.
- The property must be the only residence owned by the shared owner and sub-letting is not allowed. We do not normally object to you taking in a paying lodger but you will need to let us know.

CHECKLIST

The lists below highlight some of the key documents and tasks you will need to arrange or sign if you are applying for or have been allocated a shared ownership homes.

Applying:

- Completed application form (submitting supporting documents requested)
- Contacted mortgage provider and arranged a mortgage in principal (we can provide a list of lenders who will lend on our homes)

Allocated:

- Return the reservation form and deposit to secure the property
- Instruct a solicitor
- Confirm mortgage with bank (the bank will arrange for a surveyor to carry out a valuation and issue a mortgage offer)
- Your solicitor will liaise with ours (details of our solicitor will be provided) and will ask you to sign the following:
 - Contract
 - Lease (for new homes) or Transfer and Deed of Covenant (for re-sales)
 - Deed of Trust
 - Mortgage Deed
 - Deed of Covenant (only if service charges are payable)

I'M INTERESTED

If we have a particular development which you are eligible for please contact our Housing Services department at the following address:

English Rural Housing Association, Astolat, Coniers Way, New Inn Lane, Burpham,
Guildford, Surrey, London, GU4 7HL

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