

Shared Ownership

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Produced by

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INTRODUCTION

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

Our shared ownership houses are designed to cater for households who are unable to purchase on the open market but can afford a modest mortgage. The shares available for purchase on our properties start from 40% and are restricted to 80%.

ABOUT ENGLISH RURAL HOUSING ASSOCIATION

English Rural is a Registered Provider 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 who are unable to purchase on the open market, be able to buy a share of 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 Homes England, we are able to access funding allocated by the Government for affordable housing. This public subsidy helps to ensure that the homes are affordable.

Your equity share 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 note 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 RICS registered surveyor (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 rent of around £550 is payable to English Rural. Any homes built from April 2010 onwards will have a standard specified rent payable, which is calculated proportionate to the share of the property which is unsold, up to 80%. Rents on these newer properties will be higher than the old model and you should check the specific details of the property you are considering to buy.

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, however you will need to provide your own contents insurance. 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. All applications received will be assessed and shortlisted by our allocation panel. Shortlisted applicants will then be interviewed by the Regional Housing Manager 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. Most lenders will not lend 100% of the value, so you are expected to contribute some of your own funds towards the purchase; this is referred to as a '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. Please note that English Rural are unable to provide financial advice and you may wish to consult with a mortgage broker.

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.

For new build properties, if your application is successful and you are offered a property we will request a non-returnable deposit of £250. 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 (

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

If you are purchasing a new build property, some repairs may be covered by the Building Guarantee provided by NHBC, LABC or Zurich Insurance, if repair is a result of a building defect. For further details you should refer to the Building Guarantee booklet provided with the property manual

AFFORDABILITY

Before committing to the purchase of a shared ownership property 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 depending on the amount you have borrowed, the repayment period and interest rates.
- Buildings insurance - As 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.
- Rent - Because the property is sold on a leasehold basis, on our older properties an annual rent of up to £500 is payable by you to English Rural. This is normally paid via a monthly direct debit.
- Specified rent – For all of our newer properties built after April 2010, a specified monthly rent is payable on the unsold share of your property. This rent will decrease as the share of the property purchased increases, to a minimum of £500 per annum once a 80% share is

purchased. As with older rents, the specified rent is reviewed annually in line with the Retail Price Index (RPI).

- Service charges – Many of our developments 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 - It will be your responsibility to arrange and pay for your own utilities which will usually include electricity, gas and water. These bills will be calculated using meter readings and costs vary depending on usage and supplier.
- Council tax - This will vary depending on the local authority area.

BUYING EXTRA SHARES

Shared owners can purchase additional shares in their property, however please note that all of our property have an 80% staircasing restriction in place. This restriction enables us to keep our properties as affordable homes for local people.

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 share of 10% and multiples 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 any difficulties maintaining payments 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 in your property to a new purchaser. You will need to instruct an independent RICS registered surveyor to carry out a valuation of your property. The sale price will then be calculated using the full market value of the property and the percentage you own.

English Rural will facilitate the selling of your home. 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 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 initially advertise the property for 4 weeks and all those who apply will be assessed by our allocation panel who will then shortlist applicants for an interview with the Regional Housing Manager. We will make an allocation based on applicant's local connection, eligibility and affordability. Priority is always given to applicants from the parish and failing this the surrounding parishes. If we have not been able to find a suitable purchaser, we will advertise for a further 4 weeks.

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.

LIVING IN A SHARED OWNERSHIP HOME

Shared owners can live in their homes 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 cannot 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. Before any alteration can be considered by English Rural you will be required to complete an application form detailing what alteration you plan to make to the property and an application fee will also be applicable. You may also have to obtain planning permission from 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 and is a breach of your lease. We do not normally object to you taking in a paying lodger but you will need to inform us.

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 home.

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 offer acceptance form.
- Return the reservation form and deposit to secure the property for new build properties.
- Instruct a solicitor
- Confirm mortgage with your chosen lender (the lender will arrange for a surveyor to carry out a valuation and issue a mortgage offer)
- Your solicitor will liaise with the vendor's solicitor 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)

FURTHER DETAILS

If you have any further questions regarding our shared ownership model or you require further information please contact our Housing Services department using the details provided below:

English Rural Housing Association, The Granary, Greenways Studios, Lower Eashing, Godalming, Surrey GU7 2QF

Tel: 020 7820 7930 (Option 2)

Email: allocations@englishrural.org.uk

Website: www.englishrural.org.uk