Coastline housing

A Guide to Shared Ownership

An affordable way to get your feet on the property ladder

Shared ownership – the basics

Shared ownership is like a middle ground between buying and renting. It's aimed at people who need a helping hand to purchase a property.

Put simply, the scheme allows you to buy part of your house (between a quarter and three quarters of the value) and then rent the remaining part at a subsidised rate. There are no size restrictions on the home you choose as long as it is affordable to you.

When you are ready, you will be able to buy more shares in your home so that eventually, if you wish, you can become the outright owner.

ARE YOU A FIRST-TIME BUYER?

If you are considering shared ownership it's likely you're a first-time buyer (although you don't have to be). While the idea of buying and moving into a new home is exciting, it can also be daunting. There's an awful lot to think about and you probably have plenty of questions.

How to use this guide

Our guide to shared ownership will give you an overview, helping you find out whether it's for you, how the scheme works and what happens if you choose to apply.

Of course, if you get to the end and have a burning question we haven't covered, you can always contact us using the details on the back page.

We're here to help.

Am I eligible?

If you apply for shared ownership, an assessment will be carried out to decide whether you're eligible for the scheme. This will be based on your individual circumstances.

Do the following statements apply to you?

- ✓ You're unable to afford to buy a suitable home on the open market.
- ✓ You have a household income of less than £80,000 per year.
- ✓ You would be able to find around £1,500 for the costs associated with buying a home.
- ✓ You have a connection to the area in which you want to buy, for example you live or work there (this may be a requirement for some schemes).
- ✓ You have not been awarded an Anti-Social Behaviour Order (ASBO) or Anti-Social Behaviour Injunction (ASBI) in the last two years. If you have, don't panic! It doesn't necessarily mean you can't apply, but we would need to ask you a few questions about the circumstances.

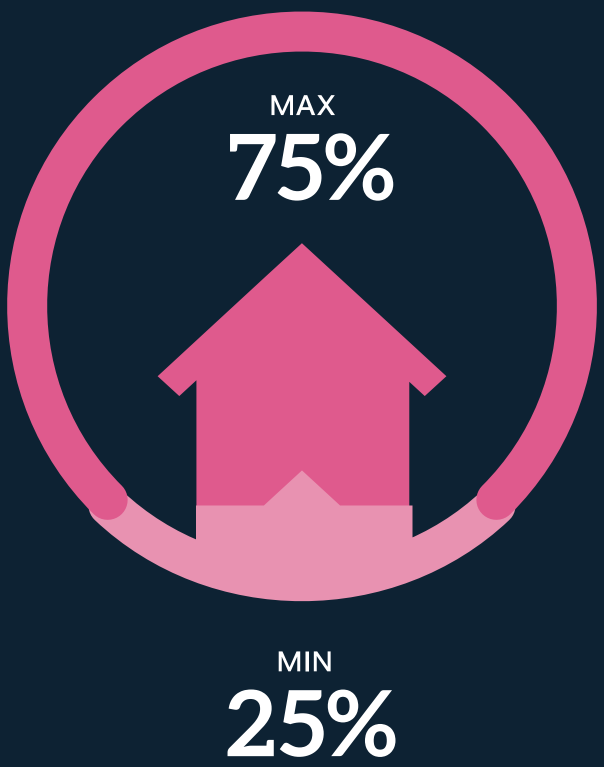
If you've answered yes to these, you may qualify for shared ownership. However, you will also need to prove that you can afford your share of the house you choose without overstretching yourself financially. This will mean working through your financing options (see page 8) and understanding how much money you can afford to pay per month.

DOES IT MATTER IF I'M ON BENEFITS?

This answer to this will depend on the type of benefit you're on, whether you will be receiving it in the long term and whether you'll need to borrow to finance your share of the house. You may be able to get assistance with your rent payments if you are eligible.

How shared ownership works

Buying a home through a shared ownership scheme works in the same way as buying a traditional property. The difference is that you will only finance part of the value yourself. We will own the remainder. We then rent this part to you at a subsidised rent.



As per guidelines from Homes England (our regulator), you will be encouraged to buy as much of the property as you can comfortably afford, but always more than the minimum 25% (although for many properties the minimum share available will be 40%) and maximum 75%.

You will need to fund the purchase of your share by taking out a mortgage, or through capital that you already have, for example from the sale of a previous property.

Once you've signed on the dotted line you will be responsible for repairs and maintenance of your new home just like any other home owner. As part of the leasehold agreement you may also be required to pay service charges to cover maintenance of communal areas, depending on the type of property you select.

CAN I CHOOSE MY OWN HOUSE?

Yes, to some extent. If you want to go ahead, you'll need to choose from our available properties. You will be able to add three to your application and we'll do everything we can to offer you one of these. You will never be 'allocated' a house. If you don't feel there is anything that meets your needs, you'll be added to a register to wait until something appropriate comes along.

After all, different people like different houses. We would never expect you to buy a house you don't fall in love with.

DOES SHARED OWNERSHIP MAKE A HOUSE PURCHASE CHEAPER?

Yes and no. Although we provide affordable housing, the price you will pay for your home is a percentage of the full open market value as assessed by an independent valuer. There is no discount on this price.

The benefit of shared ownership is that the combined monthly cost of part-buying and part-renting will be cheaper than open market rents in most cases. This should allow you to buy and start paying for a house sooner. You'll also get the benefit of any increases in market value of the part that you own in the meantime. Although unfortunately the reverse applies too – as with all house purchases, you should be aware that if house prices go down, the value of your share may decrease.

What happens next if I decide to apply?

If you are interested in one of our properties, you will be asked to go through a process of application, interview and assessment. Don't be concerned, the process is straightforward. It is designed to protect you by making sure that shared ownership is suitable for you, as much as it is to help give us the information we need to proceed.

We'll carry out checks and ask for documents to prove your income, financial position and identity. We'll also need a copy of your credit report and may ask for references from your landlord and employer. An independent financial assessment will be carried out to assess your ability to purchase a shared ownership property and calculate the percentage share available to you.

For a step-by-step guide to the buying process, see the next page.

How do I find out more?

If you would like to find out about our current schemes, please contact our sales team via the details on the back page of this guide.

The buying process

Found a property you'd like to buy under shared ownership?

Follow this step-by-step process to turn your home-buying dreams into reality.

1 Register with Help to Buy South West

> **i** H2B SW is a government agency that oversees shared ownership applications

2 Complete application paperwork, selecting your preferred plots

3 Apply for financial assessment and complete questionnaire

4 Contact a mortgage adviser if necessary

5 Financial assessment successful? We'll send you an offer

6 Pay a £250 reservation deposit to secure your chosen property

7 **Provide all required financial documents within five days of reservation.** This will include your mortgage AIP and KFI (if relevant).

> **i** If you fail to provide everything within five days, your deposit will be returned

8 Financial assessment finalised and your % share confirmed

9 Your final reservation form is issued

10 To proceed: check, sign and complete form and return to us

11 Apply for a mortgage and start looking for furniture and a solicitor!

12 Instruct a solicitor

13 Exchange contracts

14 Complete the sale and get your keys

15 Move into new home and break open the bubbly!

Making the finances work for you

As a housing association we cannot supply financial advice directly. We do, however, know plenty about what you'll need think about, and the arrangements you might need to put in place to enter a shared ownership scheme. And we're happy to share what we know.

As part of your application we will conduct a buyer assessment. The financial part of this will be carried out by a financial adviser whose role it is to check that you are able to afford to purchase the house you are interested in without stretching yourself too thin. They will also be able to offer mortgage advice if you need it. It's important to note, though, that you are not under any obligation to use them to arrange your mortgage.

If you choose to use your own broker or go directly to your bank for a mortgage, make sure you let them know that you are buying through shared ownership. Not all lenders will be happy to provide finance for shared ownership properties.

A bit about credit reference checks

When you apply for a shared ownership property, we will check your credit history and rating (just as your mortgage lender will, if you're using one). This will be done via a credit report from one of the main credit reference agencies and will let us know whether there is anything we should be concerned about.

For more information about your credit rating and the things you can do to improve it, visit the Money Advice Service at: www.moneyadviceservice.org.uk

Funding the purchase with a mortgage

While you could use savings or proceeds from another property sale, taking out a mortgage is by far the most common way to buy a shared ownership property. There are many lenders offering various mortgage products at different interest rates and terms. It's worth checking up front whether your chosen lender will support you in buying through a shared ownership scheme.

HOW MUCH WILL I BE ABLE TO BORROW?

How much you can borrow will depend on your personal circumstances. Your mortgage adviser will run through your finances and it is important that you give them as much information as possible. They will ask about credit cards, personal accounts, bank loans and any income you have. They may even want to know how much you spend on your weekly shop. The more specific you can be, the quicker the process and the better the outcome, taking you one step closer to getting your hands on those keys.

OTHER COSTS TO CONSIDER

Buying a shared ownership property is no different to a traditional house purchase when it comes to other costs you'll need to think about.

You may need to pay mortgage valuation fees, solicitor's fees, including searches and conveyancing, not to mention the costs of packing and moving your possessions. Make sure you factor these into your budget where necessary.

It's worth discussing your mortgage options with an independent financial adviser to help you make the best decision for you. Bear in mind though, if you want to buy one of our shared ownership properties, you will need to choose a repayment mortgage rather than interest only.

Can I buy the rest of my home when I'm ready?

As a shared owner you will have the right to buy all or part of your home from us as soon as you can afford to. This is known as 'staircasing'. In most cases you'll be able to buy shares to the point that you own 100% of your home.

We'll be happy to tell you more about the staircasing process in depth (and we've even prepared a handy guide), but it's quite straightforward.

The process starts with a valuation, which is a trusted way of ensuring that you pay the right price for your next share of the property.

We explain more on the next page.

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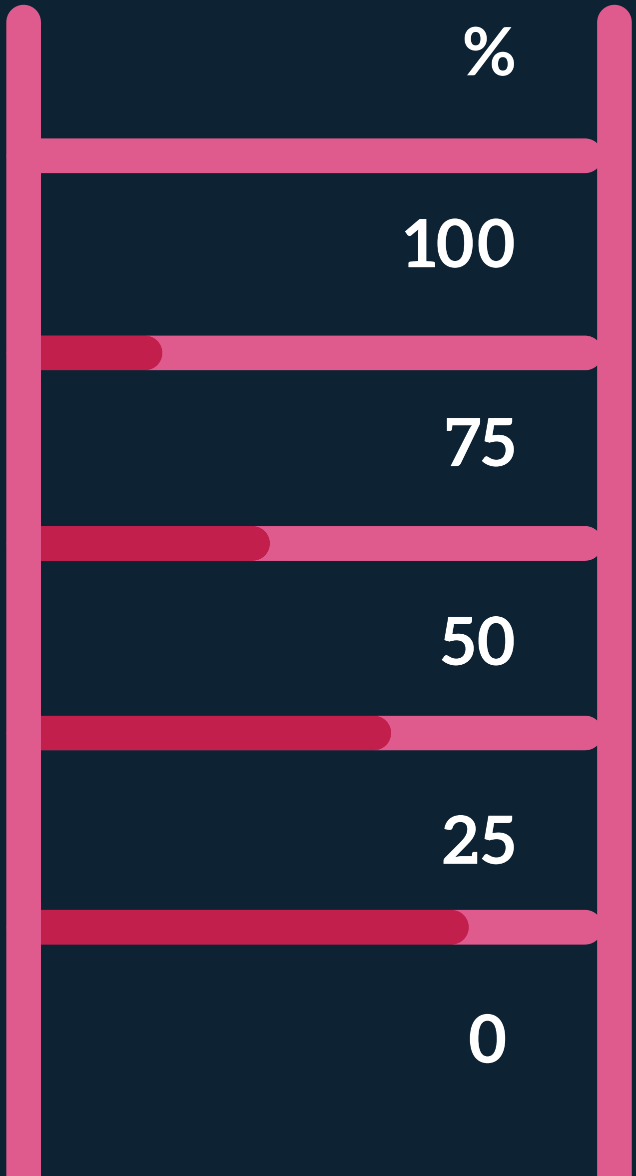
Rent and service charge changes

As you increase your share your rent will reduce.

If you reach 100% ownership you will no longer have to pay rent as you will own the whole property outright. In this case, depending on the lease, you will normally become the freeholder of your home. It's worth noting though, that you may still have to pay service charges even if you own 100% of the property.

More about buying your home outright



VALUATIONS EXPLAINED

If you want to buy a larger percentage of your home, a valuation is required as a condition of the lease. This is because your home may be worth more or less than when you bought it. This could be due to market fluctuations or work you've done to improve the property.

Because of this, it's only fair for both parties that the current market rate is taken into account when a price is agreed on for the additional share. Our regulators check we are doing this correctly, and any profits we make are invested in new affordable homes.

If you feel that improvements you've made (with our permission) have increased the value of your property, as long as the surveyor agrees these will be taken off the market value before we calculate the cost of the share you are buying. It's important to us that you don't lose out.

Disputing the valuation

If you don't agree with the valuation there is a fair process you can go through to dispute it. We won't go into details here, but don't worry. In the unlikely event of a dispute we'll explain the process in full and support you through it.

Selling a shared ownership home

As a shared owner you can sell your home whenever you want to, but there is a special process you will need to go through.

A BRIEF OVERVIEW

Under the terms of your lease, if you decide to sell, we will have six to eight weeks to find an appropriate buyer in need of affordable housing. After this period, if no buyer is found, in most cases you will be able to sell your home privately through an estate agent. As you might expect, the sale price of your home will be worked out as a percentage of the current market value of the property, not the price you paid when you first bought it.

HOW DO I SELL IF I ONLY OWN A SHARE?

Where possible, your buyer will simply buy the share of the property that you currently own. However, if you sell privately it is possible to sell 100% of your property and increase your share to 100% in the same day. We call this 'back to back' staircasing. This is only possible if your lease allows and you would need to let us know you're planning to do it as soon as you can.

On the day of the sale you would receive your share, and we would receive our percentage share of the current market value.

HOW LONG WILL IT TAKE?

As with any traditional house sale, it's not advisable to put in an offer until you have found a buyer for your property. From here, the timescales will be the same as a normal transaction and we would not usually be involved in your sale once a buyer has been found and we've passed on details.

If your property will be vacant for more than three weeks, for example if you plan to move out before your completion date, please let us know so that we can make the necessary arrangements under the requirements of our building insurance policies.

SEVEN SIMPLE STEPS

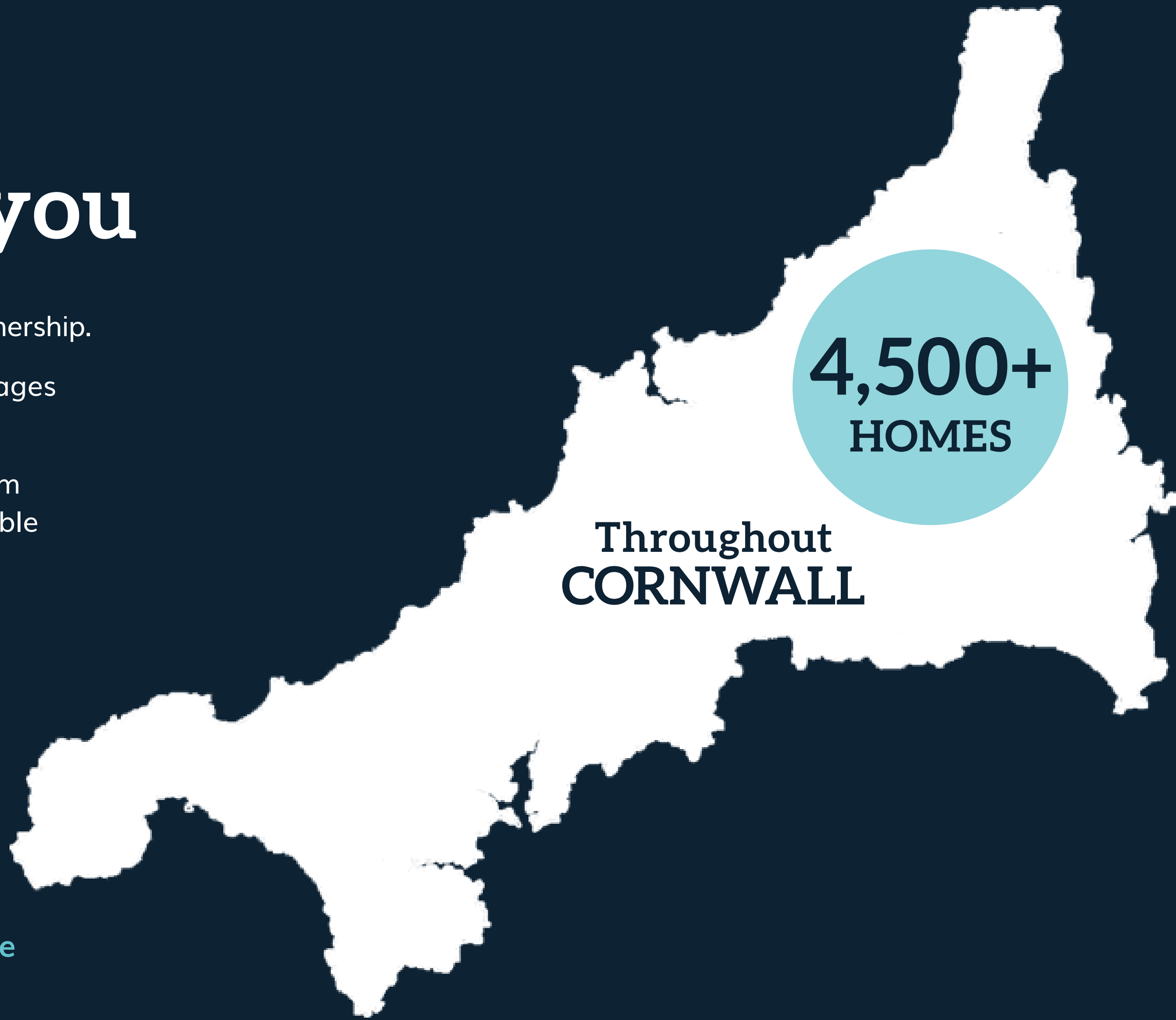
1. **Let us know that you're ready to sell**
2. **We have six to eight weeks to find the right buyer**
3. **Buyer not found? In most cases you'll be allowed to arrange a private sale**
4. **Once a buyer has been found, it's time to start looking for your next place**
5. **Arrange your mortgage if you are buying somewhere. Don't forget to instruct a solicitor**
6. **Solicitors' checks, surveys and paperwork**
7. **Completion**

We're here to help you

At Coastline Housing, we know a thing or two about shared ownership.

We are a charitable Housing Association that owns and manages over 4,500 homes in Cornwall.

We help people find the right homes at the right price for them through a range of different options and we're sure we'll be able to help you, too.



Get in touch

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Visit our website www.coastlinehousing.co.uk/buy-home

Or find us on social media:

@coastlinehousingsales

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