Helping our clients to achieve

Phillips' guide to shared ownership

What is shared ownership?
Shared ownership is another way to allow you to purchase your own home. The scheme is aimed at people who cannot afford to purchase a property outright. So instead of raising a full mortgage on your new home, you can buy part of it and pay a subsidised rent on the other half. You will buy your percentage stake in the property, usually 50%, but otherwise whatever is agreed – from a Housing Association that either owns 100% of the property or purchases it at the same time. These are non profit making organisations that provide and manage homes for shared ownership. They are regulated by the Housing Corporation to provide a good standard of management on their properties

What is 'staircasing'?
In the future you can gradually buy a bigger share in the house; for example if you own 50% now, you could buy a further 10% when you can afford it, taking your share to 60%. This is called 'staircasing'. When you finally own 100% of your home, the shared ownership arrangement ceases. But remember that house prices can go up and down and you may miss out on some of the equity growth if the housing market changes.

Will I have to pay a deposit?
This depends on the finances. If for example you are renting 50% and mortgaging 50% your only deposit would be the fees payable. If for example you are renting 50% with a mortgage of 45% then a 5% deposit will be payable with fees on completion.

Why does the Housing Association need to approve my mortgage?
The Housing Association needs to make sure that the mortgage allows the shared ownership scheme; it also protects the Housing Association in the event of repossession for unpaid mortgage; and it ensures the right amount is being lent. On the other side, the mortgage company need to be assured the shared ownership lease has a mortgage protection clause to protect them in the event of repossession for unpaid rent.

Will it be leasehold or freehold?
Whether you buy a house or flat, your interest in the property will be leasehold because the Housing Association owns the property and is the landlord. They will grant a lease, typically 99 or 125 years, and you will be subject to the terms of the lease. Call Phillips and we can help you understand the terms of the lease.

Do I have to arrange buildings insurance?
No. That is done by the landlord/Housing Association and part of the rent payable reimburses the cost of the buildings insurance.

What is specified rent and gross rent?
Gross rent is the total rent payable if you are renting 100% of the property. If you are buying a proportion of the house, then the specified rent is the percentage of the gross rent that you will pay the Housing Association (for example it could be 40% or 50%).

Will there be service charges?
Not always. If the property has communal areas maintained by the landlord/Housing Association, then yes there will be a charge. Some shared ownership properties do not have a service charge.

Are there any restrictions on selling the property?
Quite often: the Housing Association should be approached first to see if they wish the property sold again as shared ownership. They may then find a suitable purchaser. If they do not, then the property may be sold on the open market, providing there are no other restrictions such as planning.

Are there any initial costs I should be aware of?
Yes, there are some initial costs involved in buying a shared ownership property just as there are when you buy on the open market, so you will need to have some savings:

- Stamp Duty – this is a form of tax on the transfer of property. You are exempt from paying this if you purchase up to 80% share in the equity. However, if the value of the percentage share purchased is over £175,000 then you will have to pay stamp duty land tax. Phillips can advise you on this.
- Deposit – if required.
- Survey/valuation – this is essential if you are purchasing with a mortgage. It can be arranged through your mortgage broker and/or lender.
- Legal fees – ask Phillips for a quote.

Other costs you must budget for include mortgage repayments to your bank or building society (these will vary according to the interest rates); rent on the proportion of the share you don't own; council tax payable to the local authority; a service charge if payable; repairs and redecoration; your own utility bills; fittings and furniture and insurance for the contents of your home.

Who qualifies for shared ownership?
To qualify for shared ownership you must be in employment and be in a position to raise a mortgage for the part you are buying. The amount you must be earning will vary depending on property prices where you want to live. However, if you earn sufficient to enable you to purchase a home outright then you will not qualify. Priority is normally given to those in need and those on housing waiting lists.
Key workers, particularly nurses and other health workers, teachers and police officers, can take advantage of the Government's Starter Home Initiative.
Up to four people can become joint owners but all four must meet the eligibility criteria. If you wish to do this, we can advise you.

Call Zoë Naylor at Phillips and we'll help you get on the property ladder

Zoë's direct line is: 01256 854623, email: znaylor@phillips-law.co.uk

Phillips Solicitors
Town Gate
38 London Street
Basingstoke
Hampshire
RG21 7NY

Switchboard: 01256 460830

Visit our website for lots more information: www.phillips-law.co.uk