

TMG

The More Group

in association with

mortgagewarehouse
corporation



Shared Ownership Explained



Tel: 08456 21 22 00

E-mail: broker@mwcl.co.uk

SHARED OWNERSHIP EXPLAINED

Shared ownership is a scheme which aims to help those who are unable to afford the cost of buying a property outright on the open market.

It is a part buy, part rent scheme which lets you buy a share of the equity in your new home, this can be from 25%. You then pay a subsidised rent on the part you don't own to a housing association.

If you have any questions, please feel free to contact us on:-
Tel: 08456 21 22 00 or by e-mail: broker@mwcl.co.uk

WHO CAN BUY A SHARED OWNERSHIP HOME?

Shared ownership is designed to help those who cannot afford to buy a home outright on the open market. Your income must be enough to cover your monthly mortgage, rent and service charge and you should also have some savings to cover the initial purchase costs. You should normally be a first time buyer although you may be eligible if you have previously owned a property. However, at the time of completion you cannot own any other properties.

WHAT WILL I OWN?

You will buy your home on a lease which will normally be 99 to 125 years for new homes. If you are buying a second hand property, the length of your lease will be based on the number of years remaining since the original lease was first issued. If the property is a house and you later decide to buy it outright you are normally given the freehold.

CAN I BUY MORE EQUITY IN MY HOME?

After a set period you may be eligible to purchase more equity, or even purchase your home outright, if you wish. The important point is that it is you who decides what is right for you. You do not have to buy additional equity in your home if you do not want to.

As you only pay rent on the part that you do not own, the more equity you own the less rent you pay. Should decide to purchase your home outright in the future there will not be any rent payable.

If you tell the housing association that you wish to purchase additional equity in your home, they will instruct an independent valuer from the Royal Institution of Chartered Surveyors to determine its current market value and the price you pay for any additional equity will be based upon this valuation. You will have to meet the cost of this valuation.

CAN I SELL MY HOME?

You may sell your home whenever you choose just like any other home owner. However, to make sure that your home can then be made available to others who cannot afford to buy outright, the housing association will have the right to find a buyer for your home.

There may be a small fee for this service although it is less than you would normally pay an Estate Agent. If the housing association is unable to find a purchaser within the period specified within your lease, you are then free to make your own arrangements to sell your home.

The housing association will instruct an independent valuer from the Royal Institution of Chartered Surveyors to determine the current value of your home if you decide to sell. You will have to meet the cost of this valuation and the price you sell your equity for will be based upon this valuation.

WHAT ARE THE INITIAL COSTS INVOLVED IN THE PURCHASE OF MY NEW HOME?

There are initial costs associated with purchasing a shared ownership home, just like there are if you buy on the open market. We recommend that you have a minimum of £3,500 in savings before proceeding with purchase and have set out below details of the costs you are likely to incur:

Holding/Administration Fee

When you view a property you will be given the opportunity to place a holding/administration fee on the property of your choice. If the housing association is unable to offer you your choice of property, your cheque will be returned to you. If you accept an offer of a property and then do not proceed to complete your purchase, the housing association will retain this fee to meet their legal and administrative costs.

Survey and Valuation Report

Your mortgage lender will want to make sure that the property you are buying is worth the money you are being asked to pay and will therefore want to carry out a survey on the property before you purchase. If it is a new property, this will normally be a standard 'Mortgage Valuation, however, if you are buying a second hand property you may require a more extensive 'Homebuyer's Report'. The lender sets the fee you will be charged, but you should typically allow between £175 and £550 depending on the property you are buying and the type of survey you decide to have.

Legal Fees

You will need a solicitor to act on your behalf and fees vary. However, as a general guide you should allow around £500 to £850 for solicitor's fees. Always use a solicitor who is familiar with Shared Ownership and remember to ask them about any disbursements. These are additional costs for Land Registry searches, etc, and these 'disbursements' could add another £500 to £700 to the solicitor's fees. We are able to recommend a suitable solicitor to you if you wish.

Stamp Duty Land Tax

Stamp Duty Land Tax has been abolished for shared ownership purchases*. There is a small tax levied on your rent and your solicitor will advise you of the current rate at which this is payable and how it should be paid.

Deposit on Exchange of Contracts

When you exchange contracts on your new home you may be asked you to pay a further deposit to the housing association. This will be added to the holding/administration fee you have already paid to form a total deposit on exchange of contracts. When you complete your purchase this will normally be deducted from any rent and service charge payable and any remainder from the purchase price.

WHAT ARE THE COSTS ONCE I MOVE IN?

If you have taken out a mortgage to buy your home there will be a monthly mortgage payment to the lender. There will also be the monthly rent to a housing association on the part you do not own. With some properties, usually flats, there will also be a service charge payable to cover the cost of maintaining the exterior of the building and any communal areas. The service charge is payable even if you should decide to buy your property outright in the future.

The housing association will also have to take out buildings insurance on your new home and will recharge the cost of this to you, usually through your service charge.

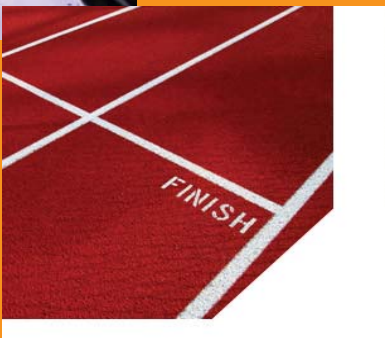
HOW DO I APPLY?

The housing association will ask you to attend a financial interview to establish the share you are able to purchase. Mortgage Warehouse Corporation Ltd is approved by many housing associations to carry out this work. Once this is established you will need to complete an application form and return it to the housing association who will check to see if you qualify. The housing association will let you know if your application has been accepted but may sometimes contact you for additional information.

*Tax is subject to change at anytime. Your solicitor will confirm the current stamp duty land tax regulations and costs.

Conveyancing Guide

Purchasing a property



Telephone:
08456 21 22 00

E-mail:
broker@mwcl.co.uk

