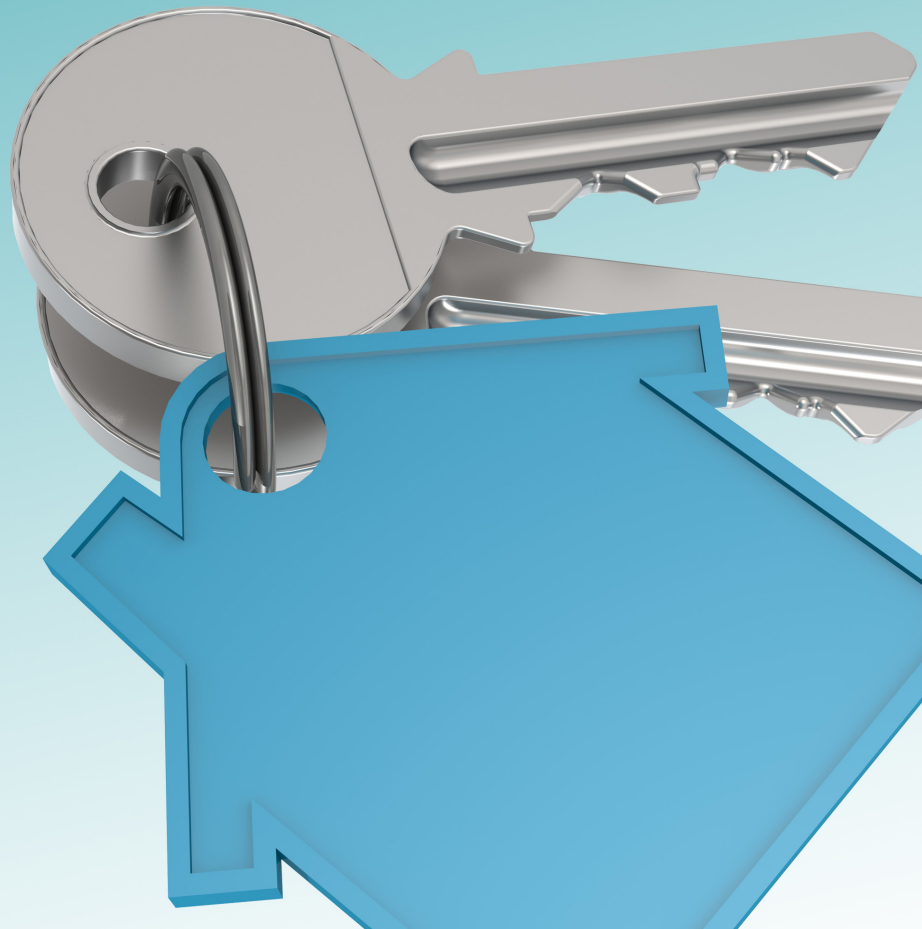


# DRAFT

# Shared Ownership

Guide to New Forest District  
Council Shared Ownership

**If you can't afford to buy a home of your own, shared ownership could be for you. In this brief guide we explain what it is and how it works.**



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# Part One

## What is shared ownership?

Shared ownership is a more affordable way to buy your own home. With shared ownership you buy a share of your home and pay rent on the remaining share. Buying a share in your home means a smaller deposit and smaller mortgage.

Depending on affordability, initial shares can be as little as 25%, to as much as 75%, this is typically funded by a mortgage and savings. You will then pay rent on the remaining share to New Forest District Council.

In almost all cases you will be able to buy more shares in your home, in almost all cases until you own it outright. The rent you pay will be reduced as your shares in your home increase.

Shared ownership homes are sold as a leasehold. As a shared ownership leaseholder, and in accordance with the terms of your lease, you will be able to sell your home at any time.

As a shared owner you can decorate your home and are responsible for repairs and maintenance just like other home-owners.

Shared ownership is designed to help people who can't otherwise purchase a home of their own on the open market.



# Am I eligible for shared ownership?

To be eligible for shared ownership you must:

- Be over 18.
- Be unable to purchase a suitable home on the open market.
- Have a household income of less than £80,000 per year.
- Demonstrate you have a sufficient deposit and can afford the purchase of the share of the property.
- Be financially able to sustain home ownership into the long term.
- Not be in rent arrears or in breach of your tenancy.

In addition, to be considered for a New Forest District Council shared ownership home local connection criterion apply. In summary;

## District connection

To buy a New Forest District Council new shared ownership home you will need to have a local connection to the District. You will:

- Be a resident, or employed in the District for two years, or;
- Have been a resident of the District for 10 years or more in the past.

Shared ownership homes where a district connection is required will be sold on a first come, first serve basis.

## Rural Parish connection

For some new shared ownership homes in rural parishes you will need to have a connection to the parish. As a minimum you will:

- Be a resident or employed in the parish for a minimum of two years or;
- Have lived in the parish for more than two years in the last 15 years, or;
- Have parents, siblings or adult children living in the parish for the last five years or more.

## Rural exception site

Shared ownership homes built on rural exception sites may have additional requirements. These will be set out in the legal planning agreement accompanying the development.

The sale of shared ownership homes in rural areas will be prioritised to applicants with the strongest local connection as set out in the District Council's Shared Ownership Policy.

## What type of home can I buy through shared ownership?

You can buy houses and apartments through shared ownership. There is no restriction on the size of home you can buy, but you will need to demonstrate that you can afford the purchase and ongoing costs.

Shared ownership homes can be purchased as new build or as re-sale.

# Buying a shared ownership home

## Application

If you are interested in buying a shared ownership home you will need to complete a New Forest District Council application form. These are available on the Council's website.

You will also need to register with the local Help to Buy Agent.

## Financial assessment

Everyone who applies for a shared ownership home is required to complete an eligibility and financial affordability assessment. The affordability assessment is carried out by independent financial advisors.

## Arranging a mortgage

If you are not buying your share outright you will need to arrange a mortgage with a mortgage lender.

You will be required to provide a deposit, this typically ranges between 5% and 25%.

## Appointing a Solicitor

A solicitor will carry out the necessary legal work in buying a property on your behalf. When appointing a solicitor you may wish to consider one that has experience of shared ownership sales.

## Reserving a shared ownership home

Once you have found a shared ownership home that you like you will need to reserve the home and pay a reservation fee. The fee will be deducted from the price of your share on completion of the sale.

## Receiving an offer

If your application and financial assessment are approved you will receive a formal offer of sale from the District Council. You will then need to formally secure your mortgage and instruct your solicitor.

## Exchange and completion of contracts

On the exchange of contracts you will sign a contract to buy your home and pay your deposit. On exchange of contracts a date of completion will be agreed.



# What are the costs?

Before you decide to buy, you will need to consider the costs of purchase and future ongoing costs.

## Initial costs to buy your shared ownership home.

These costs are likely to include:

- Mortgage arrangement fee and valuation fee
- Legal fees
- Deposit
- Reservation fee
- Stamp Duty
- Removal fees

Typical costs of purchasing a home excluding the deposit is typically between £3,000 to £5,000.

## Ongoing costs after purchase

Once you have bought a share in your home, you will have some ongoing costs and responsibilities. To help with planning it is a good idea to consider the costs of the following.

- Your monthly mortgage
- Your monthly rental
- Contents insurance
- Service charge
- Utility bills
- Council tax
- Ongoing repairs and maintenance
- General household bills.

## Rent

You're responsible for paying your rent on time every month by direct debit. The rent you pay is based on the percentage of the property New Forest District Council still owns and is reviewed each year.

## Service Charges

A charge which covers services such as communal repairs, maintenance and management costs.

## Ground Rent

You may be required to pay a ground rent to the owner of the land on which your home is situated. This will normally be New Forest District Council. If this applies to you, you will be sent an annual ground rent notice.

## Buildings Insurance

Your home will be covered by our buildings insurance policy, but you'll be responsible for your own contents insurance.

# Part Two

## Congratulations! You're a shared owner!

As a shared owner, you have bought a part of your new home and New Forest District Council retains ownership of the remaining share. The shared ownership lease is the legal contract between you and us, and it sets out both of our legal obligations.

As a shared ownership leaseholder you have the same rights and responsibilities as a full owner-occupier.

### Your lease

Your shared ownership lease is a legal contract between you and New Forest District Council. It sets out your obligations as a leaseholder, and our obligations as a landlord, in a format approved by Homes England.

As a shared ownership lease there are certain conditions specific to shared ownership, for example 'staircasing'.

It's important that you understand your lease and the conditions in it, because breaking the conditions could have serious consequences. When you agree to purchase a home with us, your solicitor will be sent a copy of the leasehold document which they should go through with you and explain any details you are unsure of. You should also keep a copy for your records.



# An overview of information included in your shared ownership lease



## The property

The flat or house you've purchased and plans of its location, layout & boundaries.



## Your rights and responsibilities

What you are entitled to, and your responsibilities.



## Our responsibilities

What we are entitled to and our responsibilities.



## The building

If you have purchased a flat, this is the building your home is part of.



## Service charges

How and when we charge for the services we provide for leaseholders.



## Repairs and maintenance

Your responsibilities for repairs and maintenance.



## 'Staircasing'

Buying further shares in your home until you own it outright.



## Selling

What you need to do when you decide to sell your home and restrictions on sale and subletting.



## Mortgage Protection Clause

How your mortgage lender is protected if you fail to make payments



## Shared areas

Any drives, entrances, forecourts, roads, pavements, landings, lifts, open spaces, and areas providing a way into the building.



## Rent

The amount of rent that is payable and when and how it is reviewed, and what happens if you fail to make payments.



# Your responsibilities as the leaseholder

## **When you sign your lease, you agree to:**

- Pay rent (including ground rent and service charges, if applicable) and buildings contents insurance.
- Keep your home in a good state of repair, and carry out regular maintenance and servicing.
- Repair any faults inside your home or carry out work that we advise needs completing.
- Allow us to come into your home to carry out any inspections or work that is our responsibility.
- Give us a copy of any details you receive detailing changes or works that are going to be carried out to the property or surrounding areas, within three months (or sooner if necessary) of notification.
- Allow other leaseholders into your property to carry out maintenance or repairs that are needed to their property, providing they give you reasonable notice, cause minimal disturbance and 'make good' any damage they cause to your home.
- Only use the property as a private home and not to run any business from the property.

## **Some leases also include the following clauses, asking you to:**

- Contribute to a 'sinking fund' or 'reserve fund' to pay for long term maintenance unexpected works to your building. Reimburse the Council for the cost of repairing any damage that you, your family or your visitors cause to shared parts of the building (flats only).
- Pay us reasonable administration costs plus VAT for any work we do related to staircasing, re-mortgaging and reselling your home.

## **Your lease won't allow you to:**

- Make any structural or non-structural alterations to the property without the Council's written permission beforehand.
- Cause a nuisance or a health or safety risk to the Council, its contractors or other people living or visiting the building.

## **Subletting**

As a shared owner, you are not allowed to sublet your home unless you own 100%.

You are allowed, however, to have a lodger. Please contact us if you would like more information about this.



## Our responsibilities as your landlord

### Having signed the lease, we agree to:

- Maintain, repair and decorate the structure and outside of the building, including roof, chimney stacks , foundations, gutters and pipe of apartments and where specified in the lease for houses.
- Maintain, repair and decorate shared areas for example staircases, paths, grounds and lighting.
- Insure the building

We pass on a share of the costs of these responsibilities to our leaseholders as a service charge.

# Service charges

We calculate these charges based on the number of properties in the block or scheme and the actual cost of providing our services to your building in the previous year.

As part of your lease, we also collect a separate monthly fee to cover the smooth running of the building. This includes, but is not limited to:

- General maintenance and day to day repairs (for flats).
- Buildings insurance (for flats and houses).
- Lighting and cleaning of communal areas (for flats).
- Housing management services.
- Health and safety checks (for flats).
- Door entry systems (for flats).
- Fire safety equipment (for flats).

Service charges are calculated based on the number of properties in the block or scheme and the actual cost of providing our services to your building in the previous year.

## How much are my service charges

We calculate these charges based on the number of properties in the block or scheme and the actual cost of providing our services to your building in the previous year. Costs may increase year on year to allow for inflation, but subject to your individual lease.



# Other costs

## Buildings insurance

Whilst you remain a shared owner, your service charge will include an allowance for us to provide buildings insurance.

If you have purchased a house, New Forest District Council will continue to provide buildings insurance until you have acquired 100% ownership.

You'll need to arrange separate insurance cover for the contents of your home.

## Sinking fund

Where the Council is collecting a sinking fund or reserve fund for the scheme, this will be used towards the cost of major works before the Council requests further contributions from you.

## Ground rent

Your lease will advise if you are required to pay ground rent. We will charge a small ground rent on shared ownership apartments that have staircased to 100%.

## Major works

Major works are necessary to keep the building or shared areas in good condition as part of an ongoing maintenance programme. We will keep you advised of the cost of these works and must consult you on any works expected to be more than £250 per lease holder. Your lease will provide further information on major works.



# Repairs and maintenance

If you own a house, you are responsible for all redecoration, repairs and maintenance to the inside and outside of your home after any defects period that may apply.

If you own a flat, you are responsible for maintaining just the inside and we will look after all communal areas (including a door leading from a corridor into your flat), using the funds collected from your service charges.

## Repairs when you first move in

Please always contact New Forest District Council in the first instance. Subject to any defect period that may apply, you will be responsible for the repairs in your home. New Forest District Council will continue to maintain any communal areas.

Items such as your cooker and boiler will come with a manufacturer's warranty, guidance on how to register your details will be clearly labelled on the item you wish to register.

Longer term, the NHBC or similar guarantee protects you against structural faults in your home, for 10 – 12 years.

## Making improvements to your home

You don't need permission for redecorating and simple changes to the inside of your home, but you will need permission for anything more complicated like a new kitchen, bathroom or boiler system. This will be fully detailed in your lease.



# Staircasing

You can purchase further shares in your home at any time after the first 12 months of ownership, this is called 'staircasing'.

Your shared ownership lease contains information that explains how you increase your ownership through staircasing. It is important that you carefully consider all the costs related to staircasing before you proceed.

The price you pay for the share will depend on the value of the property at the time of staircasing. You will need to obtain an independent Royal Institute of Chartered Surveyors (RICS) valuation agreed between you and the New Forest District Council.

If you apply to increase the shares in your home, your rent account must be up to date and remain so throughout the staircasing process.

We charge an administration fee for staircasing and you will be responsible for the Council's legal costs.

In most cases you will be able to staircase up to 100% of your property.

# Re-mortgaging

There are several reasons why you may want to change mortgage provider or borrow more money to be secured against your home.

These might include:

- Changing or transferring the names on your mortgage.
- Taking advantage of a better interest rate with a different lender (but not to borrow any more money).

In all cases, you must get our permission first. We have a financial interest in your home and need to approve the new mortgage and register the new changes with the Land Registry.

We may need to assess your financial circumstances again to ensure you can still afford your home if you're removing someone from the lease, or that your new co-owner meets our affordability criteria if you're adding someone to the lease.

You'll need to instruct and pay for solicitors as changes will need to be made to legal documents and cover our administration costs.

You're not allowed to re-mortgage to pay off debts or to buy goods.

# Selling your home

As a shared ownership leaseholder you can sell your home when you wish. Your shared ownership lease gives information on your responsibilities when you sell the property.

It is very important that you inform us of your intention to sell. Your lease will give New Forest District Council the Right of First Refusal to repurchase your home.

If we decide not to repurchase your lease we will try and help you find an eligible buyer. If an eligible buyer cannot be found in a reasonable timescale (as defined in your lease) with our agreement you have two options:

- a) You can market your share on the open market
- b) You can simultaneously staircase to 100% ownership (where applicable) and sell the whole property on the open market.

For both options you will need to provide an independent Royal Institute of Chartered Surveyors (RIC's) valuation.

When selling your home you will be responsible for all associated costs including valuation and our administration costs.



Your lease gives New Forest District Council 'right of first refusal' to repurchase your home.

**New Forest District Council**

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