

SHARED OWNERSHIP WITH STAIRCASING

East Lothian Housing Association (ELHA) is a housing association registered with Communities Scotland which aims to provide good quality affordable housing throughout East Lothian District. In addition to providing houses for rent the Association has developed or acquired houses and flats for shared ownership. This leaflet aims to explain more about what shared ownership is and how the scheme works.

1. **What is Shared Ownership?**

There are normally two main choices in the way you can be housed.

(a) As an owner occupier – you buy a house, usually using money borrowed from a bank or building society. When you want to move you sell your house and may make a profit.

OR

(b) As a tenant – by renting a house from the District Council, a Housing Association or private landlord. You pay rent which means that if you move you do not benefit from any increase in the value of your home.

Shared Ownership is a way of combining both of the above. The basic idea is that you buy a share of the property – 25, 50 or 75% and pay a charge for living in the share still owned by ELHA. For example, if you choose to buy a 25% share of a property you will pay an occupancy charge on the remaining 75%.

2. **What does “Staircasing” mean?**

Staircasing is the term used to describe the process through which you can achieve full ownership of your home. If you start off by buying a 25% share through time, as your earnings increase, you may decide you could afford to increase your payments. The scheme allows you to buy additional shares in blocks of 25% until you own 100% of your home. Each time you buy another share and increase your mortgage the proportion of the property on which you pay on Occupancy Charge reduces and the charge would reduce accordingly.

3. **Who is Shared Ownership For?**

Shared Ownership is popular with people who would like to own their home, and are able to pay more than District Council/Housing Association rent, but cannot buy a house outright because they cannot afford to meet full mortgage repayments or cannot raise the necessary deposit – or both!

Shared Ownership is aimed at first time buyers of any age whose income is not enough to allow them to buy outright in the local housing market. It is particularly suitable for people who expect their income to increase in future years. Because an occupancy charge is eligible for Housing Benefit it can also be ideal for people who have capital to invest in property ownership but not enough income to meet a mortgage.

4. **What are the advantages of Shared Ownership?**

The main advantage of the Shared Ownership scheme is the combined cost of mortgage and Occupancy Charge is less than the cost of buying outright. It is, therefore, an ideal first step into

home ownership. Because you own a share in the property you also benefit from any increase in its value if you decide to sell. "Staircasing" allows you to increase your share until ultimately you own the property outright.

5. **What does Shared Ownership Cost?**

There are several costs to consider most of which will vary depending on the type, size and value of the property. In general you must consider the following costs:

- (a) Mortgage repayments – these will vary depending on the type of mortgage you take out, the cost of your share and, most importantly, interest rates. A bank or building society is the next place to go for detailed information on how much you can borrow (usually a maximum of three times your income) and what it will cost.

You must, however, remember that because mortgage payments are based on interest rates the costs can go up or down if interest rates change.

- (b) Occupancy Charge – this again will depend on what percentage of the house you buy, for example if you buy 25% the occupancy charge will be higher than if you buy 50%.

The Occupancy Charge charged by the Association is set in accordance with our rent policy but reduced to take account of the fact that you will be responsible for repairs and maintenance.

Occupancy Charge increases are applied each year on the first of April. You have the right to appeal to an independent arbiter if you are unhappy about the level of increase applied in any year.

- (c) Council Tax – like any other resident, be they home owner or tenant, you will be liable for payment of the Council tax to the local authority.
- (d) Repairs and Maintenance – as a Sharing Owner you will be responsible for the cost of all repairs and maintenance and, as stated above, this is taken into account when the rent is set. When considering whether or not you can afford Shared Ownership it is important that you take the cost of repairs and maintenance into account.
- (e) Legal Costs – before offering a mortgage your bank or building society will want to have a valuation survey carried out on the property. You will have to pay for this. You will also have to pay a lawyer to handle the legalities of the purchase of a share.
- (f) Insurance – the Association will arrange building insurance and the cost of this is included in a service charge. You will have to pay to insure the contents of your home.

6. **Can I get Housing Benefit?**

When considering your application for Shared Ownership, the Association has to take your income into account and will only make you an offer if it appears that you have enough income and/or savings to afford to pay all of the costs. It is therefore unlikely that you would qualify for Housing Benefit when you first enter into Shared Ownership.

If, however, your circumstances change after you become a Sharing Owner your Housing Benefit entitlement for the proportion of Occupancy Charge you pay would be calculated in the same way as if you were a tenant. In certain circumstances Housing Benefit can also be paid to help meet the cost of your mortgage interest repayments.

7. Who arranges Repairs and Maintenance?

As a Sharing Owner you are responsible for arranging and paying for all necessary repairs and maintenance. These can range from changing light bulbs to having the outside of the property painted. In some properties a factoring service may be provided in which case the factor will arrange some or all of the necessary repairs and maintenance although you will still have to pay the cost and pay a charge for the factoring service.

8. What about Insurance?

The Association will arrange building insurance and include the cost of this in the Occupancy Charge. You will have to arrange to pay for contents insurance (to cover any loss or damage to furniture, carpets, clothes, etc).

9. What if I Fall Behind with my Mortgage/Rent?

If you have any difficulty in paying either the Occupancy Charge or your mortgage it is really important that you contact the Housing Association and your bank or building society immediately for advice, and assistance in for example applying for Housing Benefit.

If arrears build up on either your rent or mortgage account or both, your lender and the Association will co-operate in pursuing legal action against you which could result in you losing your home.

10. What if I want to Move?

Because of the costs of valuation fees and solicitors' costs, Shared Ownership is not recommended to anyone who may want to move again within a short time.

If by the time you decide to move you have "staircased" up to 100% ownership you will sell your property on the open market and all of the increase in its value will belong to you.

If, however, the Association still owns a proportion of the property you have to tell us you want to move and one of the following three things will happen:

- (a) The Association will buy back your share
- (b) The Association will join with you in a sale of the property on the open market
- (c) The Association will put you in touch with someone from its register who wants to buy your share

No matter which of the above applies, the sale of the property (or share) will be based on current market value. Your share of any increase in the value of the property will depend on how much you own. For example if the property is worth £2,000 more than when you bought your share and you own 25% you will get £500 (25% of £2,000) more than you paid.

Remember, however, that you will have to pay a solicitor to sell your share.

11. What Advice should I get before Proceeding with a Shared Ownership Purchase?

This leaflet provides an explanation of the main principals of Shared Ownership for guidance only. It does not form a contract or missive. The legal basis of Shared Ownership is contained within an Occupancy Agreement which you would have to sign at the time of purchase. You would also enter into a contract with your bank or building society.

It is essential that you seek the advice of a solicitor who will be able to fully explain the terms and conditions of the contract documents and generally look after your best interests.

SHARED OWNERSHIP HOUSING

Scheme Address	Date Completed	No of Properties	2-Apt	3-Apt	4-Apt	Central Heating Type	Shared Parking	Private Parking	Garden	Ground Floor	1 st -3 rd Floor
Princess Mary Road, Haddington	May 1990	4 Houses		√		Gas		√	Private		
Fowlers Court, Prestonpans	April 1991	10 Flats	√	√		Electric	√			√	√
Miners Terrace, Wallyford	March 1993	4 Houses		√		Gas		√	Private		
Creel Court, North Berwick	July 1994	6 Houses		√		Gas	√		Private		
Market Street, Haddington	April 1994	3 Flats		√		Gas		√			√
Crown Court, Tranent	April 1995	8 Flats		√		Electric	√		Shared	√	
Tyne Park, Pencaitland	July 1997	3 Houses		√		Electric	√		Private	√	
Rosehall, Haddington	June 1996	2 Flats		√		Electric		√	Shared		
Hardgate, Haddington	December 1996	4 Flats		√		Electric	√				√
Quality Street, North Berwick	September 1997	6 Flats	√	√	√	Electric	√			√	√
Woodbush Place, Dunbar	July 1997	10 Houses		√		Electric	√		Private		