



Shared Ownership

A NEW FOREST DISTRICT COUNCIL
BRIEF GUIDE TO
SHARED OWNERSHIP





Shared Ownership

If you can't afford to buy a home of your own, shared ownership could be for you. This is a brief guide to New Forest District Council's (NFDC) shared ownership and how it works. We recommend reading this in conjunction with the 'Key Information about shared ownership' document on our website.

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Part one

An open white door with a brass handle and keyhole, leading to an empty room with light wood flooring. The text "Part one" is overlaid in the center.



What is shared ownership?

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

Depending on what you can afford, initial shares are typically between 25% and 75% (in some cases they can be as low as 10%) of your home, this is usually funded through a mortgage. You will need to pay a deposit on the share you are purchasing, the level of deposit will vary but can start from 5% and is usually funded through savings. You will then pay a capped rent on the remaining share to NFDC.

As a shared owner, you can buy more shares in your home, this is known as staircasing. In almost all cases, you will be able to purchase up to 100% of your home. As you purchase more shares, the rent you pay will be reduced as your shares increase.

You are free to sell your home at any time. When you decide to sell your shared ownership home, you will need to let the council know, the council may then look to market the property onto another eligible household interested in shared ownership.

Shared ownership homes are sold as leasehold. As a shared owner, you are free to decorate your home and are responsible for the repairs and maintenance, just like other homeowners. For new build shared ownership from 2023, if structural repairs are required to the property, that are not covered by the building or other warranties, the cost of these repairs can be reclaimed from the council up to a set amount per year.

Am I eligible for a NFDC 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
- do not own a property - if you own a property this must be sold at the point of purchasing a shared ownership



You will also need to:

- demonstrate that you have sufficient deposit and can afford the purchase of the share of the property you wish to buy
- be financially able to sustain home ownership into the long term



Local connection

Some NFDC shared ownership homes will be subject to a local connection requirement. This means that initial priority in the sale of the property will go to applicants who have a connection to the New Forest district. To have a local connection you will need to be living or working in the district area.

Shared ownership homes in rural locations and on rural exceptions sites, may have additional requirements. These will be set out in the legal planning agreement accompanying the development.

For more information on local connection, please see our Local Connection Guide.

Buying a shared ownership home

Shared ownership homes are sold on a first come, first served basis.

1 Application

If you are interested in buying a shared ownership home, you will need to complete a NFDC Shared Ownership Application Form. This is available on the council's website: newforest.gov.uk

2 Financial Assessment

Everyone who applies for shared ownership is required to complete an eligibility and financial affordability assessment. The Affordability Assessment for NFDC homes are completed by independent financial advisers.

3 Arranging a mortgage

You will need to arrange a mortgage with a mortgage lender for the share of the home you are buying. You may wish to appoint a financial or mortgage adviser to assist you in identifying how much you can afford to purchase and the mortgage that suits you.

You will be required to pay a deposit; this typically ranges from 5% to 20% of the value of the share you are purchasing.

4 Appointing a solicitor

A solicitor will carry out the legal and conveyancing 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.

5 Reserving a shared ownership home

Once you have found a shared ownership home that you like with us, 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.

6 Offer of sale

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

7 Exchange and completion of contracts

On the exchange of contracts and lease, you will sign the contracts for your home and pay the deposit. On exchange a date for completion will be agreed, at which the balance of payment, the first month's rent and service charge will be paid.

What are the costs?

Before you decide to buy, you will need to consider the costs of purchase and any future ongoing costs, connected to running a home.



Costs when buying a home

The costs are likely to include:

- mortgage arrangement fee and valuation fee
- legal fees
- deposit
- reservation fee
- removal fees
- stamp duty (where applicable)



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:

- general household bills
- utility bills
- your monthly mortgage
- council tax
- contents insurance
- ongoing repairs and maintenance
- service charge
- your monthly rent
- sinking funds
- buildings insurance

What are the costs? (continued)



Rent

You are responsible for paying your rent on time every month by direct debit. The rent you pay is based on the percentage of the property NFDC still owns and is reviewed each year. To read more, go to page 13.



Service charge

A charge which covers services such as communal repairs, maintenance, management costs and administration charges. These are reviewed and updated each year. To read more, go to page 13.



Estate charges and sinking funds

You may be required to pay an annual estate charge, or sinking funding if this is applicable to your home.



Buildings insurance

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

The costs of buying your home will be clearly set out in the Information About Your Home Guide.

Part two





Your lease

All shared ownership homes are sold as leasehold, even houses. Your shared ownership lease is a legal contract between you and NFDC. It sets out your obligations as a shared ownership leaseholder, and our obligations as landlord, in a format approved by Homes England*.

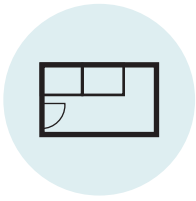
The lease contains certain conditions specific to shared ownership e.g. buying further shares in your home 'staircasing'.

It's important that you understand your lease and the conditions within it. Breaking the conditions within the lease can have serious consequences and you may risk losing your home. 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 of your lease for your record.

*Homes England is the Government body responsible for housing and regeneration.

Topics included in your shared ownership lease:



The property

The flat or house you have purchased and plans of its location, layout, and boundaries.



Your rights and responsibilities

What you are entitled to, and your responsibilities.



Our responsibilities

What our (NFDC) responsibilities are as the landlord.



Rent

Your rent, when it is payable, how and when it is reviewed and what happens if you fail to make payments.



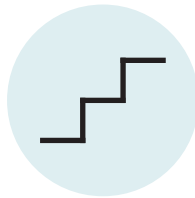
Service charges

The services charges that apply to your property, when these are payable, and how and when they are reviewed.



Repairs and maintenance

Your responsibilities for repairs and maintenance.



'Staircasing'

Buying further shares in your home.



Selling

What you need to do when you decide to sell your home.



Mortgage protection clause

What you need to do when you re-mortgage or wish to borrow against your home.



Other conditions of your lease

For example, restrictions on subletting, and what you need to do if you would like to keep a pet.



Your responsibilities as the leaseholder

When you sign your lease, you agree to:

- pay your rent and service charge.
- keep your home in a good state of repair and carry out regular maintenance and servicing.
- complete any repairs you are responsible for. Where you are entitled to reclaim the costs of repairs from us, you must follow the procedure for reporting and reclaiming costs fully and accurately.
- seek our consent before making certain alterations to your home
- allow us to come into your home to carry out any inspections or work that is our responsibility.
- only use the property as a private home.
- pay administration costs for any work we do, this includes staircasing, re-mortgaging, selling and approving alterations to 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.
- cause a nuisance or health and safety risk to the council, it's 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%, except in exceptional circumstances agreed with us.

You are allowed to have a lodger.

Rent and service charges



Rent

The rent you pay is based on the share of the property retained by us. The level of rent that can be charged is capped, this is set out in the lease and is usually set at 2.75% of the unsold equity. The rent is reviewed on an annual basis and increased by no more than RPI + 0.5%. The rent is reviewed on an 'upwards only' basis.



Service charge

Services charges are applied to cover the costs of providing services to your property, block (if you own a flat) and scheme.

This will include, but is not limited to:

- general maintenance and day to day repairs for shared areas (for flats)
- buildings insurance
- lighting and cleaning communal areas
- housing management services
- estate management charges
- fire safety equipment (for flats)

In some cases, a reserve, or sinking fund will apply. The purpose of a reserve fund is to build up a sum of money to cover the cost of major, or expensive works, for example a new roof (for flats).

The service charges that apply to your property will be clearly set out in lease. Service charges will be payable on a monthly basis and reviewed on an annual basis. You will be informed in advance of any changes to your service charges.

Maintaining and repairing your home

As a shared owner, you are responsible for the maintenance and repair of your home. If you own a house, this includes all areas inside and outside of your home, if you own a flat you are responsible for the inside of the flat, we are responsible for all communal areas, for example stairways and halls.

On new build shared ownership homes, the building warranty will cover the cost of structural repairs for the first 10 years. Details of the building warranty will be provided at purchase.

You will be responsible for registering any warranties, that are applicable, e.g. boiler or cooker warranties. Information on warranties will be provided when you move into your home.



Decorating and making improvements to your home

You are free to decorate your home and do not need our permission to make simple changes. You will need permission for large, or complicated works for example, renewing a kitchen or building a conservatory. It is recommended that you do not decorate new-build homes for the first year, or until the defects period has ended.

Initial repair period

Shared ownership purchased from the council after 2023 will have an 'initial repair period'.

This lasts for the first 10 years from the point the property was built. During this period:

- the council is responsible for the cost of external structural repairs and essential internal structural repairs, where these are not covered by the building warranty.
- you can claim for the cost of essential repairs, or replacement of fixtures and fittings to your home that; supply water, gas or electricity, or provide heating and hot water e.g. boiler, where not covered by warranty.

You must contact us if your property is in need of any structural repairs, or you wish to make a claim for essential repairs covered in the initial repair period.

For further details on the initial repair period and your responsibilities as shared owner are set out in your lease.

Staircasing

Buying more shares in your home

■ - Your share
■ - Our share



As a shared owner, you can purchase more shares in your home, this is known as staircasing. In most cases you will be able to buy more shares at any time after the first 12 months of purchase, please check your lease for details.

The minimum amount of share you can purchase will be set out in your lease.

Buying shares of 5% or more

If you purchased your home with the council after 2023, you can buy shares from 5%. The cost of the share will depend on the value of your home at the time at which you wish to purchase.

If you wish to purchase more shares in your home, you will need to apply to us, letting us know what percentage you wish to buy. Where you are borrowing more money to purchase the additional shares you will be required to complete an independent financial assessment, to ensure that you can afford to complete the purchase.

You will need to arrange and pay for a formal valuation of your home, by a Royal Institution Chartered Survey (RIC's). You will also be responsible for paying for your own legal fees and our administration fees.

Buying shares of 1%

Shared owners who purchased their home after 2023 may also have the option of purchasing a 1% share each year for the first 15 years of the lease. The price of the 1% will be based on the original value of your home, adjusted by the relevant Housing Price Index (HPI).

We will provide you with a 1% share valuation once a year, or on request if the valuation is more than three months old.

In most cases you will be able to staircase up to 100% of your home. In some rural areas staircasing is restricted to 80%, if this applies to your home this will be clearly advised when you purchase and in the terms of your lease.



Re-mortgaging

You must advise us if you are planning on changing your mortgage. We have a financial interest in your home and must ensure this is protected under any new mortgage.

We may require you to complete an independent financial assessment to ensure that you can afford the new mortgage costs.



Selling your home

You are free to sell your shared ownership home at any time. When you decide you would like to sell you will need to let us know. We then have a number of weeks to market and find an eligible buyer for your home, this is called a 'nominations period'. The length of the nomination period is set out in your lease but is typically between 4 to 8 weeks.

If we are unable to find a buyer within the nominations period, you have the option of selling your home on the open market. If you sell on the open market, you can either;

- Find a buyer for your share, the buyer would need to be approved by us, or

- You can simultaneously staircase to 100% ownership (where applicable) and sell the whole property on the open market. This is called back-to-back staircasing.

The sales value of your home must be based on a RIC's market valuation.

When you sell your home, you will be responsible for all associated costs, including the valuation, your legal fees and our administration costs.

Staying in touch

If you have any queries or concerns with your lease our leasehold team will be your first point of contact. You will be provided with contact details when you complete the purchase of your home, details will also be available on our website.

If you are experiencing financial challenges and are finding it difficult to keep up with your mortgage and rental payments the best thing you can do is let us know. If you are having problems with mortgage payments it is important that you let your mortgage lender know.

Our aim is to support you to stay in your home wherever possible.



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newforestdc



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Shared Ownership

2023

