

Social HomeBuy Guide



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Introduction

This guide is intended to provide you with an overview of the Social HomeBuy scheme (SHB).

The scheme replaces the Voluntary Purchase Grant (VPG) scheme, and like VPG aims to give residents on a number of schemes who don't have the Right to Buy or Right to Acquire the opportunity to purchase their home at a discount, but with the addition of being able to buy on shared ownership terms too. This could make the cost of home ownership more affordable.

How the scheme works

With the help of funding from the Housing Corporation, Three Rivers Housing Association are able to sell homes on certain schemes at a discount equivalent to the discounts available to tenants who have the Right to Acquire. This level is £9,000 or £10,000 depending upon the area in which you live.

If however you would be unable to afford to buy at this discounted level, the Association can sell you a share in the property with a part of the discount equivalent to the share value you purchase. Shares are available from 25% upwards and for the share that the Association retains, you will pay a rent. This rent is calculated as 2.75% of the unsold equity, the difference between the market value and the share value you buy.

We have set out a number of examples on the next page for information. As shares can be purchased in 1%'s from 25% upwards and as market values will vary from property to property and also on the basis of affordability, we will give you more realistic examples when you complete an application form.

Area RTA Discount	£10,000		Annual Service Charge	£625	Market Value	£100,000	
Share %	% Val	Purchase £ inc Disc	Rent pcm	5% Mortgage Deposit	Mortgage Needed	Mortgage pcm*	Combined Monthly Payment
25	£25,000	£22,500	£171.88	£1,125	£21,375	£136.42	£360.37
40	£40,000	£36,000	£137.50	£1,800	£34,200	£218.27	£407.85
50	£50,000	£45,000	£114.58	£2,250	£42,750	£272.83	£439.50
60	£60,000	£54,000	£91.67	£2,700	£51,300	£327.40	£471.15
75	£75,000	£67,500	£57.29	£3,375	£64,125	£409.25	£518.62
100	£100,000	£90,000	£0.00	£4,500	£85,500	£545.66	£597.75

*Mortgage based on 25yr capital & interest + 95% LTV @ 5.9% interest rate.

Who is eligible?

The scheme is open to tenants who have an assured, secure or fair tenancy who have the following tenancy length with a public sector landlord such as a housing Association or local authority.

- 5 years if your tenancy started after 18th January 2005 or
- 2 years if your tenancy started before 18th January 2005

However, there are exceptions to this and if for example you are obliged to give up possession of your home in the form of a court order for rent arrears, or you are bankrupt, then you will not be eligible.

If, under the Anti Social Behaviour Act and Housing Act 2004, the Association suspends your tenancy on the grounds of anti social behaviour then you will not be eligible whilst this suspension order exists. Other exceptions apply however space does not permit a full list to be reproduced.

As funding for the scheme is limited, applications will be processed on a first come first served basis from the date that the application was received by the Association. Any applications over the number that we have funding for will be placed on a waiting list and prioritised based on the length of tenancy.

Is my home eligible?

The Association is able to decide which locations or properties will benefit from Social HomeBuy. We have chosen to trial the scheme until March 2008 in a small number of areas. A full list can be obtained from our offices. Our aim is to introduce home ownership into schemes or areas where the majority of people currently rent from us (and other social landlords) to create mixed and sustainable communities.

How much can I buy?

You can purchase the property outright with the full discount if you can afford to do so straight away, however if you could only afford a 25% share then you would be able to buy 25% of the homes market value initially with 25% of the appropriate discount. The share value from 25% upwards can be in 1%'s but we would always recommend that on your first share you buy as much as you and we feel is affordable.

The Association is obliged to conduct a rigorous affordability check for each eligible applicant. This will take the form of an interview and will enable eligible applicants to ask any questions about the scheme. We will need information on your income and expenditure which will then be used to calculate the share value offered or if you can afford the property outright with a discount.

The Association's policy is that the cost of housing (rent and mortgage) should not exceed 40% of your net monthly income. Net monthly income is calculated as your income less tax, national insurance and other deductions such as loans and credit cards.

Can I buy more of my home in the future?

The aim of Social HomeBuy is to help more people into full home ownership so you can buy more shares in the future if you can afford it. As you buy more shares we will need to get the property valued to determine the value of the share owned by us. Three Rivers Housing Association will choose the surveyor and you must pay for the valuation.

Once the property is valued you can then buy further shares at the current market rate. The more you buy the lower your rent will become until you own the property on a 100% basis. If you wish to buy additional shares in the future, the discount will be available on a pro-rata basis.

Do I have to pay my discount back?

Like other schemes where tenants are given a discount this must be repaid if the property is sold within the first 5 years. This repayment is calculated as a percentage of the homes current market value and is reduced by a fifth each year. If for example your initial discount is 10% of the market value and you sell your home 2 years later at £100,000 then you would repay £6,000.

The repayment of the discount is triggered at the point of sale or assignment of the lease and if you enter into deferred resale agreement then the discount must also be repaid.

There are a number of disposals that are exempt, for example if the owner dies or the property is sold under a compulsory purchase order. However, in any instance you should consider if you wish to stay in the property for the next 5 years and if you can afford to repay the discount if you wish to move.

How can I fund my purchase?

The Social HomeBuy scheme is still in its infancy and not all lenders have agreed to join in. You should seek professional independent financial advice from an Independent Financial Advisor (IFA) or Citizens Advice Bureau (CAB) whilst the Council of Mortgage Lenders is also a useful source of information.

At the time of writing, the Association were aware of the following lenders who were willing to lend on Social HomeBuy terms.

- Halifax • Nationwide • Co-operative Bank • Abbey
- Newbury Building Society • Ipswich Building Society

More lenders may join the scheme in future and the Association in no way endorses any particular lender. The only condition that we make is that they must be a qualifying lender.

A 'qualifying lender' is an institution who is authorised under the Financial Services and Markets Acts 2004 and who has permissions to enter into regulated mortgage contracts. **As this definition is reasonably complicated we would recommend that you check with us before you enter into any agreement with a lender or pay them any money and we will be able to confirm their suitability fairly quickly.**

You can of course use savings or cash or a mixture of the two to fund your purchase, however if you agree to let someone else buy the property in your name with an agreement to transfer the ownership at a later date then this would be classed as a deferred resale agreement (DRA) and would trigger the repayment of the discount at the date that the DRA was reached.

We know that for many people the initial cost of buying the home is the main barrier to home ownership and therefore with all purchases that proceed, the Association will pay (in the form of a reduction on completion) the cost of your Stamp Duty (SDLT) and make a contribution of £500 towards your solicitors costs.

What happens if I want to sell?

You can sell the share that you own at any time, however you should remember that the Association will still have nomination rights over your purchaser and if the property is sold within the discount period then some or all of the discount must be repaid to us.

If you buy the property outright from day one or at any time in the future, the Association has a right of pre-emption. This means that for the first 21 years of you, or any subsequent purchaser, owning the 100% interest then you or they must offer the property back to us before it is offered for sale on the open market. The Association should be offered the property at its current market value and there are rules set out in the lease which dictate the timescales. If we don't have the funds to buy the home back then you would be free to offer the property to the open market.

What will I be responsible for?

When you purchase a share or the 100% interest in your home then you will immediately become responsible for the cost of maintaining and repairing the property.

If the property is a flat or apartment then you will also be responsible for the payment of a service charge and/or sinking fund for the upkeep of communal areas and the building structure. We will give you an estimate of what these charges will be when we make you an offer for your home and you should strongly consider if you can afford these on top of your monthly mortgage and rent payments.

In short you will lose all the benefits of being a tenant of Three Rivers Housing Association such as a 24 hours emergency repairs service but gain the independence and costs associated with being a home owner.

Contact Customer Services Team
24 hours a day, 7 days a week and 365 days a year on:

0191 384 1122

What are the next steps?

1. Complete the enclosed shared ownership application form and return it to Three Rivers Housing Association.
2. Three Rivers will assess your application and check to see if there is sufficient funding.
3. Within 4 weeks of your application being received we will confirm if you are accepted and there is sufficient funding and will provide you with general information of the property value and potential costs of home ownership.
4. If you are eligible for a minimum share of 25% then the Association will arrange for an independent valuer to visit your home.
5. You will be invited to attend an interview where we will discuss the scheme in detail, the valuation and take information regarding your income and expenditure.
6. We will produce an 'offer notice' based on the market value and the share we feel is affordable. This will detail our estimate of service charge payments and any known structural defects.
7. You must decide if you wish to proceed within 4 weeks of the offer notice and provide us with details of your solicitor and chosen lender.
8. We will instruct our solicitors and you will have 2 months from the date of the offer notice to exchange contracts and a further month to complete your purchase.

We can produce this information leaflet in alternative formats and languages.

If you would like information in another language or format, or require the services of an interpreter, please contact us on: 0191 384 1122.

إذا أردت هذه المعلومات بلغة أخرى أو بصيغة أخرى،
أو إذا كنت بحاجة إلى خدمات المترجم، نرجو الاتصال بنا.

আপনি যদি অন্য কোন ভাষায় অথবা ধরনে এই তথ্য চান, অথবা কোন দোভাষীর
সার্ভিসেস-এর প্রয়োজন হয়, তাহলে অনুগ্রহ করে আমাদের কে যোগাযোগ করুন।

若您想要此資訊的另一語言版本或另一形式，或者需要傳譯員
的協助，請聯絡我們。

ਜੇ ਤੁਹਾਨੂੰ ਜਾਣਕਾਰੀ ਕਿਸੇ ਹੋਰ ਭਾਸ਼ਾ ਵਿਚ ਜਾਂ ਕਿਸੇ ਹੋਰ ਰੂਪ ਵਿਚ ਚਾਹੀਦੀ ਹੈ, ਜਾਂ ਤੁਹਾਨੂੰ
ਗੱਲਬਾਤ ਸਮਝਣ ਸਮਝਾਉਣ ਲਈ ਕਿਸੇ ਫਿੰਟਰਪ੍ਰੈਟਰ ਦੀ ਲੋੜ ਹੈ, ਤਾਂ ਕਿਰਪਾ ਕਰਕੇ ਸਾਡੇ
ਨਾਲ ਗੱਲ ਕਰੋ।

آپ کو معلومات کسی دوسری زبان یا شکل میں درکار ہوں، یا
آپ کو ایک انٹریپرٹیر کی سروسز کی ضرورت ہو تو ہم سے رابطہ کریں۔

Contact Addresses

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Pity Me, Durham
DH1 5TG

Open: 9.00am - 5.00pm
Monday to Friday

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62/63 Bede Avenue
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DH1 2EN

Open: 10.00am - 1.00pm
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Contact Customer Services Team

24 hours a day, 7 days a week and 365 days a year

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