

AFFORDABLE HOMES STRONG COMMUNITIES

Have you heard about New Build HomeBuy?

A guide to buying a home from a housing association on shared ownership terms



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Buying a home in stages

If you would like to buy a home of your own but can't quite afford to, New Build HomeBuy, also known as shared ownership, may be what you are looking for.

This booklet is a general guide to how New Build HomeBuy works. The HomeBuy Agents running the scheme and the Housing Associations developing the homes will be able to provide you with more detailed guidance.

What is New Build HomeBuy?

Shared ownership was introduced to help people who cannot afford to buy a home outright and from April 2006 is to be known as New Build HomeBuy. It is one of three low cost home ownership (LCHO) products launched by the Government under the HomeBuy branding. Through the scheme you buy an initial share of between 25% and 75% of the property and pay a rent on the remaining share you do not own. Gradually, you can buy further shares and, in

most instances, own your home outright.

This leaflet tells you how the scheme operates where the homes are built by housing associations and some developers with finance from the Housing Corporation.

What are housing associations?

They are non-profit making organisations that provide and manage homes for rent and sale for people in housing need who cannot afford to rent privately or buy. Most housing associations provide housing with the help of public money given by the Housing Corporation or a local authority. In some cases, an association may provide housing using its own money. Housing organisations registered with the Housing Corporation are legally known as registered social landlords. In this booklet, the term 'housing association' will be used to mean 'registered social landlord'.

Recently, the Housing Corporation has also financed private developers to build homes for LCHO. They will be making these homes available on the same terms as those developed by housing associations.

Where does the Housing Corporation fit in?

The Housing Corporation was set up by Parliament in 1964. Its job is to fund homes built by housing associations with money from central government. It also makes sure that the money is well spent and provides good quality homes and services for residents.

Housing associations must be registered with the Corporation before they can be given public money. Housing associations and the participating private developers are monitored and required by its staff to maintain a good standard of management of their property and finances.

Can I buy?

The scheme is intended for people who cannot afford to buy a suitable home in any other way. They must be in housing need and be unable to afford outright purchase. Priority will normally be given to existing public sector tenants, those on local authority or housing association waiting lists in priority housing need and key public sector workers.

Although you have not bought the property outright, you will have the normal rights and responsibilities of a full owner-occupier under the terms of your shared ownership lease. You are advised to ask your legal adviser as well as the housing association if there are terms you do not understand.

Can I buy the property with someone else?

Up to four people can become joint owners. Your solicitor/ licensed conveyancer can advise

you about this. However, all joint applicants must individually and jointly meet the eligibility criteria. Details are available from the HomeBuy Agent.

What kind of property can be bought through New Build HomeBuy?

Homes may be new or renovated flats or houses which are sold through housing associations. Prices vary according to location but are expected to be within the means of those people who cannot afford the prices of properties available for sale on the open market.

How does it work?

The scheme allows you to purchase a share of a property from a housing association. The share you purchase is funded by a mortgage which you will need to arrange with a bank or building society. The remaining share you do not own is rented from the housing association.

The size of the share to be purchased will depend on your income and savings. Many applicants buy a 50% share but you may purchase a smaller or larger share (to start with, you can buy as little as 25% or as much as 75%). The higher the share you purchase the less rent you will have to pay. You should aim to buy as much as you can comfortably afford without over-stretching your finances. You will also have to pay other housing costs, such as service charges, repairs and maintenance, insurance, council tax etc. Later on, if you want to and can afford to, you can buy further shares until you own the property outright.

But remember that house prices can go up and down. This means that you might pay more for buying additional shares or have to sell at a price lower than you originally paid.

When you purchase through shared ownership, the housing association will grant you a lease which sets out your rights and responsibilities. If you are unclear about any aspect of your lease you should ask your legal adviser or the housing association to explain it to you.

Please see page 7 for a step-by-step guide to purchasing a property on shared ownership terms.

What does the shared ownership lease entitle me to?

Whether you buy a house or flat under shared ownership terms, the housing association will grant you a lease, usually for 99 years. It will entitle you to live in your home as an owner-occupier. It will also entitle you to buy further shares in the property and sets out how you can do this. It also states that you can sell your share of the property.

Other points covered in the lease set out your responsibility for repairs and payment of rent and service charges. Although you have not bought the property outright, you will have the normal rights and responsibilities of a full owner-occupier.

If you have any questions on how the scheme operates ask the housing association selling the property. You are also advised to take your own legal advice on the terms and conditions of the lease.

The cost of buying your own home

It is important to give careful thought to the costs and responsibilities of buying your own home. You will need to do some careful calculations to help you decide how much you can afford to spend on buying and running a home. You may also want to contact a housing advice centre for guidance. There are a number of books and magazines about buying a home which you may wish to look at and websites providing advice including that of the Homebuy Agent covering the area where you want to live. Their websites are listed at the back of this leaflet

What are the initial costs of a New Build HomeBuy home?

You will have to pay for:

Survey

You may wish to have your own, independent survey which you must pay for.

Legal fees

You are advised to get a solicitor/licensed conveyancer to help you with buying your share. It is worth asking for an estimate before engaging a legal representative, as fees vary.

Stamp duty

This is a form of tax on the transfer of property. You should check with your solicitor/licensed conveyancer whether stamp duty is payable at the time of your purchase. If stamp duty is payable, you can either pay duty on your share or on the full value of the property. Your solicitor/licensed conveyancer should be able to advise you on which option to take.

Deposit (if required)

Mortgage indemnity insurance (if required)

Removal costs

Don't forget the costs of removal. These can be quite large if you are moving several miles from the area in which you currently live.

What are the running costs?

Mortgage repayments

You may need to borrow all or part of the cost of your share from a building society or bank. Repayments will vary as interest rates change. Using 3 x joint income and 3.5 x single income will give a guide to the amount of mortgage you are likely to be able to borrow. However, lenders may vary this depending on individual circumstances. They are required to exercise responsible lending criteria.

Rent

The monthly rent will be a proportion of the total rent for the property, calculated by the housing association based on the proportion of the share you do not own. For example, if you own a

50% share, you would pay 50% of the total rent. This rent will take into account the fact that you are responsible for the costs of building insurance, maintenance and repairs. It will therefore be less than the normal rent you would pay if you were renting the whole property. The rent will usually be reviewed every year.

From April 2006, schemes funded by the Housing Corporation as New Build HomeBuy will have the initial rent set at a figure no higher than 3% of the capital value of the unsold equity and the annual rent increases will be limited to RPI plus 0.5%.

Example:

Property value	£100,000
Share purchased	50%
Share on which rent is charged	50%
Rent at 3% of un-sold equity	£50,000 x 3% = £1500
Monthly rent	<u>£1500</u> £12x = £125

Repairs, insurance and service charges

If your home is a house, you will be responsible for all repairs and redecoration both internally and externally. The housing association will insure the structure of your home and you will have to pay a small management charge to cover this and to help meet the costs of rent collection. If your home is a flat, you will be responsible for all repairs and redecoration internally. The housing association will undertake to keep the building in which your flat is situated in good structural repair, to keep the structure insured and to keep any common parts, such as the staircase and corridors, decorated, clean and lit. You will have to pay a share of those costs. This is called a service charge. The housing association must tell you how the service charge is spent. You will be consulted before any major repair or maintenance work is put in hand.

In addition, a sinking fund will be set up by the housing association to which all purchasers are required to contribute, either on a monthly or annual basis, to build up a fund to cover the future costs of anticipated major works. You will be advised of the likely costs of both the service charges and the sinking fund contributions before you buy.

Council tax

You will have to pay the council tax to the local authority.

Heating and lighting bills and water and sewage charges

You are responsible for your own utility bills.

Fittings and furniture

You are responsible for supplying your own fittings and furniture and for the cost of insurance for the contents of your home.

A step-by-step guide to buying through the scheme

How do I buy a New Build HomeBuy home?

Step 1 — applying to buy

- From April 2006, HomeBuy Agents should be the main point of reference for all people interested in New Build HomeBuy. Accessible via their website, where you can complete an application form online, or by phone, the HomeBuy Agent will be able to initially assess your application and confirm your eligibility.
- The HomeBuy Agents will have details of all the schemes in the area that might be of interest to you. You will have the opportunity to express a preference for the schemes available.
- They will keep you advised as to the progress of your application and send you details of appropriate schemes.

- They will send your details on to the developing housing associations who will contact you.

Step 2 — the housing association's response

- If they consider you a suitable applicant, they will usually ask to meet you to talk over your application, check your eligibility and ability to afford and sustain home ownership.
- If successful you will be invited to view the property and told the purchase price. The price is usually based on an independent qualified valuer's valuation.
- If you want to go ahead and buy, you agree the size of share you wish to buy and then arrange your own mortgage.

Step 3 — arranging a mortgage

- If you already save with a bank or building society, you can approach them first.
- Many housing associations use Independent Financial Advisers (IFA) who can tell you about the financial products available and suggest a lender to assist you with your purchase.
- In some cases the housing association may be able to help you arrange a mortgage themselves and be able to recommend local building societies or banks which they know to be helpful.
- If your building society/bank would like to see a copy of the lease, ask the housing association to send them one.

Step 4 — purchasing the home

- Once the building society/bank has offered you a mortgage, let the housing association have the name and address of your solicitor/licensed conveyancer.
- The housing association will then send a copy of the draft lease to your solicitor/licensed conveyancer, who will advise you on what it says, approves it on your behalf, makes a local authority search and investigates title to the property.
- The housing association, who will become your landlord, will advise you of the amount of rent and service charge you will have to pay on the remaining unsold share.
- The purchase can then be formally completed and you can move in.

You might find it helpful to take this leaflet with you when you first contact a bank/building society or solicitor/licensed conveyancer.

Step 5 — buying further shares in my home

- The detailed procedure is contained in your lease, but in the first instance you need to write to your housing association. They will get the property valued and let you know the cost of the further share. You will have to pay the valuer's fee. You should be given three months to arrange a mortgage and complete the purchase of the further share.

Additional information for owners

Can I make improvements or alterations to my home?

If you wish to improve your home or make structural alterations to it, you must first request the housing association's written agreement to what you want to do.

What if I fall behind with my mortgage repayments?

The mortgage contract is between you and your bank or building society. If you begin to have financial problems which may mean you cannot pay your mortgage, you should let them know as soon as possible. If you do fall behind on your payments and cannot agree on a solution with your bank or building society, there is a risk that they will take possession of your home and sell it. You would be entitled to your share of the money received, after all your debts have been paid.

What if I fall behind on my rent or service charges?

Under the lease you will be obliged to pay the rent and service charge. Again, if you find you have financial problems, get in touch with the housing association to see if they can advise you.

What do I do when I want to sell?

You may sell at any time but you must tell the housing association in writing that you want to move. You can either sell the part that you own to a nominee of the housing association in the first instance or you can buy the remaining share and then sell the property outright. However, your housing association has the right to buy the property back at the prevailing market value at anytime that it comes back onto the market in the 21 years after it has gone into 100% ownership. Your housing association or legal adviser will be able to tell you about these clauses and any

others that affect the sales process that are included in your lease.

You will benefit from any increase in the value of the property according to the share you own, but you should be aware you may be affected by any fall in values.

In some rural areas, the housing association may restrict your ability to buy more than an 80% share in your home. These arrangements are limited to rural areas and are intended to provide a means of keeping low cost housing for rural communities. The housing association will tell you if the home you want to buy is one where these restrictions apply.

If you are able to buy your home on shared ownership terms because you are a key public sector worker and you then change your job and are no longer in eligible employment, you will be required to sell your share within five years to another key public sector worker or staircase to 100% and repay the housing association.

Other home ownership schemes

Is there only one kind of shared ownership?

Some housing associations offer non-government funded shared ownership schemes that work on the same principles but some details may vary. Also, private developers offer shared ownership schemes where a wide range of conditions apply.

Are there any other home ownership schemes offered by housing associations?

The Housing Corporation funds a number of other low cost home ownership schemes designed to make it possible for people on lower incomes to buy a home of their own. These are outlined below:

Social HomeBuy. Some tenants of participating housing associations may be able to buy their rented homes outright or on shared ownership terms with a pro-rata discount, depending on the area where they live. Tenants should

contact their landlords for further details.

Open Market HomeBuy. This scheme helps people who are existing council or housing association tenants, those in priority housing need on housing waiting lists or key public sector workers to buy a home on the private market. The purchaser needs to find 75% of the purchase price, and the remaining 25% is covered by an interest free equity loan. This loan is repayable at 25% of the current market value when the home is sold, or the loan redeemed.

Leasehold for the elderly. This scheme enables older people to buy a sheltered home from a housing association on a shared ownership basis. Depending on the money they have available, they can buy either a 25%, a 50% or a 75% share. As the scheme is intended to help older people, sales and re-sales are limited

to people aged 55 or over. The maximum share that can be bought is 75% at which level no rent is payable on the remaining share.

Self Build. A group of people may form a 'self build society' to build their own homes. The Housing Corporation can help these groups to raise the money to develop these homes for shared ownership, outright ownership and rent.

Right to Buy. Some tenants of non-charitable housing associations have the right to buy their homes at a discount which depends on the number of years they have been a public sector tenant, subject to certain conditions.

Right to Acquire. A scheme that gives some tenants of housing associations the right to purchase their home (when built or purchased through social housing grant, or transferred from a local

council to a housing association, on or after 1 April 1997) at a fixed discount rate which depends on the area where they live.

HOLD – Home Ownership for people with long-term disabilities.

People who have long-term support needs or disabilities may benefit from living in a specific type of property or location. To meet their housing requirements, there are opportunities for homes to be selected on the open market which are purchased by a housing association and sold on to the individual on shared ownership terms. For further details about housing associations operating this scheme contact your HomeBuy Agent.

Information about these options is available on our website www.housingcorp.gov.uk or from the HomeBuy Agents listed at the back of this leaflet.

Where to go for further advice

The Housing Corporation's enquiries line on 0845 230 7000 can give you information about your local HomeBuy Agent.

HomeBuy Agents' contact details and website links are on the back page of this leaflet. The HomeBuy Agents' homepage should direct you to the application process, eligibility criteria and scheme availability.

Your local housing advice centre or Citizens' Advice Bureau should be able to give you helpful advice and more detailed local information. Your local authority may also be able to help. It is likely to be working closely with the local HomeBuy Agents to help people in your area with the greatest housing needs. Some local authorities fund their own shared ownership schemes. Other organisations, such as house builders, may also offer schemes, but without government funding.

Bear in mind that demand for shared ownership homes is high and not everyone can be helped. Even if you are accepted by a housing association as a suitable applicant, you may have to wait some time before a property is available.

HomeBuy Agents

East of England

Bedfordshire and Cambridgeshire

Bedfordshire Pilgrims Housing
Association

Tel: 08454 566757

www.keyhomes-east.org.uk

Essex

Moat

Tel: 07002 662 846

www.homebuy.co.uk

Hertfordshire

Aldwyck Housing Association

Tel: 01582 869447

www.leavalleyhomes.co.uk

Norfolk and Suffolk

Orbit

Tel: 08458 502050

www.orbithomebuyagents.co.uk

East Midlands

Derbyshire, Leicestershire and Nottinghamshire

East Midlands Housing Association

Tel: 0844 892 0112

www.emhomebuy.org.uk

Lincolnshire

Eastern Shires Housing
Association

Tel: 0845 845 8000

www.home2you.co.uk

Northamptonshire

Bedfordshire Pilgrims Housing
Association

Tel: 0845 456 6757

www.keyhomes-east.org.uk

London

East London

Metropolitan Housing Group

Tel: 0845 230 8099

www.housingoptions.co.uk

North London

Metropolitan Housing Group

Tel: 0845 230 8099

www.housingoptions.co.uk

South East London

Tower Homes

Tel: 0845 230 8099

www.housingoptions.co.uk

South West London

Tower Homes

Tel: 0845 230 8099

www.housingoptions.co.uk

West London

Metropolitan Housing Group

Tel: 0845 230 8099

www.housingoptions.co.uk

North East

Tees Valley and County Durham

Nomad Housing Group

Tel: 0191 229 7333

www.nomad-homes.co.uk

Tyne and Wear and Northumberland

Nomad Housing Group

Tel: 0191 229 7333

www.nomad-homes.co.uk

North West

Cheshire

Riverside Housing Group

Tel: 0845 112 8800

www.cheshirehomebuy.org.uk

Cumbria

Eden Housing Association

Tel: 0800 3587 1400

www.affordable-homes.co.uk

Greater Manchester

Manchester Methodist Housing
Group

Tel: 0161 447 5050

www.plumlife.co.uk

Lancashire

Manchester Methodist Housing
Group

Tel: 0161 447 5050

www.plumlife.co.uk

Merseyside

Plus Housing Group

Tel: 0845 603 4559

www.homes-hub.co.uk

South East

Berkshire

Catalyst (for Keystart Homes)

Tel: 0845 601 7729

www.homebuy.co.uk

Buckinghamshire and Milton Keynes

Catalyst (for Keystart Homes)

Tel: 0845 601 7729

www.homebuy.co.uk

Hampshire

Swaythling Housing Association

Tel: 023 8062 8000

www.homesinhants.co.uk

Kent

Moat

Tel: 07002 662 846

www.homebuy.co.uk

Oxfordshire

Catalyst (for Keystart Homes)

Tel: 0845 601 7729

www.homebuy.co.uk

Surrey

Thames Valley Housing
Association

Tel: 0845 600 6699

www.homebuy.co.uk

Sussex

Moat

Tel: 07002 662 846

www.homebuy.co.uk

South West

Avon and Gloucestershire

New Futures Partnership
Tel: 0800 073 1315
www.homebuy-southwest.co.uk

Devon and Cornwall

West Country Housing Association
Tel: 01803 217600
www.home2own.org.uk

Dorset

Knightstone Housing Association
Tel: 0800 707 6707
www.search4myplace.co.uk

Somerset

Knightstone Housing Association
Tel: 0800 707 6707
www.search4myplace.co.uk

Wiltshire

New Futures Partnership
Tel: 0800 073 1315
www.homebuy-southwest.co.uk

West Midlands

Coventry and Warwickshire

Mercian Housing Association
Tel: 0845 607 6726
www.homebuyagents.co.uk

Hereford and Worcester

West Mercia Housing Association
Tel: 0845 6585 420
www.home2own.com

Sandwell and Solihull

Mercian Housing Association
Tel: 0845 607 6726
www.homebuyagents.co.uk

Staffordshire and Shropshire, Birmingham, Dudley, Walsall, Wolverhampton

Mercian Housing Association
Tel: 0845 607 6726
www.homebuyagents.co.uk

Yorkshire and the Humber

North Yorkshire and Humberside

Joseph Rowntree Foundation

Tel: 0800 633 5670

www.jrht.org.uk

South Yorkshire

Yorkshire Housing Association

Tel: 0113 243 6893

www.spaceproperty.co.uk

West Yorkshire

Yorkshire Housing Association

Tel: 0113 243 6893

www.spaceproperty.co.uk

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109/119 Charles Street
Leicester LE1 1FQ

31 Waterloo Road
Wolverhampton

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Cambridge CB4 1YG

LONDON:

Waverley House
7-12 Noel Street
London W1F 8BA

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4th Floor
One Piccadilly Gardens
Manchester M1 1RG

1 Park Lane
Leeds LS3 1EP

St. George's House
Team Valley
Kingsway Trading Estate
Gateshead NE11 0NA

SOUTH EAST:

Leon House
High Street
Croydon CR9 1UH

SOUTH WEST:

Beaufort House
51 New North Road
Exeter EX4 4EP

For further copies of this publication please call
0845 230 7000 or
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We can provide copies in large print, Braille and
audio cassette, on request. Other language versions
may also be available.

