

Social Homebuy Scheme

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Social Homebuy (Shared Ownership): Frequently Asked Questions

Here are some of the most common questions asked by tenants regarding the Social Homebuy (Shared Ownership scheme):

1. How do I become eligible to apply?

To be eligible for shared ownership, tenants must meet the following criteria:

- Have held a social sector tenancy for a minimum of 3 years
- Main principal home and a secure Southwark Council tenant
- You are not receiving housing benefit or full council tax discount
- The council has no future plans to demolish the property
- You are not in any rent arrears
- You have not breached your tenancy
- You have no history of bankruptcy

2. How does shared ownership work?

Shared ownership gives you the opportunity to purchase a share in your home and pay rent to the council on the share you do not own. It is also called 'part buy, part rent.' You can initially buy a share of either 25%, 50% or 75% based on how much we value your home as at the current property market value. Then over time you can buy further shares until you eventually own 100%.

It is your responsibility to raise a mortgage with any high street lender to purchase your share. The council does not offer mortgages and is completely separate to any contracts between yourself and your mortgage lender.

3. Why is an affordability assessment required?

Shared ownership is a discretionary scheme which the council offers to qualifying tenants. To ensure applicants will not be placed in financial burden, a comprehensive affordability assessment is conducted with all applicants. On appointment we will ask for original copies of all your income & expenses such as bank statements, credit card statements, savings statements, payslips, utility bills, loan agreements, benefits etc.

It is also a condition that you can prove you have at least a minimum of £3,000 in a savings account to pay for any unexpected costs of home ownership, such as major work. This needs to be separate from any savings you currently have towards a deposit.

4. What are the costs involved with buying?

There are no fees in applying for shared ownership with the council. However, just like buying 100%, there are a number of one-off costs you will need to pay for when purchasing your home. These include but are not limited to: your own solicitor fees, bank transfer fees, VAT, land registry charges, mortgage fee & valuation and stamp duty (if applicable).

Important: Your solicitor should have extensive conveyancing experience in the buying and selling of properties within England. You should collect several quotes to begin with and research reviews for peace of mind. Solicitors can charge either a fixed fee, an hourly rate or a percentage of the sale. A cheaper solicitor does not always mean a hassle free experience.

A good solicitor will keep you updated regularly and support you in every stage of the conveyancing process. It is recommended that you choose a local solicitor in London so that you can sign the documents in person at their office to avoid delays.

5. Can someone else apply as a joint applicant?

Yes, as long as one secure tenant applies with a tenancy agreement, other qualifying family members or partners only have to prove that they have lived at the property for the last 12 months to be eligible. Valid forms of proof can be from bank statements, council tax invoice or electoral roll.

6. Can I convert my application from Right to Buy to Shared Ownership?

Yes, simply return your Right to Buy intention form before the Section 125 twelve week offer expires. After this deadline this option will be denied.

7. What are the ongoing monthly costs?

Every month you will need to make the following ongoing payments under shared ownership:

- Your mortgage repayment which you make to your lender
- Your rent to the council is set at **3%** of the landlord's share for flats (**2.75%** for houses) based on the current property valuation, and determined by the percentage share owned.
- If you buy a flat (or house on an estate with shared areas), you will also pay a service charge for maintenance and upkeep of communal areas to your block. In addition, at times you will pay for major work contributions for larger repairs or refurbishment to your estate which you will need to financially prepare for.
- Standard council tax payments

8. How much in savings do I need?

In most cases buying a home involves paying a deposit in addition to the standard costs of purchasing a property. The amount of deposit required will depend on the mortgage provider you choose, your deposit, the term of your mortgage, interest rate and your credit rating. The more savings you have the better the chance you will have in securing a mortgage on the best terms.

9. Is shared ownership for everyone?

Not everyone will be eligible for shared ownership. If you are in any rent arrears, currently claim housing benefit or full council tax benefit your application will be withdrawn. In addition, you will need to prove that you can afford the ongoing costs of home ownership. If you cannot afford the ongoing costs based on the minimum 25% share, we will not allow you to purchase under shared ownership terms.

Shared ownership is an excellent way of entering into home ownership and getting a foot on the property ladder with a lower mortgage, without you having to move away from the area you currently work and live. For tenants who have applied to purchase through the Right to Buy scheme but have difficulty finding a mortgage for the full 100% property value, shared ownership can be a great affordable alternative.

Shared ownership is a cheaper option where you can purchase a share of your property with most of the same benefits of home ownership. This gives you equity in your property and you can always staircase to full ownership in the future. You would still be entitled to the Right to Buy discount which is apportioned to the share you purchase. An example based on a property valuation of a £350,000 flat under the current Right to Buy discount is below:

Share owned			25%	50%	75%
Property Valuation	£350,000		£87,500	£175,000	£262,500
RTB Discount applied	£127,940		£31,985	£63,970	£95,955
Mortgage payable	£233,800		£58,450	£116,900	£175,350

10. How do I pay for service charge and major work costs?

When you purchase you will become a leaseholder and be billed annually at the start of the financial year. You will be billed an *estimated* service charge every April and an *adjustment* for the previous financial year every October (called a final account). Estimates are forecasted from the previous three years actual costs.

Estimates can be paid over 4 quarters in advance or monthly in 12 equal instalments. Final accounts will either bring a credit (which can be refunded on request) or a debit which is payable in full within 30 days. Most service charge elements are apportioned to the share you purchase (except heating and buildings insurance).

Major work invoices are billed sporadically if and when works are required to the estate. They can be paid over 12, 24 or 36 months interest free or through taking up a loan with the council at a low interest rate. Your contribution for major works to your block is payable in proportion to the share you own.

11. Can I sub-let the property (not living at the property and renting it out)?

No. As you do not own the property outright you are not allowed to sub-let your property which is a breach of the terms & conditions of the shared ownership lease. This is a serious matter and legal action will take place if evidence is obtained.

12. What size share can I purchase?

As shared ownership is based on affordability, we will determine how much you can purchase based on your declared income & expenses. If you cannot afford to purchase the minimum 25% share, we will not allow you to purchase under shared ownership terms.

As long as your disposable income exceeds the ongoing costs of rent, service charge, major works and likely mortgage payments, we will proceed with your application and a new formal offer will be sent to you offering the share options the council believes you can afford to purchase (25%, 50% or 75%).

13. When can I buy more shares of the property?

As your financial circumstances change, you can apply to buy a larger share, both making an investment in your home and reducing the rent you pay. This is called 'staircasing'. After you have made your initial purchase, you may find that your financial circumstances have improved. You may have got a new job or a pay rise and feel that you would like to purchase more shares in your home. You can buy more shares in minimum increments of 10%.

If you originally bought either a 25% or 75% share you can staircase up to 85%. If you want to buy more you then have to buy the remaining 15%. This is because buying up to 95% share would leave a balance of 5% and you are not allowed to buy less than a 10% share. If you originally bought a 50% share you can staircase up to full ownership in the minimum 10% increments. When you inform us that you want to buy an extra share we will again conduct a new property valuation to determine its current market value.

Please note that you cannot staircase above 50% in the first two years of ownership. This is because of financial rules on what the council may do with the money it receives for these sales. These rules are set by the government. You can only staircase up (i.e. increase your share). We do not allow you to staircase down. You will need to think very carefully about whether you will be able to sustain all the extra costs. In addition, if your shared ownership rent and/or service charge is behind, then you will not be allowed to staircase until these are brought up to date.

14. What happens if I choose to sell the property?

If you just want to sell your share you will not have to buy out the council's share before you do so. You can simply sell the share you own as long as the buyer is nominated by the council. The new owner will take over the remainder of your lease and will be subject to the same rights and restrictions that you had.

When you tell us you want to sell, we will carry out a valuation to determine the current market value of the share you own. You cannot sell your share for less than this price. If you sell it for more, we will share the difference with you in direct proportion to the shares that you and the council own.

Example: If the council has determined that the market value of your home is £200,000 and you own a 50 per cent share, your share is worth £100,000. If you sell your share for £110,000 then you must share the £10,000 difference with the council (i.e. you will have to give the council £5,000).

Discount penalty charge - If you sell your home *before* five years have passed or within five years of having staircased and received additional discounts, you will have to pay a penalty charge. How much you will have to pay is dependent on when you sell the property, how much discount you have received in total, the original market value of your home and the current market value of your home. However, because you purchased under Social Homebuy, the penalty is proportioned according to the share you own. The penalty figure is reduced by a fifth for each full year after the date of completion of your initial purchase.

15. Can I make alterations to my property?

Yes, you can make some alterations and improvements to your property after first receiving consent from the council. Some fees will apply for certain alterations and improvements. Unlike a tenancy, you will be responsible for all internal areas of your property and repairs and maintenance other than the structure which belongs to the council.

16. How long does the shared ownership application process usually take?

The application process for shared ownership is dependent on how quickly you provide the necessary documents and when you are available to meet for appointments. The process usually takes between 6 to 12 months.

17. Where can I go for legal advice?

Citizens Advice Bureau offer free advice funded by Southwark Council. They can provide advice and assistance with explaining your rights and responsibilities.