

# Shared ownership fact sheet

## Eligibility for shared ownership

Shared ownership can help people who want to be homeowners but cannot afford to buy a property on the open market. Existing homeowners are not eligible for this scheme.

This scheme is aimed at social housing tenants and others on low and middle incomes to help them to take the first steps on to the property ladder. Applications will be prioritised using the following criteria:

- 1) Existing Islington social housing tenants
- 2) New generation scheme applicants
- 3) Key workers
- 4) People living in temporary accommodation
- 5) Islington council waiting list applicants with more than 120 points
- 6) People not currently living in Islington who have an immediate family connection to the borough, i.e. sons and daughters of Islington residents
- 7) Tenants in private rented accommodation or those living with family or friends in Islington
- 8) People living in accommodation provided by their employer

The scheme will be open to Islington residents only unless the applicant is a key worker, someone who has been placed by the council in temporary accommodation outside of the borough, or has an immediate family connection to a settled resident of the borough.

As the scheme is aimed at people who want to be homeowners but cannot afford to buy a property on the open market, the maximum household income allowed for this scheme is £50,000. We also recommend that the minimum household income is £24,000 and applicants have savings of at least £4000.

Homes for Islington will assess applicants and advise if they are eligible for the scheme.

## Why consider shared ownership?

You may want to consider shared ownership, as it could mean for the first time that you could own part of your home. As a shared-owner you would have all the benefits being a regular homeowner. For example, you would benefit from any increases in the value of your share of the property and by paying your mortgage increase the proportion of the property that you own. Getting a mortgage on a share of a property (e.g. 40%) may be easier than trying to obtain a mortgage for 100% of a property. However, you should remember that you will also have to pay rent on the share you have not bought. Rent levels will be set at a reduced rate and will not be as expensive as renting from a private landlord.

## What sorts of properties are available?

Estate based studio and one-bedroom properties will be available in this scheme. These properties will vary in age and location in Islington.

## What are the costs of buying a property?

Most lenders will require you to have a deposit of between 5% and 20% of the cost of the share you are buying.

You also need to take into account other costs associated with buying and moving, e.g.

- Mortgage valuation fees and survey of the property you want to buy
- Solicitor's fees
- Land registry and local authority searches
- Removals, new furniture, disconnection and reconnection of services etc.

## On-going costs of home ownership

Mortgage, rent and service charge payments will vary depending on a number of factors including the share of the property bought and interest rates.

### • Mortgage repayments

This is likely to be your biggest single monthly cost and will depend on the size of your mortgage and interest rates. If you bought a 40% share of a property valued at £157,000, you would be paying back a mortgage of £63,000. A typical monthly repayment for a mortgage of this size would be around £380. This is based on a repayment mortgage over 25 years, at an initial interest rate of 5.5%. This is intended as a guide only and you should obtain independent mortgage advice from a qualified advisor. Interest rates are low at the moment, but could rise considerably in future. Some mortgages have a fixed interest rate for a set period of time, which would provide assurance for the level of payments during this set period.

### • Rent

You will pay rent on the share of the property you do not own. For example, if you bought a 40% share of a property valued at £157,000, you would pay rent on the remaining 60% of the property. This would be around £215 per month. Rent would be collected as part of your annual service charge.

### • Service charges

You would be required to pay an annual service charge which would cover the cost of maintaining communal areas such as stairwells, communal lighting, the fabric of the block, caretaking and grounds maintenance. An average monthly service charge payment is around £72, but this will depend on the property you are buying and the repairs and services provided each year.

### • Major works service charges

These are costs that are incurred when the council carries out a programme of works to an estate, usually as part of a seven year cycle. However, it can also include costs such as the installation of a new security system. It is important that all homeowners put money aside for these service charges.

### • Household bills

You would need to budget for the cost of all household bills, such as council tax, gas, electricity and water etc. You would also be responsible for the upkeep of your home, buildings insurance and insuring the contents of your home.

## Mortgages and Solicitors

You will be responsible for arranging a mortgage for the share you want to buy. The amount you will repay each month will depend on the amount you borrow, the type of mortgage and the interest rate. Most mortgages are arranged through a bank or building society who can advise you on mortgages available and help you find one to suit your needs. A mortgage lender will carry out a detailed financial assessment to work out how much you can afford to borrow. Shared ownership mortgages are not offered by all lenders and are usually a specialist product. Therefore, it will be important to explain to any potential lender that you are proposing to buy a share of a property rather than the full property.

## Rights and responsibilities

When you buy a property under shared ownership, you will be granted a lease. This will allow you to live in the property as an owner-occupier and entitle you to buy further shares in the property in the future. You will be responsible for keeping up to date with mortgage, rent and service charge payments. You will also be responsible for the repair, maintenance and decoration of the internal parts of your home, such as doors, bathroom and kitchen fixtures and fittings, wiring and servicing, repairing and replacing central heating systems.

## Buying further shares in the property

After you have made your initial purchase, you will be allowed to buy further shares in the property. This process is known as "staircasing". You can buy more shares in the property in minimum increments of 10%. As your share of the ownership of the home increases, the amount of rent you pay decreases.

Please note that you can only "staircase" up to own a larger share of your property. You will not be allowed to "staircase" down and sell back shares of the property to the council. You can buy up to a maximum share of 95% of the property.

## Selling the property

You can sell at any time but and you would benefit from any increase in the value of the share of the property that you own. However, you would also be affected by a drop in the value of your share of the property if prices fell. There would be conditions on the sale of your property. You would need to contact Homes for Islington before making any sale arrangements, as it would be a requirement that you initially try to sell your home to another shared ownership buyer.