



# Buying a shared ownership property



# What is shared ownership?

## SHARED OWNERSHIP IS THE LONGEST ESTABLISHED AFFORDABLE HOME OWNERSHIP PRODUCTS AVAILABLE.

Shared ownership makes it possible to buy a property that otherwise may not have been affordable.

Shared ownership is available on a variety of properties including new build and pre-owned properties (resales). The latter are properties for which the current owner wishes to sell the share they own.

It is a government-backed scheme for people who are unable to afford to buy a home at full market value (household income limits apply).

It is a part buy/part rent scheme. You buy a share in the property and pay rent on the share you don't own.



## Why buy through shared ownership?

**The shared ownership product aims to help many first-time buyers or those who have had relationship breakdowns get a foot on the housing ladder.**

Buying a home in the current market can be difficult for many people. Shared ownership makes it possible to buy a property which otherwise would not have been affordable.

You can usually buy an initial share of 25% to 75% of the value of a property, although starting from April 2021 the government funding to help build affordable homes has changed which will allow homes built using this funding will have initial shares from 10%. The properties will be advertised based on the funding used.

You'll need to take out a mortgage to pay for your share of the home's purchase price.

To secure a mortgage you will need a deposit to put towards the purchase prices – generally a lender would require at least 5%. With shared ownership you will only need a deposit for the share you buy which will be significantly less than buying the property outright. You will then pay a subsidised rent on the share you don't buy, and there will also be a monthly service charge payable.





### Why buy with Lewisham Council?

- We are one of the largest Landlords in the Borough providing over 19,000 homes
- We offer an excellent service before, during and after your purchase
- We work with many national house builders and local contractors, building high quality homes in popular areas. All of our newly built homes come with a National House Building Council (NHBC) warranty or equivalent
- We charge subsidised rents, so our homes are more affordable for you
- We work hard to keep your costs low
- We aim to sell to local people and first time buyers, who are able to afford the cost of shared ownership but unable to buy a suitable home by any other means. Household income requirements differ from scheme to scheme and reflect current house prices

### If you buy through shared ownership:

- You will own part of the value of your home, rather than paying rent with no return
- You will pay a subsidised rent on the share you don't own – the rent is up to 3% of the share you don't own which is generally a lot lower than renting privately. The rent is paid in 12 equal monthly payments
- Your monthly mortgage and rent can work out cheaper than buying outright, and often less than renting from a private landlord. (Rent is reviewed each April)
- You pay a monthly service charge for repairs, maintenance of the building and communal areas, sometimes an estate charge for external gardens and parking, building insurance and a reserve fund sometimes referred to as sinking fund which builds up funds for major long term expenses. (Service charge is reviewed each April)

- You can buy more shares in the property over time (known as staircasing) or sell your share and move if you want to in the future. Property prices can rise and fall, so buying more of the property is best when the markets are lower and sell when rising if possible. There are fees involved in doing this and you will need legal advice
- You only buy what you and we feel you can comfortably afford and sustain
- The property will be bought with a lease which is usually at least 125 years on a new build property but on resales, it will be the term left on the lease from when the property was first built. If a lease is less than 80 years, the lease is known as being short, which means some Lenders may not lend on the property. You can extend a lease, however if the lease falls below 80 years it can be more expensive, so it is better to extend the lease before then

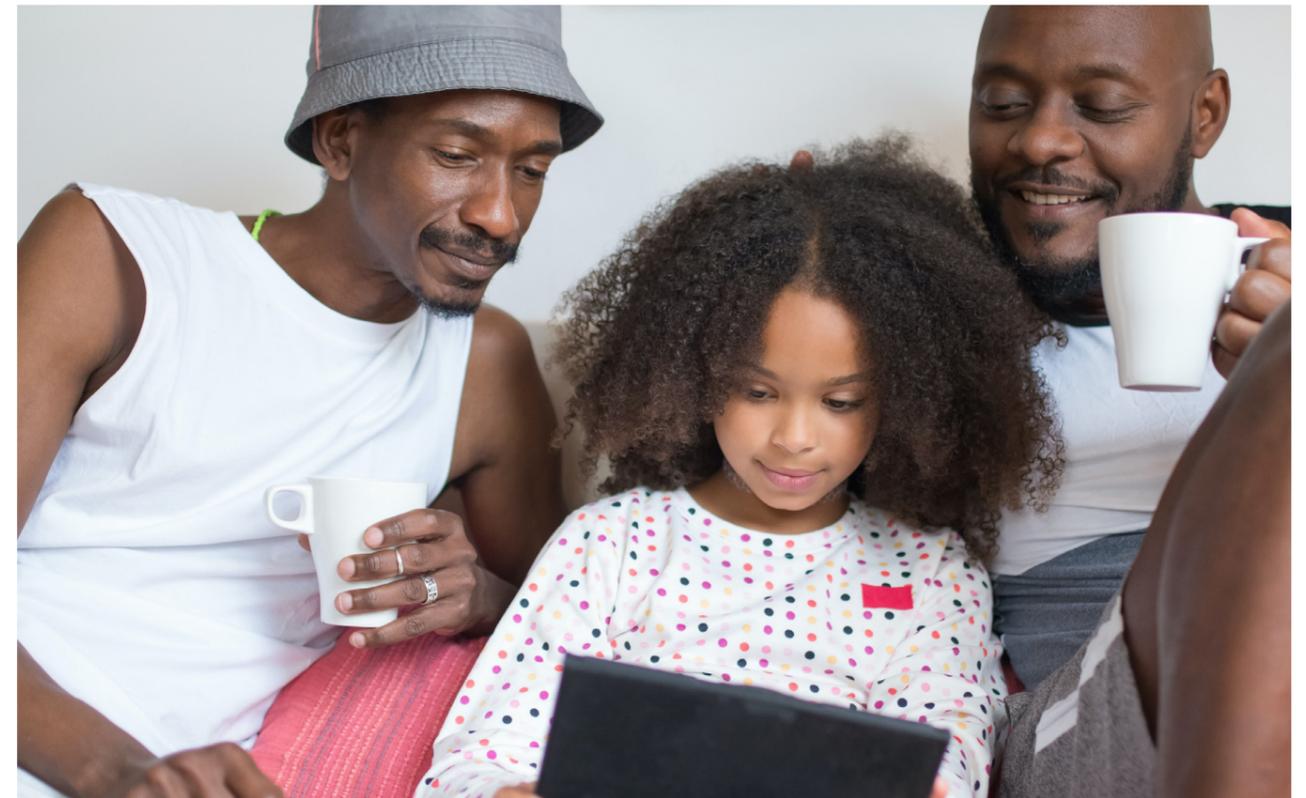
Know of your intentions when buying shared ownership – if you are looking to eventually buy outright, buy as much as you can comfortably afford. If this is short term investment buy a share you are comfortable with.

When selling a share in a shared ownership property, remember the buyer needs to be able to afford the share. The higher the share you own the fewer buyers will be able to afford it. In the same way as when you buy the person has to be able to afford the share meaning the more you own the higher the household income and deposit the buyer will need.

### Who is Lewisham Council?

Lewisham Council will be your landlord

- Lewisham Homes is the Council's not-for-profit housing company which builds, manages, and delivers housing services for the Council
- Lewisham Council is the Mayor of London's London Borough of Culture in 2022
- Our corner of London is more than living up to its reputation as creative choice of the capital. People want to live here, raise a family here and start a business here





## What am I buying?

### When I buy through shared ownership, what am I buying?

Shared ownership is a part buy/part rent scheme.

Buying through shared ownership makes you an owner-occupier, not a part tenant. You start off buying a share in your new home on a lease of at least 125 years. Your lease is a legal document that proves you own part of your home.

Since you will own a lease you will be a “Leaseholder” and we will be what is known as the “Landlord”. You will have the same rights and responsibilities as a full owner-occupier.

If you decide to buy the remaining share of your home and it is a house, you will then own your home outright. Your solicitor will arrange for the freehold to be transferred to you like any other house owner. If you own an apartment, you’ll remain a leaseholder like any other apartment owner. This is because your home is in a block of apartments and your lease sets out responsibilities for use and maintenance of all shared areas.

If you become a full owner of an apartment you will still be responsible for the ground rent and service charge, which includes the buildings insurance.

If you become a full owner of a house, you may still be required to pay an estate charge if you are living in a development with shared maintenance areas. You will also need to arrange your own buildings insurance, as this will not be covered by the service charge.

Your lease sets out certain conditions such as:

- This property must be your main residential home and you must not own another property in this country or abroad. You must live in the property. The lease has a subletting clause preventing you from subletting
- How often your rent and service charge is reviewed
- Your rights and responsibilities as an owner-occupier
- Your landlord’s rights and responsibilities
- The procedure for buying more shares in your home and, also for selling your home.

### Service charge

Everyone who owns their own home through shared ownership pays a service charge each month along with their rent. This helps cover the cost of running:

- Rent and service charge collection
- Property Management, repairs, management of the shared cleaning and gardening contracts
- Block decoration programme
- Undertaking landlord statutory compliance
- Reserve fund - This is money held in an interest gathering bank account and is put aside to contribute towards the cost of any

cyclical decorations and / or major works to the block or estate. The aim of the fund is to avoid the need to send large bills to leaseholders for these works. However, any shortfall will be recharged to Leaseholders in accordance with the terms of the lease

- Insurance - Because we own the freehold of your home, we need to make sure it is adequately insured. We have a block buildings insurance policy which covers all our properties. As we require insurance on so many properties the premium payable is reduced and we can pass these savings on to you. Please note: We do not insure the contents of your flat. You must arrange your own contents insurance cover
- Service charge is reviewed annually and effective from 1st April each year.

## Are you eligible for a shared ownership home?

Eligibility will vary depending on which development you are looking at purchasing, the property size and whether there are any criteria imposed by the local authority.

There are however, some general, over-arching criteria you will need to meet. You can use our tool below to see if you meet the over-arching criteria for shared ownership eligibility.

## General shared ownership eligibility criteria:

- You must be aged 18 or older
- Your annual household income if buying in London must be less than £90,000
- You will normally be a first-time buyer or be in the process of selling your home. You must not own any other property at the time you buy your new home

— You should not be able to afford to buy a home on the open market which is suitable for your housing needs

— You must be able to show you are not in rent or mortgage arrears

— You must be able to demonstrate that you have a good credit history (no County Court Judgements or bad debts) and can afford the costs and regular payments involved in buying a home

Please note: You should always check the eligibility required with the specific development, as there may be specific criteria.

## Priority for shared ownership?

The Council's priority for shared ownership properties is to help those who live and / or work in the borough to own a home where they spend a lot of their time so our homes will be offered on a priority basis:

- Armed Forces personnel
- Lewisham Council social housing tenants
- Lewisham residents on the Housing Register
- People who live in the borough
- People who work in the borough
- People who live or work in another London borough

Where two people have the same priority status, priority will be on a first come, first serve basis.

## Twelve easy steps to buying a shared ownership home with us

### 1 — Register with us

Complete our application form

### 2 — Eligibility

Get financially assessed with our nominated mortgage broker to check you meet the eligibility criteria

### 3 — Viewing

Reserve a property paying the reservation fee and completing the paperwork

### 4 — Financial assessment

Have a detailed financial interview, reviewing your documents with our nominated mortgage broker

### 5 — Allocation

Based on the Mortgage Advisor's assessment and your application we will allocate each home based on the allocations policy

### 6 — Confirm the offer

We will inform you of the property allocated to you. You must accept this offer within 5 days and pay us a £500 reservation fee, along with your solicitor's details

### 7 — Instruct your mortgage advisor and solicitor

Professionals who have detailed knowledge of shared ownership will make the buying process simple and easy to understand for you. You only have 28 days to exchange contracts, so there is no time to waste and you need experienced professionals by your side to guide you

### 8 — Issue the legal paperwork

We will instruct all solicitors as soon as you confirm acceptance of our offer. This is the start of the legal process. Generally, our solicitors will send the legal paperwork to your solicitor within a few days of our instruction and then your solicitor must review and collate all the information, including obtaining a copy of your mortgage offer. They will go through the legal paperwork with you, so you know about your home

### 9 — Exchange contracts

Within 28 days of being offered. Your solicitors have confirmed the legal paperwork with you and between you agree to complete as soon as the property is build complete

### 10 — Completion

10 days notice will be given for completion

### 11 — Move in

As soon as our solicitors receive the money from your solicitor, our sales team will contact you to arrange to meet you at your home to hand over the keys. This can only be done once the solicitors have transferred the funds for the share you are buying – Generally this is between 11am – 5pm

### 12 — Congratulations

**You own your own home**



## Financial assessment

We need to make sure that you can afford a shared ownership property, you're not over stretching yourself financially and that you qualify for a mortgage.

To do this, we ask that you arrange a meeting with our nominated mortgage advisor who will carry out a financial assessment. They are very experienced in the shared ownership market and the eligibility criteria for shared ownership.

Depending on the scheme / property and the amount of interest we receive or expect, the timing for your financial assessment can vary. This financial assessment is a requirement for any affordable home scheme so we can ensure that you are able to afford it without over stretching yourself.

You will need to have undertaken this and we must have the report before we can instruct solicitors on a property.

## What will mortgage adviser do

- Check the information on your application form is correct and assess whether you can afford to buy
- Agree the percentage share that you can purchase based on income, savings and outstanding credit commitments you declare (please note: this is based on government guidelines and not necessarily what a lender would be willing to lend)
- Give you information about choosing the right mortgage for you

## Information you'll need to provide

So that we can help you buy your new home as quickly as possible, it's best to start gathering the information a mortgage advisor will need as soon as possible:

- Your last three months' payslips (please bring three months' worth of payslips even if you are paid weekly) or if you are self-employed, your audited accounts for at least the last two years from a certified or chartered accountant or at least the last two years tax assessments from HMRC**
- Your passport**
- Last three months bank statements (for all applicants)**
- A photocopy of your marriage certificate, if applicable**
- Details of previous surnames, if applicable**
- Evidence of any benefits you receive, if applicable**
- Evidence of your rent payment history, if applicable**
- Proof of residency for all addresses you have lived at for the past three years. This can be in the form of utility bills or council tax documentation or bank statements**
- If you have any credit cards, hire purchase or personal loans then please bring along the original agreements and the latest statements**
- Proof of savings**
- If you have a gifted deposit, a signed letter from a family member confirming this with evidence of where the money is located**
- A copy of your credit reference report**

All of the above will be required by a mortgage provider and will be thoroughly assessed by the lender's underwriters.

If you are going to live in your home with anyone other than your children e.g. spouse, partner or friend, you must all complete the financial assessment and provide this information.

## Arranging a shared ownership mortgage

A mortgage adviser can look at all of the mortgage market and will be able to help you arrange a mortgage – if you want them to. They will help you fill in the mortgage application form, submit the application and handle the processing of the application for you – saving you valuable time and ensuring the right type of mortgage is obtained. If you want to arrange your own mortgage, you should talk to banks and building societies and make sure that you advise them that you are buying a shared ownership property and the share you are buying.

You will need to make mortgage decisions fairly quickly as lenders can take at least 21 days to issue a mortgage offer and by this stage in the process you will be expected to have a mortgage granted within four to five weeks.

The maximum share you can buy will be confirmed by the mortgage adviser during the financial assessment. This is the maximum share we will allow as we must follow the Homes England / Greater London Authority affordability assessment guidelines and we cannot be guided by what a lender may lend. You must also act quickly to arrange your mortgage as you are required to exchange contracts within four weeks of the contracts being issued by our solicitors (approximately six weeks from your reservation).

## Select a solicitor

Everyone who buys a home needs a solicitor to do the necessary legal work and protect your interest.

## Why you need a solicitor

Everyone who buys a home needs a solicitor to do the necessary legal work.

Your solicitor will:

- Make sure you have everything necessary to help you buy your home quickly
- Check the lease and speak to your mortgage lender and our solicitors
- Carry out what are known as “searches”, checking that we actually own the home we're selling you and making sure there are no planned developments (such as new roads) that will affect your home
- Check that all the paperwork and your mortgage are in place in time for you to move into your new home

## How much will a solicitor cost

You should make sure you get a quotation of the likely costs before you appoint a solicitor, and we recommend doing this early in the process. Overall, it should cost you between £600 and £1,250 which will include their fee, the land registry fee, search fees and expenses excluding stamp duty (known as disbursements). A deposit is commonly taken at instruction with the remainder payable at completion.

To help you decide which solicitor to use, with your offer letter we send you a panel of solicitors who are experienced in shared ownership purchases. The solicitors on our panel offer fixed fees which will help you to budget. The panel of solicitors are not compulsory, although they do have a lot of experience of the shared ownership conveyance process, are on most mortgage providers' panels and more importantly come recommended by previous buyers.

If you do not use a solicitor from our panel, you should make sure that your solicitor has experience of shared ownership schemes – otherwise they may be learning at your expense! We recommend you always obtain a quotation before instructing, and when calling for a quote, see how they answer your call and how quickly they respond to your enquiry – this is a good indication of the service you may receive.

For further information  
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