

House Purchase through Shared Ownership

What is shared ownership?

The Shared Ownership scheme is an affordable way of getting onto the property ladder. It is a good option for those who are unable to borrow enough money to buy a property outright.

How does shared ownership work?

The buyer contacts a housing association to find out whether they can participate in the shared ownership scheme, and if so what price of property they can afford. Once accepted the buyer then finds a property they like and negotiates the price with the seller. Once the seller has accepted the offer, the housing association then steps in and buys the property from the seller at the agreed price.

At the same time as it is buying the property, the housing association grants "shared ownership" lease to the buyer for a sum of money which represents the percentage share of the property which the buyer can afford to purchase. This can be anything up to 50% of the total purchase price of the property. The remaining share which the buyer cannot afford to buy at the outset is rented from the housing association for a weekly or monthly rent. This rent is reviewed on an annual basis and will reduce if further shares in the property are purchased.

It is usually possible to "staircase" the initial share, thus owning more and renting less.

How does staircasing work?

The shared ownership scheme allows buyers to purchase their property in stages. Commonly the buyer will buy a 50% share in the property and when he or she can afford to purchase a further share then a further 25% (or 50%)

interest can be purchased. Once a buyer has purchased a total of 100% share in the property the shared ownership lease comes to an end and the buyer then owns a 100% interest in the property. The purchase of a property in this manner is called "staircasing".

How can Warners help you?

Our lawyers have considerable experience in dealing with the purchase of freehold or leasehold properties from local authorities, housing associations under the shared ownership schemes available from those institutions.

Because of the relative complexity of the scheme there is a considerable amount of paperwork involved.

We advise you on all stages of the transaction and in particular, we report on both the individual title to the property and the terms of the lease to be granted by the housing association. We also act for your lender so that the mortgage can be completed at the same time as the lease and purchase. After completion we register the lease at the land registry.

Subsequently we can also assist with the purchase of additional shares in the property and/or the disposal of the property.

What do I do next?

- Contact your local housing association and agree the price of the property which you can afford.
- Find a property and tell the seller or his estate agents that you are purchasing through a "Shared Ownership" scheme.
- Instruct Warners to deal with the purchase so that we can make contact with the housing association at the earliest possible opportunity.

- Apply for a mortgage and arrange a survey - N.B. This will need to comply with the requirements of your housing association.
- Relax! We will deal with the paperwork and progress the purchase.
- Once everything has been approved arrange to pay your deposit and we will exchange contracts for you.
- We will then complete your purchase and you can collect the key to your new home!

Tenants Incentive Scheme

- TIS. Purchase from a local authority

This leaflet deals in the main with the Shared Ownership schemes. We are also able to advise on straightforward purchases from your local authority if you are an existing tenant, (with particular reference to the repayment of any discount available at the time of purchase); and also on the Tenants Incentive Scheme (TIS), (eligibility and the procedure for a grant under TIS).

For further information please contact a member of Warners Residential Property team.

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