

# a guide to affordable home ownership





# New-build HomeBuy

## WHAT IS NEW BUILD HOMEBUY?

New Build HomeBuy (formerly known as Shared Ownership) was introduced to help people who cannot afford to buy a home outright. Through new build HomeBuy you buy a share of a property and pay rent on the remaining share that you have not bought. At a later date you can buy more of the property and you could eventually own your home outright.

Remember that house prices can go up or down. This means that you could find that you have to pay more to buy additional shares or that if you want to sell it could be at a price that is less than you paid.

## DO I QUALIFY FOR NEW BUILD HOMEBUY?

The scheme is intended for people who cannot afford to buy a suitable home in any other way. Applicants will normally need to show that they cannot afford to buy outright and that they are in housing need (This may mean being registered on the local authority waiting list). Alternatively it may be possible to consider applicants who will give up an existing council or a registered social landlord tenancy that will be available for someone else in housing need), or applicants falling within the key worker category (ie teachers, nurses etc).

Equally you will not be able to buy a new build HomeBuy home unless your income is sufficient to enable you to obtain a mortgage of the required amount.

Up to four people can become joint owners of one property, but each must meet the eligibility criteria individually. Ask your solicitor/licensed conveyancer to advise you.

## WHAT TYPE OF HOME CAN I BUY USING NEW BUILD HOMEBUY?

New build HomeBuy homes may be new or renovated flats or houses that we have developed. It is also possible that existing shared owners will be looking to sell their existing home.

## HOW DOES NEW BUILD HOMEBUY WORK?

New build HomeBuy allows you to purchase a share of a property from a social landlord. 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 social landlord.

The size of the share to be purchased will depend on your income and savings. Normally applicants buy a 50% share but you may purchase smaller or larger shares (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 will also have to pay a service charge when you buy a flat. Later on, if you wish and can afford to do so, you can buy a further share.

When you purchase through new build HomeBuy, the association will grant you a lease which sets out your rights and responsibilities.

*Please see step by step guide to purchasing a new build HomeBuy property (page 8).*

## WHAT DOES THE NEW BUILD HOMEBUY LEASE ENTITLE YOU TO

When you purchase a new build HomeBuy home, you are granted a lease which is the legal agreement between you and the association setting out your rights and responsibilities relating to your occupation of the house or flat and those of the landlord.

It also entitles you to buy further shares in the property and set out how you can do this. It also states that you can sell your property.

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

In the case of flats, even after 100% shares have been purchased, the purchaser's interest remains a leasehold one. The Association or the freeholder is still responsible for arranging the maintenance of the structure and shared areas of the block in which the flat is located.

# The cost of buying your own home

## HOW MUCH DOES IT COST TO BUY ON NEW BUILD HOMEBUY?

It is important to give careful thought to the costs and responsibilities that you will be taking on in 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.

The following give you an indication of the costs involved:

### Initial costs

You will incur a number of costs in buying a home these will include the following:

- **Survey fees**

Your mortgage lender will undertake a valuation for mortgage purposes survey to make sure that the property is worth the amount that you want them to lend to you. This is not a full technical survey and you will have to meet the cost. Your mortgage lender should tell you how much it will be.

You may wish to have a more detailed survey, which is more expensive and you will have to meet this cost.

- **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. We may be able to advise on local solicitors who are familiar with new build HomeBuy.

- **Deposit (if required)**

We will inform you whether a deposit will be required. This will be paid at the exchange of contracts stage.

- **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.

- **Mortgage indemnity insurance (if required)**

You will need to check with your mortgage lender as to whether they will require this.

Most new build HomeBuy leases contain a mortgage protection clause, which may mean that this is not necessary.

- **Removal costs**

You will need to consider the costs of removal. These can be quite expensive if you are moving several miles from the area in which you currently live.

- **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.



# Ongoing costs

Once you have bought you will have to make payments in respect of the following:

- **Mortgage repayments**

You will need to borrow all or part of the cost of your share from a building society or bank. Repayments may vary if interest rates change.

Mortgage payments are usually made on a monthly basis by direct debit arranged by the lender. Failure to make mortgage repayments could mean that you lose your home if the lender takes repossession action.

- **Rent**

The monthly rent will be a proportion of the total rent the property would fetch, calculated by your landlord based on the proportion of the share you do not own. For example, if you own 50% share you would pay rent on the remaining 50%. The rent will usually be reviewed every year.

- **Repairs, insurance and service charges**

If your home is a house, you will be responsible for all repairs and redecoration both internally and externally. We will insure the structure of your home and in some cases we may make a charge for the upkeep of the estate. You will have to pay a management charge to cover our costs in providing this service and collecting monies due. If your home is a flat, you will be responsible for all repairs and redecoration internally.

We 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, cleaned and lighted.

You will have to pay a share of those costs. This is called a service charge. We will inform you how the service charge is spent and you will be consulted before any major repair or maintenance work is put in hand. Any damage or defect to the building or communal areas should be reported to us immediately.

- **Council Tax**

You are responsible for this, and it is paid directly to your local authority.

- **Heating and lighting bills and water rates, telephones, etc**

You are responsible for the costs of all these supplies.

# A step by step guide to buying through new build HomeBuy

## STEP 1 – APPLYING TO BUY

- You receive information about new build HomeBuy and an application form

## STEP 2 – OUR RESPONSE

- If you are considered a suitable applicant, you may be asked to attend an interview to go through your application.
- 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 purchase, you need to agree the percentage share you wish to purchase.

## STEP 3 – ARRANGING A MORTGAGE

- You will need to speak to a building society/bank
- Your building society/bank may want to see a copy of the lease, please let us know and we can send a copy.

## STEP 4 – PURCHASING THE HOME

- Once the building society/bank as offered you a mortgage, let the landlord have the name and address of your solicitor/licensed conveyancer
- Our solicitor will then send a copy of the draft lease to your solicitor/licensed conveyancer, who advises you on what it says, approves it on your behalf, makes a local authority search, and investigates title to the property.
- We will advise you of the amount of rent and estimated service charge you will have to pay on the remaining unsold share.
- The purchase can be formally completed and the house or flat will be yours.
- Take this booklet with you when you first contact a building society/bank or solicitor/licensed conveyancer.
- It should be possible to complete your purchase within two months.



## **STEP 5 – BUYING FURTHER SHARES IN MY HOME (STAIRCASING)**

- If you want to buy a further share, you will first need to tell us in writing the share you wish to purchase. The detailed procedure is contained in your lease. We will get the property valued when we receive your letter and will let you know the cost of the further share. You will have to pay the valuer's fee. You need to arrange a mortgage and complete the purchase of the further share within three months of the valuation.

# Additional information about new build HomeBuy

## **CAN I MAKE IMPROVEMENTS TO MY HOME?**

If you wish to improve your home or make structural alterations to it, you must request our written agreement to what you want to do.

## **WHAT IF I FALL BEHIND WITH MY MORTGAGE PAYMENTS?**

The mortgage contract is between you and your building society/bank. 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 building society/bank, 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 us as we may be able to give you advice.

## **WHAT DO I DO IF I WANT TO SELL?**

You may sell at any time but you must tell us in writing that you want to move. You can either sell the part that you own or you can buy the remaining share and then sell the property outright. 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 falls in values.

Unless you own the property outright, clauses in the lease may enable us to nominate prospective buyers and to restrict the sale price to an independent valuer's valuation. The reason for this is that we may wish the property to remain available to the people for whom new build HomeBuy is intended. You will need to clarify with us whether either of these or any similar clauses are included in your lease.





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