



Saffron

Housing Trust

**A GUIDE TO SHARED
OWNERSHIP**

October 2011

Contents

1. Introduction to Shared Ownership

2. Buying a Property

How to apply

What are the costs involved?

What are the processes from start to finish?

Finding a mortgage

3. Conditions of Residence

Money due

Repairs and maintenance

Conditions of property

Alterations

Neighbours

Notices, orders or proposals served under statute

'For Sale' boards or notices

Subletting a shared ownership property

Mortgages

Responsibility for possible future costs

Gardens

Restrictions on use of property

4. Buildings insurance cover

Provision and payment

Insurers

Reporting Claims

Approval for repairs

Damage covered by policy

Insurance excess

5. Increasing your share in the property

Buying an extra share

Buying the freehold

6. Selling the property

7. Frequently asked questions

8. How to contact us

1. Introduction to Shared Ownership

Shared Ownership is a form of low cost home ownership which is designed for people who would like to own their own home but who are unable to buy a property outright on the open market.

Shared owners own a share in the property and Saffron Housing Trust Ltd owns the remainder. Rent must be paid on the share of the property owned by Saffron Housing. Rents due on shared ownership properties are based on social housing rents. The amount of rent due will decrease proportionately in line with the amount of equity share owned in a property.

Shared owners will usually have the option of increasing their percentage share in a property up to the point of owning the property outright (becoming the “freeholder”).

As a shared owner you are responsible for all repairs and maintenance.

Saffron Housing Trust’s consent is needed for any proposed alterations to a shared ownership property.

If you wish to sell the equity share of your property you need to inform Saffron Housing Trust in writing. Your property will be advertised for two weeks. Registered users who are interested in your property will be forwarded your details to arrange viewings and negotiate a sale price.

If none of the applicants are interested in purchasing your share you are then entitled to sell your share on the open market by ‘assigning your lease’ for example through an estate agent.

Saffron Housing Trust may consider purchasing back your share if you are unable to sell it to another third party.

This guide is intended as an introduction to Shared Ownership. If you are considering purchasing a shared ownership property you should seek full professional advice. You must consult a solicitor before entering into any form of contract to purchase.

2. Buying a Property

How to apply for a Shared Ownership Property

If you are interested in buying a Shared Ownership property you will need to register on the Home Options website which can be found at www.saffronhousing.co.uk. New Shared Ownership and Re-sale Shared ownership properties are advertised each week and you can bid (express an interest) for up to two properties each week.

Eligibility criteria

To be considered for a shared ownership property you will normally need to-

- 1) Live or work in the South Norfolk area, and be over the age of 18.
- 2) Be able to demonstrate that you can afford the rented and mortgaged proportion of the property available.
- 3) Be able to demonstrate that you cannot afford a property outright on the open market. This could include, for example, an ability to make a down-payment and meet up-front costs.

If you have bid on a re-sale Shared Ownership property on the Home Options website you will be sent the vendors details. All dealings with regard to viewing etc will then be dealt with between yourself and the vendor.

What are the costs involved?

You will need to have some savings, or be able to tap into an alternative source of capital, in order to pay all the costs involved in buying a property for shared ownership.

Estimated Pre-Purchase Costs

The following table provides estimates of the costs involved in buying a 50 per cent share in a property valued at £100,000. The costs assume that you will need to borrow ninety five percent of the cost of your fifty percent share.

Type of cost	£
Solicitors Fees	600
Mortgage Indemnity Premium	680
Survey Fee	200
5% down payment	2500
Land Registry Fee	80
Sealing Fee	60
Total Cost	4120

Estimated Monthly Costs

Once you have moved into a shared ownership property you will normally have two sets of costs to pay as follows –

- 1) Monthly mortgage payment for the part of the property you have purchased*
- 2) Rent payments for the part you rent from Saffron Housing Trust.

**the exception to this being where a lump sum is used to purchase the initial equity share available in full e.g. through release of equity from a former property.*

The monthly costs involved with shared ownership properties will vary, depending on your personal circumstances at the time of accepting the property, to include amongst other things the length of time over which the mortgage is to be paid off. The rented proportion of properties may also vary from property to property.

The number of factors affecting monthly costs means that you should talk to mortgage lenders and Saffron Housing Trust to find out the amount relevant to you and your property.

Please be advised that interest rates can go up as well as down. Your property is at risk if you do not keep up mortgage and rental payments. Rental costs are likely to increase from year to year.

What are the processes from start to finish?

Buying a property can prove to be a complicated and confusing exercise, even for the experienced homeowner. For first time buyers, the process can be even more baffling.

The following explains the main stages involved in buying a shared ownership property.

Opportunity to View Property

Once you have expressed an interest in a Shared Ownership property we will forward you the vendors details so that you can contact them to arrange a viewing.

Sale agreed between yourself and the vendor

Engage a solicitor who-

- Examines lease on your behalf
- Does searches
- Agrees a preferred completion date with you
- Exchanges contracts
- Corresponds with Saffron Housing Trusts solicitor
- Registers title with Land Registry

Arrange a mortgage with a lender who-

- 1) Finalises mortgage arrangements
- 2) Arranges valuation of property
- 3) Agrees terms of lease
- 4) Makes final mortgage offer

The purchase will then be completed and your solicitor will send the deed to the mortgage lender.

Finding a Mortgage

Shared Ownership Mortgages

These are mortgages, which enable you to purchase a share in a property. The share usually starts at 50 per cent; it can be lower, but only in exceptional circumstances. If you wish to purchase less than a 50 per cent share you should discuss this with Saffron Housing Trust. Having purchased your initial share you will pay a reduced rent, on the share of the property you have not purchased. The reduced rent reflects the fact that from the outset the borrower is responsible for repairs and maintenance.

While Councils or Housing Associations offer shared ownership schemes, the mortgage itself will usually come from a building society or bank. If you take out a shared ownership mortgage, you will buy a 99 year lease, which allows you to purchase additional shares (normally 10 per cent) as and when you can afford the additional mortgage payment. When you buy additional shares this is call 'stair casing'.

Choosing a Mortgage Lender

It is advisable to check with prospective mortgage lenders as to whether they would offer a mortgage on shared ownership terms. There are currently very few mortgage lenders who participate in offering mortgages on shared ownership properties owned by Saffron Housing Trust. .

Please be advised that nominal charge may be levied by Saffron Housing Trust for existing Saffron Housing Trust tenants requiring a mortgage reference.

How much can I borrow?

All lenders calculate how much they are prepared to lend on the basis of your income, your employment status and other major financial commitments. The calculations are based on gross income, that is, before any deductions of tax.

For the purposes of buying a shared ownership property is important to find out your maximum borrowing capacity, rather than whether a mortgage company will agree to lend you a set amount. With this in mind, if your application for a particular property is unsuccessful then your mortgage pledge may be useful on future occasions, should the need arise.

Which types of mortgage to choose?

There are many different mortgage options available. You will need to choose which suits you best. For advice about mortgages, you can obtain guidance from an Independent Financial Adviser.

What other costs might I incur in taking out a mortgage?

The following is not an exhaustive list, but provides an insight –

- Valuation fee – payable on application

- Booking fee – payable on application
- Arrangement fee
- Legal costs, including the possibility of stamp duty
- Mortgage Indemnity Premium (MIP) (if applicable). This is an up front; one-off fee paid to the lender to protect them against the borrower defaulting on the loan and is usually charged on mortgages over 90% of the house value.
- Accident, sickness and unemployment insurance
- Setting up costs – including removal costs

Finding a Solicitor

Saffron Housing Trust is not in a position to recommend particular solicitors to shared ownership applicants. For a list of solicitors please see the section on 'Solicitors' in the Yellow pages or online

3. Conditions of Residence

There are a number of conditions of residence by which shared owners must abide. These rules exist to protect the money that Saffron Housing Trust has invested in the property.

The conditions of residence are laid out in your shared ownership lease and you must agree to keep to these rules. Failure to comply with the conditions of residence may ultimately lead to repossession action by Saffron Housing Trust through the Courts.

The main conditions contained in the lease are listed below. This list is, however, a summary and does not include absolutely everything. It is worthwhile either taking the time to read the lease for yourself or asking your solicitor to bring to your attention anything else which he/she thinks you should know. Further information may also be found in the section 'frequently asked questions'.

Money Due

Rent

All rent must be paid on time.

Rates & Taxes

All other rates and taxes payable on the property (for example, water rates, council tax) are to be paid by the shared owner.

Repairs and Maintenance

Internal Redecoration

The inside of the property must be decorated by the shared owner at least every five years and during the last six months of residence. This includes treating and cleaning internal surfaces as appropriate.

External Redecoration

The outside of the property must be decorated at least every five years and during the last six months of residence. This includes treating and cleaning external surfaces as appropriate.

Apparatus, Fixtures and Fittings

All sewers, drains, sanitary, water, electrical and gas apparatus, fixtures and fittings, fences, walls and hedges that are the responsibility of the shared owner must be kept in good order and condition.

Fences

The shared owner must maintain and, when necessary, renew to the satisfaction of Saffron Housing Trust all boundary fences for which the shared owner is responsible.

Access to Inspect Condition of Property

Persons authorised by Saffron Housing Trust must be allowed access to the property to inspect the condition of the property providing at least twenty four hours written notice is given. In an emergency, immediate access may be required.

Quality of Work

All work to the property must be carried out in a workman like manner using good quality materials.

Condition of Property

On Leaving

When the shared owner sells (or at the end of the term of the lease) the property must be left in the condition that it should be having regard for the obligations listed.

Failure to Undertake Repair and Maintenance Responsibilities

If the shared owner fails to comply with any repair and maintenance conditions, Saffron Housing Trust may serve written Notice. The Notice will specify the repairs needed and will give the shared owner one month in which to complete the repairs. If the shared owner fails to comply with the Notice, persons authorised by Saffron Housing Trust may enter the property to complete the repairs. The cost of the repairs will be recovered from the shared owner either through Court action or by the use of bailiffs.

Future Legal Requirements

The shared owner must carry out any work that may be required to the property in the future by new laws and regulations, either national or local.

Alterations

The Property

No alterations or extensions may be made in or to the property without the written consent of Saffron Housing Trust. Satisfactory planning consent and/or building regulation consent must be obtained where necessary.

Fences and Parking Provision

No alterations should be made to the boundary fences or to off road parking provision without the written consent of Saffron Housing Trust.

Legal Requirements

The shared owner must obtain all licenses, permissions and consents necessary and pay all taxes required by existing or future legislation in respect of work carried out on the property.

Neighbours

Access for work on Neighbouring Property

Persons authorised by Saffron Housing Trust must be allowed access to the property where access is needed to work on a neighbouring property. Twenty four hours written Notice must be given by Saffron Housing Trust if access is required.

Saffron Housing Trust must be allowed to arbitrate on certain disputes between a shared owner and his/her neighbour where the neighbor is also a shared owner. Included are – disputes relating to sewers, drains, gutters, easements (for example, rights of way) or privileges.

Easements

The shared owner must not agree to any easements (for example, rights of way) or other right claimed by a neighbour, without the consent of Saffron Housing Trust.

Nuisance or Annoyance

The shared owner must not use the property in any way so as to cause a nuisance or annoyance to neighbours.

Notices, Orders or Proposals Served Under Statute

The shared owner must inform Saffron Housing Trust of any Notice, Order or Proposal served under any statute on the shared owner. If asked, the shared owner must show the document to Saffron Housing Trust and possibly help make representations to the relevant body. The costs of such representations will be paid by Saffron Housing Trust.

'For Sale' Boards or Notices

You may fix a 'For Sale' board to the property if you have been given permission to sell your share of the property by assignment.

Subletting a Shared Ownership Property

It may be possible, in exceptional circumstances, for you to sublet your shared ownership property. If you wish to sublet, you must apply, in writing, to Saffron Housing, giving your reasons for the request.

Mortgages

Conditions Attached to Mortgage

The shared owner must observe all the obligations contained in any mortgage or legal charge taken out on the property.

Second Mortgage or Charge

The shared owner must not take out an extra mortgage or charge on the property without the written consent of Saffron Housing Trust unless that mortgage or charge is with a building society or clearing bank.

Notification of Second Mortgage or Charge

The shared owner or his/her solicitor must notify Saffron Housing Trust, in writing, of any extra mortgage or charge within fourteen days of it taking effect.

Responsibility for Possible Future Costs

Costs Relating to the Lease

The shared owner must pay costs, charges and expenses reasonably incurred by Saffron Housing Trust in respect of the lease and costs involved in granting any consent or approving any plans or specification under any provision of the lease.

Costs of Variations to the Lease

The shared owner must pay Saffron Housing Trust reasonable surveyors and legal costs in connection with the preparation and completion of any deed of variation in the lease. This might include, for example, assigning a lease. This does not apply to the Final Transfer of the freehold of the property.

Costs of Breaches to the Lease

The shared owner must keep Saffron Housing Trust indemnified against all costs of breaches in covenants (responsibilities) by the shared owner contained in the lease.

Gardens

Maintenance of Gardens

Gardens and open areas must be kept in good condition and free from litter.

Removal of Trees and Shrubs

No trees or shrubs should be cut down, topped, lopped or removed from the property without the written consent of Saffron Housing Trust unless they are dead or deceased. Any trees or shrubs that are cut down or that die must be replaced.

Restrictions in Use of Property

Alcohol/Illegal or Immoral Purposes/Causing Problems for Neighbours

The property must not be used for the sale of any intoxicating liquors or for any illegal or immoral purpose and occupiers must do nothing which may become a danger, nuisance or annoyance to Saffron Housing Trust or to neighbours.

Erection of Buildings

No shed, poultry house or any other building may be erected without the written consent of Saffron Housing Trust.

Storage of Petrol or Inflammable Explosive

No petrol or other inflammable or explosive product may be stored on the property.

Use of Property as a Location for Trade

The property may not be used as a location for any trade without the written consent of Saffron Housing Trust.

Boats and Caravans

No caravan or boat may be parked or placed on the property without the written permission of Saffron Housing Trust.

Restrictions under Which Property is Held by Saffron Housing Trust

The shared owner must observe any restrictions under which Saffron Housing Trust holds the property and must pay all costs in respect of any breach of these restrictions.

4. Building Insurance Cover

Provision and Payment

Saffron Housing Trust will insure the structure of your home under its buildings insurance. Shared owners must, on request, reimburse Saffron Housing Trust costs for providing buildings insurance for the property.

Insurers

Insurance is currently supplied by Farr plc insurance brokers. A copy of the buildings insurance summary of cover will be sent to you annually. If you wish to see a copy of the policy please telephone 01508 532023.

Reporting Claims

Claims must be made through Saffron Housing Trust – Tel 01508 532023. You must notify Saffron Housing Trust, in writing, within twenty four hours of any fire in the property or any other event likely to lead to a claim on the insurance policy.

Approval for Repairs

No repairs, for which there is an insurance claim, may be made without the prior approval of Saffron Housing Trust or Farr plc.

If the emergency occurs whilst the offices are closed, essential repairs to prevent further damage or to make the property safe may be organised but they must be reported to Saffron Housing Trust or Farr plc at the earliest opportunity.

Insurance Excess

Please be advised that as a shared owner you are responsible for paying any excesses due.

5. Increasing your share in your property

You can increase the proportion you own in a shared ownership property by multiples of 10 per cent. For example, through buying an extra 10 or 20 per cent, alternatively you could purchase the full 50 per cent at any one point in time. Once you have purchased 100 per cent of the equity you become the 'freeholder'.

Buying an Extra Share

Each and every time you choose to purchase extra shares, your shared ownership property will need to be re-valued in order to determine the market value of that extra share. The Market Value is the price, which the Property would fetch on a sale of the freehold thereof on the open market. Cheque or cash payment for the valuation should initially be made to Saffron Housing Trust, who in turn will arrange the valuation by an independent firm of valuers.

If you are not satisfied with the valuation, you ask for a second valuation to be carried out, at your expense, on payment of the District Valuer's fee. The Inland Revenue employs the District Valuer. A District Valuer's valuation is final and binding on both Saffron Housing Trust and the shared owner.

The value by which any improvements or alterations you make to the property increase the sale price is normally credited to you in full. This arrangement only applies to improvements and alterations undertaken after you have obtained all permissions required under the terms of your lease. For further information, please refer to the Q & A section of this booklet.

The Different Stages involved in Purchasing an Extra Share in a Property are Detailed Below

- Talk to your mortgage lender to find out if they will lend you more money
- Telephone Saffron Housing Trust to find out the current survey fee
- Inform Saffron Housing Trust, in writing, that you wish to purchase an extra % and pay the survey fee
- Saffron Housing Trust will notify you, in writing, within 6 weeks of receiving the current market value

If you are not satisfied with the valuation

- You may ask for a further valuation by the District Valuer on the payment of the District Valuers fee
- The District Valuers valuation is final and binding on both Saffron Housing Trust and the shared owner

If you are satisfied with the valuation

- You have 6 weeks to accept the purchase price of the extra % in writing.

Warning: if you do not accept the purchase price within the time limit a new valuation will be required should you still wish to buy

- Engage a solicitor to act on your behalf
- Saffron Housing Trust's solicitor is instructed to act for Saffron Housing Trust in the sale of the extra share

Completion

- Money for extra share must be forwarded to Saffron Housing Trust at this point including the sealing fee.
- Rent charged is reduced proportionately from the date of completion.

Buying the Freehold

The processes involved in purchasing the freehold of a shared ownership property are broadly the same as those involved in buying an extra share of the equity.

The major difference is that Saffron Housing Trust and the shared owner both pay their own cost and expenses in connection with the purchase.

For more information please go to the previous section 'Buying an Extra Share'.

6. Selling the Property

The key stages involved

If you want to sell your shared ownership property, please inform Saffron Housing Trust in writing who will advertise the property on the Home Options website. If there is no response your share can be sold on the open market.

The stages involved in selling a shared ownership property are shown below -

- 1) Write to Saffron Housing Trust to inform us you wish to sell your share, a sales info pack will be sent to you to be completed. Your property will be advertised on the Home Options website.
- 2) You will need to have a valuation done on your home to determine the market value of your share.
- 3) Your property will be advertised on the Home Options website. We will forward your details to interested applicants to contact you and arrange viewings.
- 4) If none of the applicants are interested or prove not to be suitable you are free to assign the lease on the open market.

- 5) Saffron Housing Trust has the right to recover all money owed to Saffron Housing Trust from the money due to the vendor e.g. rent arrears, value of repairs needed, reasonable costs of surrender incurred by Saffron Housing Trust and valuation fee.

7. Frequently Asked Questions

Q Where do shared ownership properties come from?

A Saffron Housing Trust currently has 185 shared ownership properties. Some houses on new developments become available for shared ownership because of planning agreements.

Q Will I receive the full value of any improvements I make to the property if I sell my share?

A Yes, you will be entitled to the value of any improvements carried out since the lease was granted whilst valuing the property and assigned a designated amount. Improvements are valued against their current condition and not on the cost to install.

Q Are there items which are not covered by the building insurance?

A The following are examples of things not covered by buildings insurance – fences which have been knocked over by the wind, accidental damage, drains and general wear and tear. If you have any queries please contact Saffron Housing Trust.

Q My windows are in a state of disrepair and I believe new windows are required. Will Saffron Housing Trust meet half the cost due to the fact that you own a % of the property?

A Unfortunately, as a shared owner, you take on full responsibility for any repairs that need carrying out; this includes meeting the cost in full. This responsibility is reflected in the lower rent you pay for Saffron Housing Trust share of the property.

Q Can I apply for a transfer to another shared ownership property?

A If you need to move, you may wish to contact us to discuss the possibility of moving to another shared ownership property. Unfortunately we are not always able to help and other avenues may to be explored.

8. How to contact us

If you have any questions, please do not hesitate to contact Saffron Housing Trust.

Our telephone number is: (01508) 532023 Our fax number is : (01508) 532083

Our Corporate e mail address is : info@saffronhousing.co.uk

Our website address is: [www. saffronhousing.co.uk](http://www.saffronhousing.co.uk)

Our address is:

Saffron Housing Trust Ltd
Saffron Barn
Swan Lane
Long Stratton
Norfolk
NR15 2XP