
Shared Ownership Policy

Approvals

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Shared Ownership Policy

1 General

- 1.1 Cirencester Housing (CH) is a charitable housing provider working in Cirencester Town and surrounding parishes to deliver affordable homes for local people. We work in partnership with local authorities and parish councils to ensure the homes we provide continue to meet our objectives.
- 1.2 This policy has been drafted to assist CH in the allocation and management of its shared ownership properties, both newbuild and existing, and ensure an equitable, effective and efficient service for those applying for and living in a shared ownership property.
- 1.3 The policy is designed to accommodate the specialist requirements of local needs homes and ensure compliance with both regulatory and statutory obligations as well as accommodating scheme specific nominations and qualifying arrangements and is to be read in conjunction with CH's Allocations Policy.
- 1.4 Some of CH's housing stock is available on a local connection basis, with qualifying criteria detailed in a legally binding Section 106 or Nominations Agreement.

2 Shared Ownership – New Properties

- 2.1 Shared ownership is a tried and tested initiative which helps households who are unable to purchase on the open market be able to buy a share of a property. It is an alternative to renting but is only appropriate for those who can support the financial demands of a modest mortgage.
- 2.2 A share of typically between 40% and 80% is typically sold on newbuild developments with the open market value set at the point of valuation. New properties will be advertised approximately 3 months prior to completion and interested parties will be invited to apply. Allocations are conducted in accordance with CH's Allocations Policy.
- 2.3 All homes are sold on a long lease basis and CH retains ownership of the percentage that is not purchased. Rent is payable on the unsold share of the property and these rents are in line with CH's Rent and Service Charge Setting Policy. Shared owners will be expected to adhere to the terms of the lease and follow the covenants therein, and any breaches may be pursued, including legal action in line with CH's other policies.
- 2.4 Some shared ownership properties offered by CH will have an 80% staircasing restriction as part of the Section 106 agreement. If a staircasing restriction is in force for the property, offers stipulating that the offer gives the lender the right to buy further shares up to 100%, or to acquire the freehold, will not be accepted.
- 2.5 Any mortgage taken out to purchase the property will need to be approved by CH and any such offer must contain
 - 1.1.1 The full names of all purchasers;
 - 1.1.2 The full postal address of the property to be purchased;
 - 1.1.3 The purchase price, share and full market value of property;
 - 1.1.4 Confirmation that this is a shared ownership mortgage;
 - 1.1.5 If applicable, confirmation that lender is aware of the 80% staircasing restriction.
 - 1.1.6 Provision of additional information upon the request of CH to facilitate approval of the offer.
- 2.6 Notice of Transfer and Charge will need be served on CH at the point of completion and the fee for receipting the same is £45 plus VAT per Notice.

3 Shared Ownership – Resales

- 3.1 When an existing shared owner wishes to move, they must first contact CH to notify them of their intention to sell.
- 3.2 The seller, at their cost, is to instruct a RICS registered valuer to carry out a valuation of the property and the sale price will be calculated using the full market value and the share owned.
- 3.3 CH will facilitate the sale of the property. To cover the costs of the legal, administrative and professional works involved in the sales process, the amount of 0.75% of the sale price will be payable to CH on completion.
- 3.4 Marketing to local people in housing need will be done in accordance with the Section 106 nominations agreement. CH's general approach to this is as follows:
 - 3.4.1 The property will be advertised in the local area, in both the village and surrounding villages and, where possible, the parish magazine and local media. The property will initially be advertised for 4 weeks and, if a suitable purchaser has not been found, for a further 4 weeks with the possibility of engaging other forms of advertising.
 - 3.4.2 CH will aim to have nominated a purchaser within 4 - 8 weeks of receiving a shared owner's confirmation to sell, and for a sale to have completed 6 - 8 weeks thereafter.
 - 3.4.3 Priority is always given to applicants from the parish and failing this the surrounding parishes. Allocations are conducted in accordance with CH's Allocations Policy.
- 3.5 Where a local connection does not apply as part of the allocation:
 - 3.5.1 The property will be advertised through Help To Buy Zone Agents with advertising in the local area as deemed necessary
 - 3.5.2 CH will aim to have nominated a purchaser within 4 - 8 weeks of receiving a shared owner's confirmation to sell, and for a sale to have completed 6 - 8 weeks thereafter.
- 3.6 Resale completion activities including CH approval of any mortgage and receipt of Notices must be done as outlined above.

4 Maintenance

- 4.1 Ongoing maintenance of shared ownership properties is the responsibility of the shared owner. CH will assist in the provision of information as far as is practicable in order to assist in this maintenance.
- 4.2 Some developments are subject to a service charge for maintenance where there are communal areas or facilities. Service charge statements will be sent to shared owners annually and queries dealt with by the Housing Officer.
- 4.3 CH also has in place a block building insurance policy covering all of its properties, recharged at a reasonable cost. Shared owners therefore do not need to take out additional buildings insurance cover, however it is recommended that they take out their own contents insurance. A summary of the policy held on behalf of shared owners is available upon request.
- 4.4 If the property is a new build, some repairs may be covered by the Building Guarantee provided by building defect insurance, if a repair is a result of a building defect. If this is the case, shared owners will be provided a copy of the insurance as part of the completion of purchase.
- 4.5 Shared owners are expected to set-up a monthly direct debit to cover the costs payable to CH.

- 4.6 Alterations may not be carried out to the property without the written consent of CH. In principal CH have no objections to modest conservatories or minor internal amendments, **but alterations which significantly change the footprint of the property such as changes to room configurations, extensions or loft conversions are not permitted.**
- 4.7 Before any alteration can be considered shared owners will be required to complete an application form detailing planned alterations, and an application fee will also be payable. Planning permission from the local authority planning or building regulations department may also be necessary and this is the responsibility of the shared owner to obtain.
- 4.8 Shared owners are also advised to consider any additions/alterations carefully as they are liable for 100% of the costs but will only benefit from financial gains proportionate to the percentage that they own upon resale.

5 Staircasing

- 5.1 Shared owners are able to purchase additional shares in their property using a process known as staircasing.
- 5.2 Some of CH's properties will be restricted to staircasing up to a limit of 80%. If this is the case, it will state this in the shared ownership lease. This 80% restriction enables CH to keep shared ownership properties as affordable homes for local people in perpetuity. Properties without this restriction may staircase to 100% and if there is no underlying lease on the land, become a freehold.
- 5.3 The property must have been owned for more than one year before additional shares can be purchased and the rent account must be up to date. As a minimum an additional share of 10% and multiples of 10% thereafter may be purchased.
- 5.4 The value of additional shares will be based on a current open market valuation of the property, discounting any major improvements made by the owner.
- 5.5 The shared owner will instruct a RICS registered valuer at their own cost to carry out a valuation of the property and the price of further shares will be calculated using the full market value and the share owned.
- 5.6 The shared owner will be required to instruct a solicitor at their own cost and this solicitor will act on their behalf. CH's own reasonable legal costs will also be met by the shared owner.
- 5.7 Any further mortgage must be approved by CH and Notices served on completion as outlined above.

6 Lease Extensions

- 6.1 Shared owners intending to sell, re-mortgage or transfer a share in the property and with around 80 years left on their leases would usually consider a lease extension.
- 6.2 A shared owner will need to have owned the property for at least two years and will need to request a lease extension in writing.
- 6.3 As with a sale, once CH has been notified the owner will need to instruct a RICS registered valuer to carry out a valuation of the property in order to ascertain the commercial value of the lease, taking into account that it is a lease with a restricted staircasing provision. The valuation will need to specify the current value of the property as well as the likely value if the lease was extended back to the original term.
- 6.4 The shared owner can then extend the lease back to the original term while continuing to pay rent, service charge and buildings insurance at the current rate. A premium will be paid to CH, calculated as half of the uplift in value of the owner's share since purchasing the property.

6.5 The shared owner(s) will be required to instruct a solicitor at their own cost and this solicitor will act on their behalf. CH's own reasonable legal costs will also be met by the shared owner, and any required mortgage offer must be approved by CH.

7 Transfers and Re-mortgages

7.1 In the event of a Re-mortgage, written permission will be required from CH. Examples of when a re-mortgage might occur include: a change in rates or term, or due to a relationship breakdown (which may also involve a Transfer of Equity).

7.2 In the event of a Transfer of Equity, CH will need to approve any new parties who may be taking on ownership of the property and will need to also approve a transfer into sole names. This may involve reassessment or interview by CH.

7.3 Any transfer or re-mortgage will require the shared owner(s) to instruct a solicitor at their own costs and this solicitor will act on their behalf.

7.4 Any further mortgage must be approved by CH and Notices served on completion as outlined above.