



Fairoak Housing Association

SHARED OWNERSHIP

Fairoak Housing Association
Information Booklet





Welcome to the Fairoak Housing Association Information Booklet on

SHARED OWNERSHIP

This booklet has been designed to give you some background information on the subject of shared ownership for people with learning difficulties. The questions we have tried to answer in this booklet are:

- **What is “shared ownership”?**
- **Where does the money come from?**
- **How do I qualify?**
- **How do I get a mortgage?**
- **What are the costs involved?**
- **Why do I also pay rent and service charge?**
- **Who is responsible for repairs to the property?**
- **Do I need legal advice?**
- **What support would I get once I moved in?**
- **How does the process work?**
- **What happens if property prices change?**
- **Can a shared owner move?**
- **What are the benefits?**
- **What are the risks?**

Fairoak Housing Association was formed in 1990 and is a charitable Society Registered under the Industrial and Provident Societies Act (28173R) and a Registered Social Landlord (number L4535). The sole purpose of the Association is to provide safe, affordable and suitably adapted accommodation to meet the needs, desires and promote independence for people with learning and other disabilities.

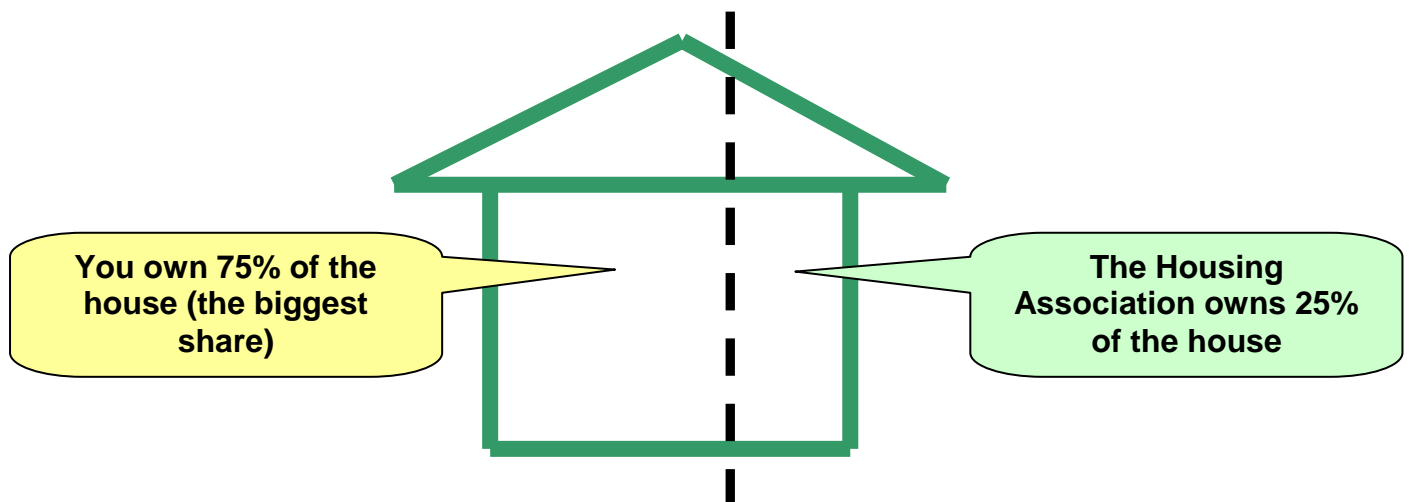
WHAT IS “SHARED OWNERSHIP?”

Shared ownership has been around for over twenty years and is an established method for people, who cannot afford to buy a property outright, to become homeowners. People with learning and other disabilities are often seen as having no prospect of enjoying the benefits of owning their own home, usually because of limited income and therefore they have difficulty raising the money for a deposit or being able to qualify for a mortgage.

Fairoak Housing Association is able to offer people with disabilities the option of becoming a homeowner by sharing the ownership of a property.

Shared ownership does not mean that you have to share your house with another person unless you want to.

Shared ownership means that a property is owned partly by a housing association and partly by an individual. The individual or “shared owner” usually owns between 25% and 75% of the property. The “shared owner” would take out a mortgage on their share of the property and in addition would pay rent to the housing association on the remaining share.



WHERE DOES THE MONEY COME FROM?

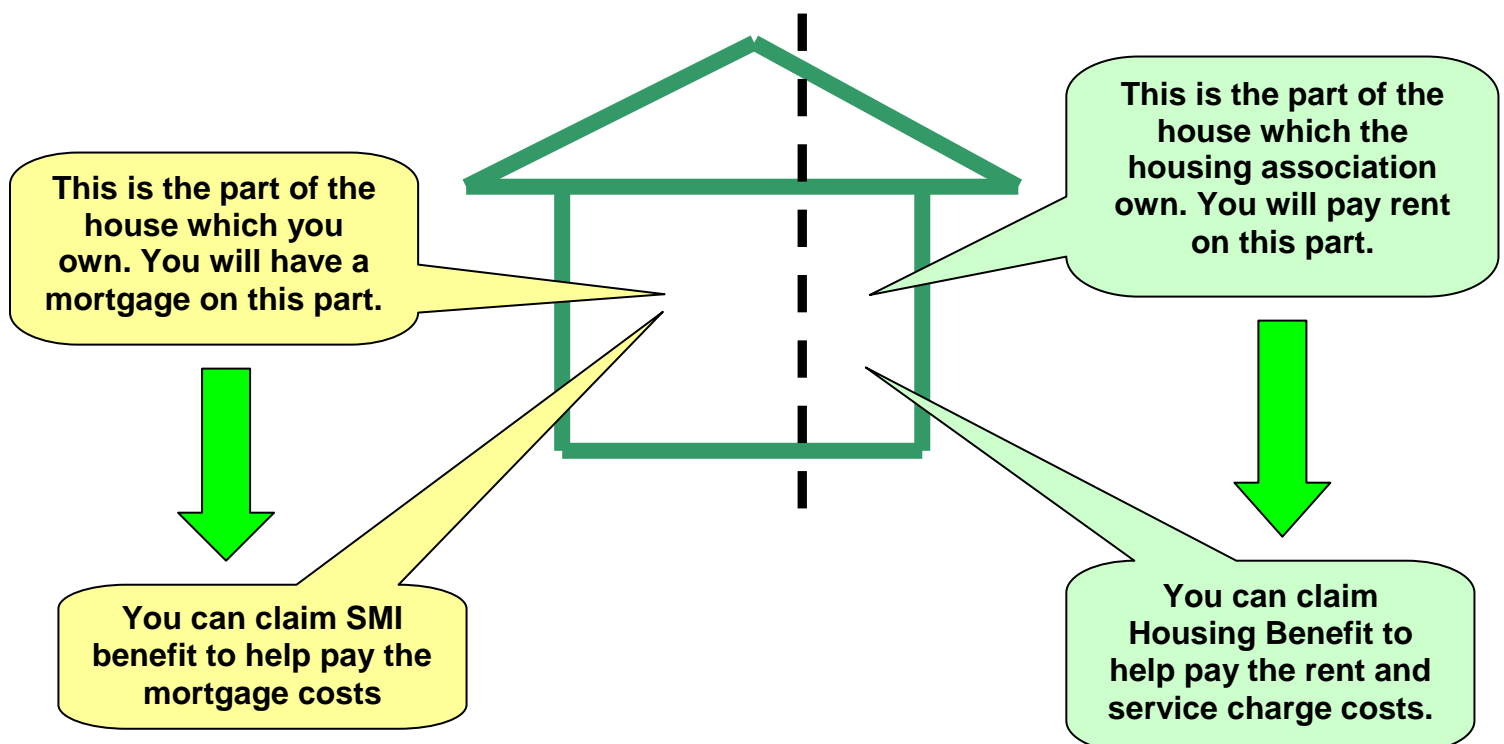
As a shared owner you may be able to borrow money from a building society or bank; known as a mortgage, to buy your share of the property. Some banks are more used to this type of arrangement than others but FairOak Housing Association can help you get advice.

For people with disabilities SMI or Support for Mortgage Interest benefit can meet some or all of the mortgage costs. This benefit will only cover the monthly interest payment on an interest only mortgage it will not cover the lump sum borrowed. The lump sum is paid off only when the property is sold.

More information about SMI (Support for Mortgage Interest) benefit can be found at: www.jobcentreplus.gov.uk

You will also have to pay rent on the share of the property which the Housing Association still owns. Housing benefit can usually be accessed by the shared owner to cover this cost.

More information about housing benefit can be found at: www.direct.gov.uk



HOW DO I QUALIFY?

The maximum amount of a mortgage on which SMI benefit can be paid is £200,000 (January 2009). To qualify for SMI benefit to be paid you must:

- ✓ be moving to accommodation more suited to your needs as a disabled person
- ✓ be getting DLA (Disability Living Allowance)
- ✓ have been getting one of the following benefits for at least 13 weeks:
 - Income Support
 - Incapacity Benefit
 - Severe Disablement Allowance

The rules about SMI benefit are complicated and we can only give you the basic details in this brochure. You should get expert advice on your benefit entitlements before going ahead with shared ownership.

There are some things which would disqualify you from applying for a mortgage such as:

- ✗ Bankruptcy
- ✗ Savings levels which impact upon your benefit payments

HOW DO I GET A MORTGAGE?

A person wanting to become a shared owner can apply to any mortgage lender for a mortgage, but there are only a few lenders who will give people on benefits a mortgage.

Fairoak Housing Association may be able to put you directly in touch with some lenders willing to provide mortgages.

The shared owner could also use a specialist “mortgage processor” to negotiate a mortgage on their behalf. A mortgage processor will help the person to complete the necessary forms and find a mortgage which suits their needs.

The mortgage processor will normally charge a fee for this service which could be up to £1500 per applicant.

WHAT ARE THE COSTS INVOLVED?

We have tried to list some of the approximate fees involved in buying a shared ownership property below:

Survey and valuation fees	£400
Mortgage arrangers fees	£1500
Mortgage lender's fee	£350
Your solicitor's fees	£950
Administration fees to a Housing Association	£2000
APPROXIMATE TOTAL	£5200

The mortgage arranger's fee could be refunded if you don't complete your mortgage.

You may also need to pay Stamp Duty on your property.

The Housing Association would normally organise building insurance for your property but you would need to arrange your own contents insurance. You may also need money to pay for removals and new furniture and furnishings for your new home.

You can discuss your individual circumstances with a member of our team.

WHY DO I ALSO PAY RENT AND SERVICE CHARGE?

Rent and service charge will need to be paid to FairOak Housing Association for the part of the property that FairOak still owns. The rent and service charge are normally eligible for Housing Benefit payments.

The rent charged is used to pay for things like:

- FairOak Housing Association's loan for its share of the property
- Costs to maintain the property in coming years
- Costs of the Association in managing the property
- Building insurance

The service charge is used to pay for things like:

- Day to day repairs
- Annual servicing of central heating and fire systems (if required)
- A pool fund for major repairs that may be needed in the future
- Other running costs like gardening and window cleaning

The rent and service charge will be reviewed in April each year. Shared owners would be notified of any intended change to the charges at least one month in advance of that change.

Housing Benefit will normally cover the rent and service charge costs; however the Association cannot guarantee this and in a situation where Housing Benefit does not cover all the cost then a shared owner will be responsible for paying any shortfall themselves.

WHO IS RESPONSIBLE FOR REPAIRS TO THE PROPERTY?

Usually property owners are responsible for repairs and servicing at their home but Fairoak Housing Association's shared ownership model is different.

Fairoak will carry out maintenance and repairs to the fabric of the building so that shared owners do not have to worry. The shared owner is responsible for reporting any necessary repairs to us as soon as possible and there are several ways to do this.

If a repair is needed because the shared owner has damaged something at the property this work would not be covered by the Association and the shared owner would be liable for the cost of the repair.

DO I NEED LEGAL ADVICE?

YES. We strongly recommend that anyone wanting to become a shared owner gets independent legal advice before signing either a mortgage contract or the shared ownership lease.

An independent solicitor will advise you on:

- The processes you will need to go through when you are buying a share of a property and what they will do on your behalf
- The terms of the shared ownership lease with Fairoak Housing Association
- Your responsibilities as a shared owner both on the lease and the mortgage

WHAT SUPPORT WOULD I GET ONCE I MOVED IN?

Fairoak Housing Association can continue to support its customers after they have moved into their shared ownership property in the same way as it supports customers who rent property from us.

Types of support offered by Fairoak Housing Association include:

- ✓ Providing a new owners information pack
- ✓ Providing maintenance and repair services for the property
- ✓ Carrying out annual servicing of fire and central heating equipment
- ✓ Giving guidance on completing or amending housing benefit claims
- ✓ Liaising with support agencies about housing management matters
- ✓ Carrying out regular visits to the property to ensure customers are satisfied with the service they receive
- ✓ Monitoring housing benefit payments
- ✓ Dealing with statutory, local council or neighbour issues which might occur
- ✓ Promoting independence for its customers
- ✓ Promoting community involvement for its customers

HOW DOES THE PROCESS WORK?

We believe that the best way to facilitate the process of becoming a shared homeowner is to discuss your needs and desires together. A brief description of the steps involved in the process is shown below:



Step One

We will meet with individuals, their families, advocates, carers and other parties to discuss:

- whether you qualify for mortgage interest benefits
- whether you qualify for housing benefit
- can the start up costs can be met
- what support will the individual need and can this be arranged
- if the person has capacity or would need someone to act on their behalf
- where and what type of property you would like to live in
- how much the property should cost



Step Two

After checking eligibility and drawing up a list of criteria for the property the FairOak team will then work with you to find properties available which meet the criteria and will draw up a shortlist.

You and your family are, of course, able to search for property yourselves to add to the shortlist.

During this time FairOak Housing Association can support you to make a mortgage application through a specialist mortgage arranger as this can take some time to process or you may wish to seek independent mortgage advice.

The shortlist would be reviewed and viewings of each of the short listed properties would take place to enable to individual to make a final choice. The Association would provide guidance, where appropriate, to help you make a decision.



Step Three

Once you have identified a property to purchase and you have received a mortgage offer for that property Fairoak would complete the purchase of the property and then complete a shared ownership lease with you.



Step Four

Once you have moved into your new home Fairoak Housing Association will be available to support you to make benefits claims and provide housing management services to the level you require.

WHAT HAPPENS IF PROPERTY PRICES CHANGE?

If property prices increase then the value of the share increases. If property prices decrease then the value of the share decreases.

For example:

A property worth £100,000 is purchased by the Association and a shared owner. Each party owns 50% of the property. Initially this means each share is worth £50,000.

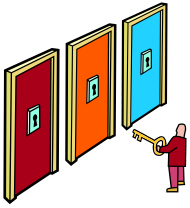
If after 10 years the value of the property as a whole is £200,000 then the 50% share is now worth £100,000.

CAN A SHARED OWNER MOVE?

Yes. Shared owners can move if they wish. Fairoak Housing Association could buy back the shared owners part of the property at the current market value or arrange for the property to be sold on the open market.

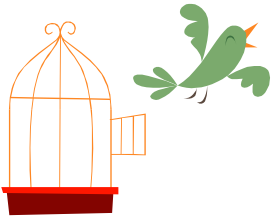
A shared owner should be aware that unless they are moving to a different property which is more suitable to their needs they may lose their benefits.

WHAT ARE THE BENEFITS?



CHOICE:

The overwhelming benefit of shared ownership is that it gives much greater choice of where you live, who you live with and what type of property you live in.



INDEPENDENCE:

Your home is completely separate from your support package and this means that your support package could change but your home does not have to.



CONTROL:

As the homeowner you make the decisions other homeowners do, you have security by owning your own home and the flexibility to move on in the future if you want to.

WHAT ARE THE RISKS?

The benefits received by disabled people can change for example:

If you choose to live with other people over 18 years old your benefits could be reduced or cancelled or if you start to work and earn more money than you did previously your benefits could be reduced or cancelled.

This could make your mortgage unaffordable and your home could be repossessed if you do not keep up repayments on your mortgage.

If your circumstances change once you have moved into a shared ownership property please speak to a member of the FairOak team.

DO YOU WANT SOME MORE INFORMATION?

After reading this information booklet you may have some other questions and the team at Fairoak Housing Association would be happy to discuss these questions with you. Please contact us on:



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