

Shared Ownership

Shared ownership is a form of low cost home ownership that combines "renting" with buying. It is aimed at people who wish to have a stake in the ownership of their home but who are unable to buy outright at present. Priority is normally given to applicants who are first time buyers, currently living in rented accommodation, people who have experienced relationship breakdown or those are unable to satisfy their housing requirements on the open market.

Purchasers choose to buy a 25%, 50% or 75% share at the outset (for which they may need to arrange a mortgage) and make an 'Occupancy Payment' to the joint owner of the property (a housing association such as Link). The occupancy charge is a payment to the housing association for the exclusive use of the property and takes into account the fact that the sharing owner is responsible for repairing and insuring the property. The occupancy payment is proportional to the equity share retained by the housing association.

In addition to making monthly mortgage and occupancy charge payments, the sharing owner has similar responsibilities to a normal owner-occupier that include:

- All future repairs and maintenance for the property (except if covered by the building contractors guarantee).
- Factoring charges for the maintenance and repair of common areas within the estate or block of flats.
- Council tax
- Household utility charges (gas, electricity and telephone).

Right to Purchase an Additional Share or Remaining Share

The sharing owner has the right to purchase further 25% shares or the remainder of the property anytime after the first twelve months of the date of entry. If a sharing owner decides to exercise this right, an independent surveyor is appointed to assess the market value of the property at that time. The valuation may be higher or lower than it was at the time of initial purchase, depending on how the market has performed. In turn, this valuation sets the price at which the housing association would sell additional shares in the property to the sharing owner. An allowance can be made for any increase in value created by improvements or alterations completed by the sharing owner.

The sharing owner is responsible for the costs of this survey report. Thereafter, the housing association would instruct its solicitor to issue an offer to sell the additional share to the sharing owner (each party is responsible for its own legal costs).

Sale of Shared Ownership Property

If a sharing owner decides to move and wishes to sell her/his share, a valuation report is required to assess the current market value of the property, which would set the marketing price. Housing Associations endeavour to maintain their portfolios of shared ownership properties for the benefit of other people unable to purchase on the open market. Therefore, the property can only be offered for sale in the first twenty-eight days by:

1. Direct Sale of the Share

Sharing owners can sell their share in the property to another purchaser subject to the approval of the Housing Association. Please note that purchaser will need to complete an application form and satisfy the housing association's allocation policy. The outgoing sharing owner would be responsible for the housing association's legal expenses in such a transaction.

After this twenty-eight day period, the property can still be sold by the Direct Sale of the Share but also by:

2. Joint Open Market Sale

The property can be sold outright on the open market for the best price possible. The sale proceeds (less legal costs) are split between each party on the basis of the shares held (i.e. 50:50 or 75:25).

If the sharing owner has already exercised her/his right to buy out the Housing Association's share and then wishes to move, the house can be sold as any other normal owner – occupied property.

Purchase of Shared Ownership Property

Prospective purchasers must submit an application for shared ownership to the housing association which is the joint owner of the property that interests them. This application will be assessed against the respective housing association's allocation policy for shared ownership properties. The shared ownership property must be used as the applicant's sole or main residence. Applications from companies or purchasers looking to rent out the property will not be approved.

Disclaimer

These notes are for guidance only and do not form part of any contract.