

## SHARED OWNERSHIP BUYER'S GUIDE

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If you're not able to purchase a home on the open market, Help to Buy Shared Ownership scheme offers you the chance to buy a share of your home and pay a subsidised rent on the remaining share. The amount you pay for rent and mortgage each month is usually less than buying on the open market.

It is the equity you are sharing with St Arthur Homes, you don't actually have to share your home with anyone. On a new build property, the share you can buy is based on your maximum affordability and the minimum share being offered. If you are buying a pre-owned property from an existing shared owner (known as a 'resale'), you can either buy the same share as the existing owner currently owns, or a higher share depending on your maximum affordability. You cannot buy a smaller share than is owned by the existing owner.

In the future, if your financial circumstances change you could buy more shares and decrease the amount of rent you pay, or buy all the remaining shares and own your home outright. This process is known as 'staircasing' and once you own 100% of the home, you will no longer have any rent to pay.

Shared Ownership has been helping people get their foot on the homeownership ladder for over 30 years and it is supported and regulated by the Government.

### IMPORTANT THINGS YOU NEED TO KNOW

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#### THE LEASE

Shared Ownership is a leasehold tenure. We use a standard lease drafted from a model drawn up by Homes England, which is the Government agency behind Shared Ownership.

Leasehold lengths vary in duration per development so please check with your sales advisor or solicitor. All apartments remain leasehold properties even after you have 'staircased' to 100% ownership, which means St Arthur Homes (or another developer) retain the freehold and will be liable for maintaining the building and keeping it in good condition. In the case of houses, you will be given a freehold at 'final staircasing'. That means you no longer have any rent to pay, and you will also be liable for the upkeep and maintenance of your home.

#### *MAIN RESTRICTIONS OF THE LEASE:*

- No business to be carried out from the premises;
- No subletting, however lodgers are allowed as long as you still live in the property and it remains your primary residence;
- No major alterations without the Landlord's written permission;
- Written permission is often required for keeping pets and can be withdrawn at any time if the pet becomes a nuisance to other residents.

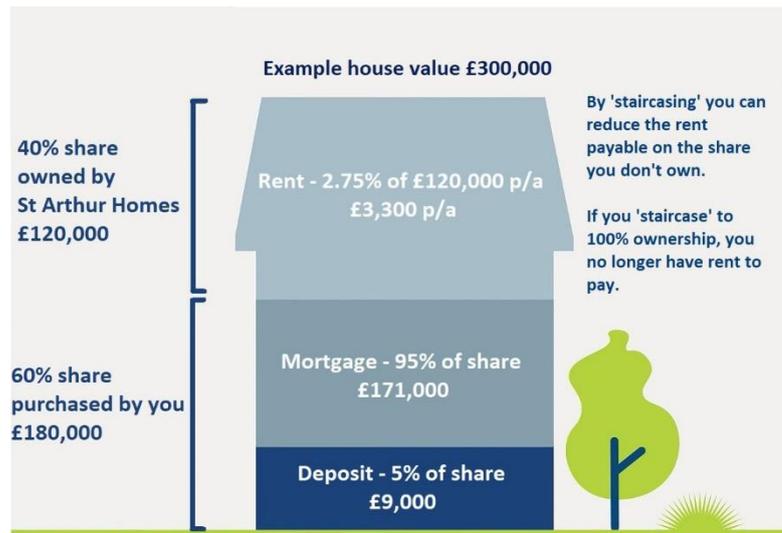
Your solicitor will go through the key points of the lease in detail.



## RENT AND GROUND RENT

You will pay monthly rent on the share you do not own. The rent due is typically calculated based on 2.75% of the value of the remaining share, per annum. For example, if you own a 60% share worth £180,000, you need to pay rent on the 40% share you do not own. The rent is therefore calculated at 2.75% of £120,000, which is £3,300 per annum (collected monthly as £275 per month).

On apartments there may also be ground rent to pay. You may have heard about homeowners who have difficulties with leasehold properties where there is a ground rent that increases by a rate much higher than inflation. This does not apply to St Arthur Homes Shared Ownership properties – all ground rent reviews are reasonable and written into the lease.



The increase of rent payable on the remaining share is linked to the Retail Price Index (RPI), so you can budget in advance knowing that any increase is capped at RPI plus 0.5%. Therefore, you can be reassured that your rent will not increase unreasonably each year.

## SERVICE CHARGES

You will also need to pay an estate or service charge that will cover several things at your development, such as:

- maintenance and cleaning of the communal parts, for example car park, grounds and communal parts (including stairs, hallways, lifts etc. if you are in an apartment building);
- building's insurance (it is important that your mortgage broker is familiar with Shared Ownership, so they don't try to sell you this insurance separately);
- sinking fund for long-term repairs – this will be used for large expenditures on communal areas, therefore ensuring the service charge bill won't be too large whenever such expenses may need to be paid;

Each year, St Arthur Homes (or its managing agent) will prepare an estimate of the service charge budget for the coming year, and at the end of the year we will see exactly how much has been spent. If there has been an underspend, you will be given credit on your service charge payment account; if there's been an overspend you will be charged the difference in the next year's service charge payments. For transparency, you will receive a statement of expenditure at the end of each year outlining what has been spent on the services included within the service charge budget.

## REPAIRS

Shared owners will be able to claim up to £500 in maintenance and repairs each year to support with the repair or replacement of essential installations related to the supply of water, gas, electricity and for sanitisation, pipes and drainage, or for space heating and heating water. This only applies in case of faulty items not covered by a warranty. You can also roll over up to £500 of unused allowance into the following year's allowance.

On new build properties there are warranties that cover any structural issues, and you will also have a defects warranty from the developer, but it is your responsibility to maintain your home in good condition. This is regardless of what percentage share you have bought.

## **WARRANTIES**

### *1. NHBC OR EQUIVALENT STRUCTURAL WARRANTY*

All new build properties have a 10-year warranty covering major structural parts of your home. This is underwritten by specialist insurance companies such as National House Building Council (NHBC), Premier Guarantee or Buildsafe. For the first part of the warranty, the builder will be responsible for correcting any defects and you will be provided with details of our managing agent prior to or on completion, should the need arise. After this period, you will need to contact the warranty provider directly. If you buy a 'resale' property that is less than 10 years old, you will need to check what the remaining term on the warranty is. Full details of the warranty that applies to your home will be given to you when you purchase a new St Arthur Homes Shared Ownership property. If you buy a 'resale' property, you will need to request the relevant policy documentation from the existing owner.

### *2. DEFECTS COVER*

In addition to the structural warranty, new build buyers also benefit from a defects warranty provided by the builder. This varies per developer and is usually 12 or 24 months. They will inspect your property and rectify any defects that emerge in your property within the first year after being built. It's quite normal for new build properties to 'settle' or dry out, causing minor cracks to appear in the internal walls, usually in the first 6 months of occupation. The builder will make a note of any defects at the inspection and if required, will arrange for a convenient time to repair them.

It is also strongly advised that you do not put up any wallpaper or hang any heavy items on the walls for the first 12 months, as this may hinder the settling process or hide any defects that would normally be picked up at the inspection. The builders will also only repaint any required walls in the original colour, so it is advised not to repaint any walls to alternative colours during the defects cover period.

### *3. APPLIANCE WARRANTIES*

You will also receive warranties for appliances that are supplied in your home, such as the oven, hob, extractor fan etc. The details of these warranties will be in the booklets supplied in your home when you move in, and we advise you to look through these warranties as in some cases the suppliers provide extended warranties free of charge if you register the product with them.

## **STAIRCASING**

If your finances allow, you may want to consider buying more shares in your home. This is known as 'staircasing'. As you buy more shares, your rent reduces in proportion, and when you own 100% of the shares in your property you don't need to pay any rent at all. You will continue paying the service charge for any communal services you have the benefit of, regardless of the share percentage that you own, and for apartments you will still need to pay ground rent after 'final staircasing'.

St Arthur Homes will advise you on what to do when you want to 'staircase'. You will need to arrange for a RICS qualified surveyor to value the property at the time of 'staircasing', and the price you pay for any additional shares will be calculated based on the full market value set by the valuer at that time. You will not need a RICS qualified surveyor if you decide to staircase by less than a 5% share. In this case, you will be able to use the House Price Index to determine the current market value of your property.



You will also need to appoint a solicitor and arrange a mortgage for the additional shares, unless you are funding your purchase without a mortgage. In the case of a house, you usually obtain the freehold once you own 100% of the shares.

### **SELLING YOUR SHARED OWNERSHIP HOME**

When you want to sell your Shared Ownership property, you must inform St Arthur Homes, as per your lease we have the first opportunity to nominate a buyer for your home before you can list the property on the open market. The lease gives us 4 weeks to find a buyer, before you can list the property with an estate agent on the open market. Although the lease gives St Arthur Homes the right to charge a fee for this service, it is generally lower than the fees charged by estate agents. When you wish to sell, we will provide you with our guide 'Selling your Shared Ownership Home', which will give you an overview of all the necessary steps.

As with 'staircasing', you need to arrange for a RICS qualified surveyor to value your property, and appoint solicitors. Shared Ownership properties are sold on a market value basis and therefore you will not be able to sell the property for more than the valuation by a RICS qualified surveyor.

### **CONVEYANCING**

When you buy any property, you will need a solicitor to undertake the transaction for you. However, Shared Ownership transactions are quite different from buying on the open market, so we strongly advise you to appoint a solicitor that has experience with the Shared Ownership scheme. St Arthur Homes or its selling agent can signpost you to experienced solicitors to appoint if you so choose.

### **MORTGAGE ADVISORS**

There are many lenders that are keen to lend on Shared Ownership properties, including many of the big high street banks. However, if you go into the branch, they may not be aware of the Shared Ownership product as quite often these mortgages are underwritten by specialist teams at head offices.

We strongly advise you to choose a specialist mortgage advisor who has a good knowledge of the range of Shared Ownership mortgages to ensure you get the best product and interest rates. These advisors earn their income from both advisory fees they charge their clients and commissions from the mortgage lenders. St Arthur Homes or its selling agent can signpost you to mortgage advisors who have experience dealing with Shared Ownership mortgages and have agreed not to charge an advisory fee.

### **SERVICES AND UTILITIES**

Make sure meter readings are taken on your move in date as you are liable for bills from your completion date onwards. In some developments, St Arthur Homes or the developer may be able to assist with the meter readings and supplier set up. You are free to change the electricity and gas supplier that are set up when you move in.

### **PARKING**

Depending on the development, you may have a parking space included with your property purchase, which you will be advised of at the time of reserving the property. Your solicitor will also notify you of the details regarding this as part of the legal review. Parking spaces can be sold with the property on a 'right to use' basis or conveyed to your property. Please check with your Sales Advisor or solicitor to confirm what applies to your parking space.



## **MANAGING AGENT**

St Arthur Homes will often engage managing agents, such as Touchstone to provide the ongoing management of the properties. A management fee for the administration and collection of your rent and service charge payments may be applicable. The relevant Managing Agent will contact you prior to your completion to give you information about how to pay your rent and service charges and what to do if you have any problems.

## **GENERAL DATA PROTECTION REGULATIONS (GDPR)**

When you complete a Shared Ownership Application Form with St Arthur Homes, you will find information on our GDPR Privacy Notice within the form as well as the full terms on our website. St Arthur Homes take your privacy very seriously and this notice gives full details of what we do with your data and how we look after it. The comprehensive Privacy Notice on our website details not only what we do with your data with respect to you buying your home, but also in relation to the ongoing management after your purchase has completed. On occasion, St Arthur Homes may engage agents to sell its new build Shared Ownership homes and they may also provide you with their own Privacy Notice.