

# Important information about using a **shared ownership** scheme to purchase your home



As a responsible lender, we want to share some important information with you about using a shared ownership scheme to purchase your home.

## What is shared ownership?

Shared ownership is a government backed scheme that allows you to buy a share of a property (usually between 10% and 75% of the property value) and then pay rent on the remaining share, usually to a registered shared ownership provider (registered provider). This means you'll only need to take out a mortgage for the share you want to buy, not for the whole property, which can provide a more affordable route into home ownership.

## How you can increase the share of the property you own

Later on you can look to increase your share of the property by purchasing additional shares through a process known as staircasing, which enables you to gradually own more of your home as and when you can afford to. Your rent would then reduce in line with any further shares you purchase.



If you wish to staircase after your initial purchase, the West Brom or your mortgage adviser can support you to do this through additional borrowing, otherwise known as a Further Advance, subject to meeting our lending criteria at the time you apply.

## Costs associated when purchasing your home through a shared ownership scheme

When purchasing your home through a shared ownership scheme you will have a discussion with your registered shared ownership provider about the costs of your shared ownership contract to ensure this is affordable based on your income. If you have any queries or want additional assurance regarding any of your costs you should speak to your registered provider.



**At the West Brom**, we'll also complete an affordability assessment as part of your mortgage application with us.

## Initial costs (before buying your home)

When purchasing your home through the shared ownership scheme there will be initial costs associated with taking out a shared ownership mortgage. These include but are not limited to:

**Deposit** - You will need to have enough money to cover the deposit required for the mortgage you are considering to purchase your share of the property.



**At the West Brom**, your deposit could be as little as 5% of the value of your share.

**Fees** - You'll also need to ensure you have included other associated costs such as mortgage fees, legal fees and any fees charged by the registered provider.

**Stamp Duty** - When you purchase your home through the shared ownership scheme and you are required to pay stamp duty, you have the option of paying stamp duty on the full value of your home, or only on the share you're buying. Paying stamp duty on the full value of your home costs more initially. However, this means when you increase the share that you own you don't have to pay stamp duty again, which can mean you pay less stamp duty overall. If you don't pay stamp duty on the full value of your home when you initially purchase it, you only need to pay stamp duty again if you increase the share that you own to above 80% of the value of the property. You should speak to your registered provider and your mortgage adviser to discuss your options for paying stamp duty based on your individual circumstances.

## Ongoing costs (after buying your home)

There are a number of ongoing costs that you'll be responsible for specifically related to the shared ownership scheme as well as the property being leasehold. These include but are not limited to:

**Rent** - On a monthly basis you'll pay rent to your registered provider for the share of the property they own.

**Ground rent** - With a leasehold property you will often have to pay an annual fee, which is known as ground rent.

**Service and maintenance charges** - Dependent on the type of property you purchase e.g. a flat/apartment, there will be charges you may have to pay to cover the upkeep and repair of common areas, maintenance of the grounds along with ongoing repairs. More information is provided below about the importance of understanding these charges.

**Buildings insurance** - Buildings insurance is often included in the service charges. However, it is important to check to see what the buildings insurance requirements are in your shared ownership lease.

**Admin fees** - Some registered providers may also charge an admin fee to cover the services they provide, so it's worth checking to see if this applies with your registered provider.



Leasehold - There are situations where you own a property for a certain amount of time but not the land it stands on. This is known as leasehold.

**It is important that you discuss all ongoing costs with your registered provider before entering into your contract with them, particularly the level of any future increases and when and how these will be reviewed.**

## What if you want to sell your home?

You can sell your home whenever you want. If its value has increased you get to keep any profit on your share. There are some restrictions if you want to sell if you haven't purchased additional shares and therefore do not own 100% of your home. Typically, you have to offer to sell your home back to your registered provider, at least for a limited period, which ensures homes are offered to people needing affordable housing. Again, you should discuss any conditions on the resale of your property with your registered provider and seek advice from your solicitor if you require assurance.

## Other important information you should be aware of

**Model Lease** - Your shared ownership agreement is governed by a Model Lease which is there to protect all parties to the contract, you as the shared owner, the registered provider and the West Brom as your mortgage lender. The Model Lease is important as it sets out the terms on which your rent can be increased/reviewed and what costs you could be liable for. If you have any questions regarding the Model Lease you should speak to your solicitor about it.

**Impact of inflation on your rent** - Typically your registered provider will review your rent annually. The amount of increase will be linked to the rate of inflation, which could be significant. As a responsible mortgage lender the West Brom assumes a rent payment above the actual rent paid to ensure you are able to afford increases over the initial period.

**Length of lease** - As your property will be leasehold, its current and future value will be very much dependent on the length of the lease remaining. Typically, having a short lease will reduce your property's value which may impact your ability to sell your home or borrow more to purchase further shares. You should ask your registered provider to confirm the length of the lease remaining on your property before you enter into the contract and seek advice from your solicitor if you have any concerns.



As a responsible mortgage lender, the West Brom requires a minimum of 60 years lease term remaining at the end of your mortgage term.

**Service and maintenance charges** - Dependent on the terms of the Model Lease, shared owners may be liable for up to 100% of service and maintenance charges regardless of the amount of share they own. These charges could be significant should these be set on onerous or unfair terms or in the event of significant maintenance costs. You should discuss this with your registered provider and seek advice from your solicitor.

## Where can I find more information about the scheme?

For more information about the shared ownership scheme we recommend that you contact your registered provider.

Alternatively more information is available by visiting the following websites:

**Government Own Your Home Portal:**

[www.ownyourhome.gov.uk](http://www.ownyourhome.gov.uk)

**Money Helper Service (previously Money Advice Service):**

[www.moneyhelper.org.uk/en/homes/buying-a-home/government-schemes-for-first-time-home-buyers-and-existing-homeowners](http://www.moneyhelper.org.uk/en/homes/buying-a-home/government-schemes-for-first-time-home-buyers-and-existing-homeowners)

Braille, audio and large print versions of this leaflet are available upon request. Please contact us on 0345 241 3784.

To find out more, visit your local branch, call us on the number above, or visit our website

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**

Head Office: 2 Providence Place, West Bromwich B70 8AF [www.westbrom.co.uk](http://www.westbrom.co.uk)

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