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Humphreys & Co. SOLICITORS

www.humphreys.co.uk



Who are we?

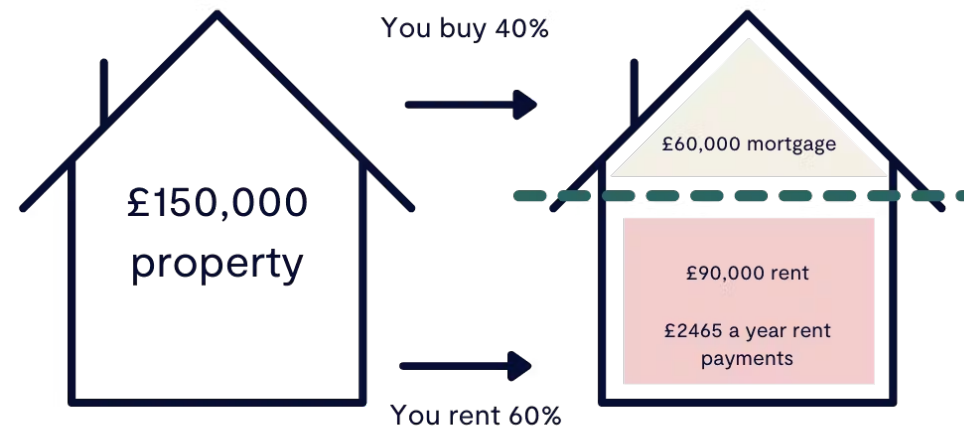


- Law Society accredited: Conveyancing Quality Scheme solicitors
- Shared ownership legal experts for decades
- On all major lenders' panels of solicitors for buyers
- Recommended to buyers by housing associations
- Advising on properties in London and nationwide
- Buying, selling, staircasing, transferring ownership and lease extensions

“Excellent service – will use Humphreys & Co. again and will recommend to others.”

What is shared ownership?

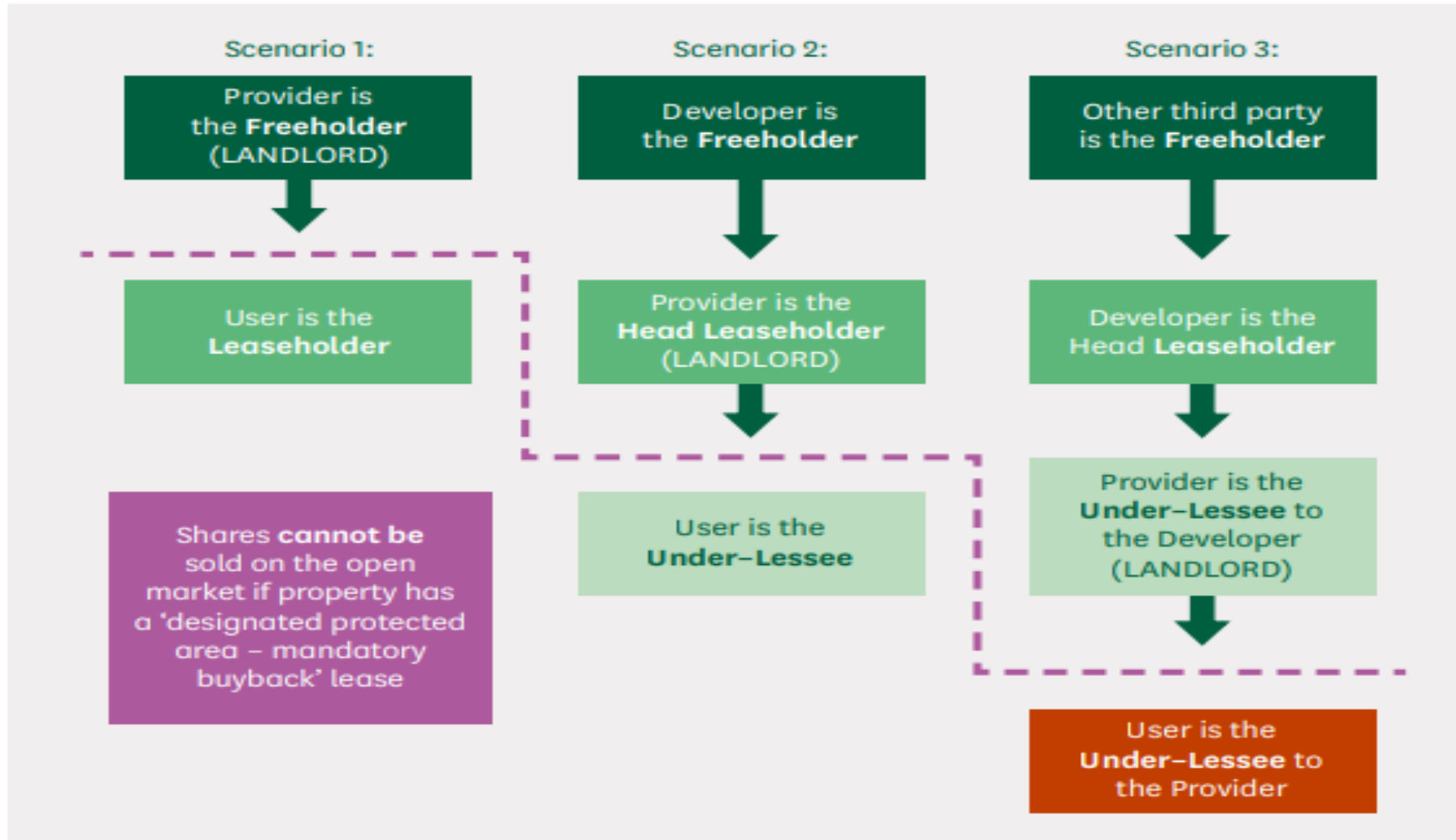
- Shared Ownership is a Government scheme that allows buyers to buy a part share in a property, while paying reduced market rent to a housing association on the remaining share.
- The scheme helps buyers with smaller deposits and incomes to get a foot onto the property ladder.



What is leasehold?

- The owner of a leasehold property owns the property for a **fixed term only**. They do **not** own the land on which the property stands but do have the right to the use of it throughout the term of the lease.
- Leases on shared ownership properties are usually very complex, with often layers of superior landlords (including a freeholder), and sub-leases with different rights and responsibilities, and with shared ownership tenants being liable for the legal and other administrative costs of their superior landlords and the freeholder.

Common leasehold arrangements



What makes you eligible for a shared ownership property? You must:

- Be at least 18 years old
- Have an annual household income of no more than £80,000 if you live outside of London
- Have an annual household income of no more than £90,000 if you live in London
- Be a first-time buyer or unable to afford a suitable property on the open market
- Not be in rent or mortgage arrears
- Be able to show a strong credit history, with no adverse County Court Judgments (CCJs)
- Be able to afford to pay your mortgage and rent on a shared ownership home (“**affordability**”)
- Have a deposit of at least 5% of the share you want to buy
- Have enough savings to cover the other costs of buying a home.

Things to consider:

1. Additional charges

Because shared ownership properties are leasehold, you may have to pay service charges to your housing association, in addition to your rental payments.

2. Leasehold restrictions

Depending on the terms of your housing association's lease, you may need permission to carry out work at your property.

3. Expenses when “staircasing”

If you want to buy in extra shares in your shared ownership home (“staircasing”), you’ll need to factor in other costs, including:

- Your housing provider’s valuation fee
- Your solicitors’ or conveyancers’ fees
- Landlord’s solicitors’ conveyancing fees (on a sale or staircasing)
- Possible additional stamp duty (SDLT)
- Fees payable to your mortgage broker and lender.



More things to consider:

4. Lender requirements

If your purchase is to be lender-financed with a mortgage in their favour to secure their loan:

- **Your solicitors will also be instructed to act for your lender as well as for you, and both will be the clients of the firm**
- So the solicitors will not be exclusively “yours” but will be required to look after the interests of both you and the lender
- The Lender will be putting most of the money into the purchase price: your share in that will likely be much smaller than theirs.
- Lenders have specific, stringent, requirements for what they consider to be a “good and marketable” lease.
- The (your and their) solicitors are obliged to report to the lender all features of the lease which are unusual or onerous (for you and the lender)
- If the lender’s valuers don’t like the risks, the lender won’t lend
- Whilst most modern leases are drafted based on the ‘model lease’ as agreed by the Law Society and lenders, some older leases (in resale purchases) may need to be varied to meet lender requirements.



Advantages vs disadvantages of the shared ownership model





Advantages

- You may be able to buy a property that you'd otherwise be unable to afford
- You'll need less money as a deposit than if you were buying on the open market
- For many people it's preferable to renting as it is a more secure tenure
- You can buy in extra shares in your property to increase your ownership (staircasing)
- And if the value of the property increases, so will the value of your share. If this happens you could use the equity you have built up to help you on your next step up the property ladder.



Disadvantages

- You'll pay service charges, as shared ownership properties are leasehold
- You may need to pay 100% of all repairs costs (even though you only own a percentage)
- There are often restrictions on renting out.
- You could be evicted by your landlord
- Not all lenders offer shared ownership mortgages
- Only certain properties in certain areas are available under the Scheme.

Choosing effective solicitors to take the transaction through for you



Shared ownership housing conveyancing is a lot more complicated than “straight” conveyancing for a number of reasons:

- Shared ownership leases contain many complex provisions that you won't find in other leases
- Mortgages must be approved by the housing association of the property is being purchased, and lenders have more detailed requirements
- The legal paperwork for new-build properties is very extensive, full of detailed legal text.

Engaging a firm which specialises in shared ownership legal work is prudent, as you will be advised and represented by specialist solicitors who will be familiar with and be able to deal with the issues arising out of complex documentation, much more so than a non-specialist firm.

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