

MILL BAY  
HOMES

# Shared Ownership Buyers' Guide



# What is Shared Ownership (MBH)?

Shared Ownership (MBH) makes it possible for you to buy a home that otherwise may not have been affordable.

It is a part buy/part rent scheme, which means you buy a share in the home and pay rent on the remaining share you do not own.

It is a scheme that is supported by our parent company — the ateb Group for people who are unable to afford to buy a home at the full market value (please note however that household income limits apply).



# Glossary of Terms

As a first time buyer or a downsizer, the process and language used can sometimes be confusing. Here is a list of key terms and explanations that may be useful.

12 month CPI average	The Consumer Price index is published by the Office of National Statistics. It measures the rate at which the prices of the goods and services bought by households rise or fall.
Completion	This occurs when the solicitors from both sides complete the transaction on behalf of the buyer and seller. All documents and money are handed over and the purchaser becomes the legal owner of the home.
Contents Insurance	Insurance that you may take out to cover your personal belongings in your home.
Conveyancing	In law, conveyancing is the transfer of legal title of home from one person to another, or the granting of an encumbrance such as a mortgage or a lien.
Deposit	A down payment on a home, usually calculated as a percentage of the value or the share being purchased.
Exchange of contracts	This is the point in the transaction when the purchaser and the seller agree to sign contracts prepared by the solicitors. The contract is legally binding and if either party pulls out after exchange of contracts penalties may be imposed.
Home Value	How much the home is worth at any given point, most importantly at the time of buying and selling.
Independent Financial Advisor (IFA)	An IFA will assess your circumstances and income to ensure you are eligible for the scheme. They also give you advice on how to apply for a mortgage.

Interest	A rate paid regularly to pay for money lent.
Landlord	A Housing Association, a non-profit making organisation who provide communities with affordable accommodation in areas where it is required most. They are registered with the Welsh Government.
Land Transaction Tax	Land Transaction Tax (LTT) will be payable when you buy or lease a building or land over a certain price. LTT is currently on properties sold over £225,000.
Market Value	The price (established in accordance with the current RICS Valuation Standards), at the date on which the home is valued on an arms length sale in the open market.
Pre-emption Rights	If the shared owner decides to sell, Pre-emption is the right for the Landlord of a shared ownership property to be offered the opportunity to buy back the property or nominate a Purchaser to buy the Property at the prevailing market value. The Landlord will typically have 8 weeks to nominate a person to purchase a property. Once you staircase to 100% ownership, pre-emption rights will cease.
Rent	The monthly charge you pay to your landlord for living in a home that you do not own.
Rent Arrears	If you have rent arrears, it means you are behind on payments.
Re-payment Mortgage	A mortgage is simply a loan taken out from a bank or building society that is used to pay off the majority of the price of a house. This then has to be paid back to the lender with interest, usually within 25 years. The home itself is used as security for the lender, meaning that if the borrower falls behind on payments or cannot pay the mortgage off, the lender has the right to repossess the home

in order to reimburse themselves for their loss. Usually a mortgage will be a Loan to Value (LTV) mortgage.

Reservation Fee

The fee paid by applicants to reserve the home they want to purchase by way of the shared ownership scheme. This fee is not automatically refundable should the transaction not proceed and may be withheld by the housing association at its absolute discretion.

RICS Surveyor

Royal Institute Chartered Surveyor. All valuations must be carried out by an approved surveyor.

Sub-let

This means granting tenancy for the whole or part of your home for an indefinite period of time. Your lease does not allow sub-letting, as it can cause management difficulties if conditions in the lease need to be enforced.

Valuation

The price of the home has been valued at on the open market by a Royal Institute Chartered Surveyor.

# Shared Ownership (MBH) overview

## Why buy a Shared Ownership (MBH) home?

The Shared Ownership (MBH) product helps first time buyers get a foot on the housing ladder.

Buying a home can be difficult for many people and Shared Ownership (MBH) makes it possible to buy a property that would otherwise have not been affordable.

You will be able to buy an initial share which will equate to between 25% to 75% of the value of your chosen property. You will need to take out a repayment mortgage for this element. You will then pay rent on the share not owned. The rent you pay will be subject to an annual increase of no more than the 12 month average Consumer Prices Index plus 1%.

There may also be a monthly service charge payable on some homes.

## If you buy through Shared Ownership (MBH):

- Your monthly mortgage and rent can work out cheaper than buying outright and often not much more than renting.
- You will own part of the value of your home, rather than paying rent with no return.
- You can buy more shares (this is called staircasing) or sell your share and move if you choose to.
- You only buy what you and Mill Bay Homes feel you can comfortably afford.

## What am I buying?

When you buy through Shared Ownership (MBH), this makes you a part owner of your new home rather than just a tenant. You are buying a share in your new home on a long term lease.

As you will own a lease, you will be a 'Leaseholder' and ateb Group will be what is known as the 'Landlord'. Your lease is a legal document that proves you own part of your home and therefore you will have the same rights and responsibilities as a full owner-occupier, subject to the terms and conditions of your lease.

If you decide to buy the remaining share of your home, you will then own your home outright. Your solicitor will act on your behalf in arranging for the freehold to be transferred to you like any other home owner.

If you become a full owner of a house, you may still be required to pay a service charge (sometimes also referred to as an estate or management charge) if you are living in a development with shared maintenance areas. You will also need to arrange your own buildings insurance, as this will not be covered by the service charge.

Your lease sets out certain conditions such as:

- how often your rent and service charge is reviewed,
- your rights and responsibilities as an owner-occupier,
- the rights and responsibilities of the Housing Association as your landlord, and
- the procedure for buying more shares in your home and also for selling your home.

This property must be your main residential home and you must not own another property. You must live in the property. The lease has a sub-letting clause preventing you from sub-letting your property.

### **What type of property is available and where?**

Shared Ownership — MBH homes are only available through Mill Bay Homes directly.

Please refer to our website for current developments and available plots: [millbayhomes.co.uk](http://millbayhomes.co.uk)

We recommend you register for the Electoral Roll before making any mortgage enquiries.

Lenders use the Electoral Roll to verify a borrower's identity and credit history quickly. If you are not registered, are registered at an old address, or have added the wrong details, this could mean

you are refused credit when applying for a mortgage.

### **Am I eligible?**

The key criteria you must meet to qualify for the scheme are:

- Your combined household income needs to be £60,000 or less each year.
- You must be:
  - a first time buyer; or
  - a newly forming household; for example, starting again after a relationship break-up; or
  - relocating for work purposes to an area where property prices do not allow you to buy a home suitable for your family size.
- You must not currently own another home (including anywhere outside of Wales), unless a court order forces you to remain on the deed of a property where your children reside. Shared Ownership (MBH) is not available to assist buy-to-let investors.
- You must be unable to afford to buy a property suitable for your family size on the open market.
- The Shared Ownership home you want to buy must be your principal or only home and you may not sub-let all or part of it.
- Applicants must be financially able to buy the minimum share available, pass the financial assessment and secure a mortgage
- Applicants must be either a British or EU/EEA citizen, or have indefinite leave to remain. Applicants without indefinite leave to remain who are interested in buying a home must

be able to demonstrate the ability to secure a mortgage with an approved lender.

- It should be noted that applicants must be 18 years old or over to apply for a mortgage and have savings to undertake the legal and financial arrangements required and the mortgage deposit.

- Ministry of Defence personnel may be prioritised in accessing the Shared Ownership product. Further information is available from the Landlord in your Local Authority area.

Eligibility may vary depending on which development where you want to buy a home, the property size and whether any additional criteria are imposed by your Landlord.

Your first step in applying will be contacting Mill Bay Homes. This will involve completing an application form.

On receipt of an application, Mill Bay Homes will then be able to fully advise you on all scheme eligibility criteria.

## **The Financial Assessment**

The final checks that Mill Bay Homes needs to make are to ensure that you can afford a Shared Ownership (MBH) property, that you are not over stretching yourself financially and that you are able to qualify for a mortgage.

To do this, Mill Bay Homes will ask you to provide information to enable the assessment of your ability to purchase and sustain home ownership.

Prior to seeking an Agreement in Principle for a mortgage it is advisable to speak with Mill Bay Homes to make sure you would qualify for the scheme in principle. Only once you have done this should you then seek advice from an Independent Financial Advisor, who will carry out a mortgage affordability assessment with you and issue you with an Agreement in Principle for a mortgage, if your application is successful.

Before you are able to reserve your property, you will need to have completed a financial assessment. You can only formally reserve your plot if you pass your financial assessment. On some occasions you may be able to view the property and pay your Reservation Fee, although most purchases will be 'off plan'.



## Financial Illustration

The table provides an example of how the Shared Ownership (MBH) product will work:

Example of how the Shared Ownership (MBH) product will work	
Home value at Initial Sale	£215,000
Equity share purchased at Initial Sale	25%
Payment to Mill Bay Homes at Initial Sale	£53,750 (£215,000 x 25%)
Deposit requirement	£5,375 (10% of share purchase)
Mortgage requirement	£48,375
Mortgage monthly requirement (Based on a 25 year mortgage at 4.5%)	£269 pcm / £62 per week
Equity share retained by Mill Bay Homes	75%
Value of share retained by Mill Bay Homes	£161,250 (£215,000 x 75%)
Max annual rent	£4,435 (£161,250 x 2.75%)
Max rental payment	£370 pcm / £86 per week
Combined mortgage and rent per month	£269 + £370 = £639 pcm

If the applicant had been able to purchase outright their monthly mortgage payment based on a 10% Deposit (£21,500) on a 25 year mortgage at 4.5% would be £1,076 per month.

### Buying more shares in your home ('Staircasing')

You will have the opportunity to buy more shares in your home, known as 'staircasing'.

#### How does staircasing work?

If you are thinking of staircasing, you will need to be able to purchase additional shares of at least 10% of the value of your home (this will also apply to the final staircasing which must be at least 10% of the value of your home). Mill Bay Homes will require notification of this intention.

In addition, you will also need to find out from your current lender or other affiliated lenders whether they will lend you a further amount.

The amount you are able to borrow will help you decide the size of the further share you are able to purchase.

The shares will be sold at the current market value and will disregard any improvements to your home that Mill Bay Homes may have consented to. The assessment of the current market value will be made by a Royal Institute of Chartered Surveyors (RICS) qualified valuer.

#### Are there any valuation criteria?

Once you have paid to Mill Bay Homes the cost of the valuation, an independent valuer will be asked to carry out a valuation of the property on your behalf.

The following criteria are applicable:

- The valuer must specialise in and have experience of residential properties in the vicinity of the subject property.
- The valuer must be able to confirm the market value of the property as defined by Mill Bay Homes.
- The valuer must be qualified and registered with the recognised qualification of RICS.
- The valuer must provide 3 comparable properties and sale prices.
- The valuer must not be related or known to you as a customer.
- The valuer must inspect the interior of the property and provide a full valuation report.
- Valuations carried out for bank or mortgage purposes are not acceptable.
- Mill Bay Homes will require a copy of the valuation report and the inspection date must be shown on the report. The valuer will complete the valuation on the following terms in line with their RICS guidance. The open market valuation will value the home as 100% leasehold or freehold with vacant possession and will assume the shared ownership lease had not been granted. Any unauthorised improvements and/or failure to keep the home in good repair could affect the value of your home.

### **Is there a validity period?**

The valuation will normally be valid for 3 months from time of inspection listed in the report. If you do not complete your transaction within this timeframe then confirmation will need to be obtained from the valuer that the valuation is still valid. You may need to pay the valuer an additional charge to obtain this information or cover the cost of a new valuation if the valuer is unable to confirm that the valuation is still valid.

This may result in a change to the value of the property and the amount you have to pay to staircase. This figure could go up or down.

Further information on the valuation process can be obtained from Mill Bay Homes.



The table below provides an example of how staircasing will affect the Shared Ownership (MBH) product.

### Staircasing Illustration

Increasing the share in your home	
Home value at staircasing	£220,000
Equity share to be purchased at staircasing	25%
Payment to Mill Bay Homes at staircasing	£55,000 ( $£220,000 \times 25\%$ )
Share owned by yourself post staircasing	50%
Equity share retained by Mill Bay Homes	50%
Rental payment before staircasing	£370 pcm based on Mill Bay Homes owning 75%
Rental payment post staircasing	£265 pcm ( $£370 \times (50/70)$ )



# The Process —

## Buying a Shared Ownership Home

### Stage 1: Application

To find out if Shared Ownership (MBH) is the best option for you and to ensure that you are not over-stretching yourself, Mill Bay Homes will ask you to complete an application form to assess your eligibility for the scheme.

Mill Bay Homes will also need the following information to support your application:

- Proof of your income i.e payslips for the last three months or a P60.
- If you are self-employed, you will need to supply three years audited accounts.
- Proof of savings such as a photocopy of a bank or building society account statement.
- A mortgage in principle certificate
- A tenancy reference if you are renting your current home.
- Proof of identity, such as a passport or driving licence.
- Proof of address, such as a recent utility bill.

Mill Bay Homes will then:

- Check the information on your application form to make sure that you are eligible.
- Carry out an affordability check to ensure that you can afford your home now and in the long term, by taking into account any savings and other financial commitments you may have.
- If you are eligible, Mill Bay Homes will agree the percentage share that you will purchase based on your affordability check.

### Stage 2: Reservation

Once you have been confirmed as eligible, Mill Bay Homes will send you a letter explaining the amount that it has been considered affordable for you. You should read your offer carefully as this will state any special conditions the offer is subject too. Most offers are made on the understanding that 'exchange of contracts' will take place within 28 days.

At this stage Mill Bay Homes will ask you for details of the solicitor who will be acting for you and a £500 non-refundable Reservation Fee to secure the property. This amount will be deducted from the final purchase price if you successfully complete the purchase of your home.

### Stage 3: Appointing a Solicitor

Everyone who purchases a property will need to appoint a solicitor to carry out the necessary legal work. Your solicitor will act on your behalf and will:

- Check the lease and explain the terms to you.
- Speak with your mortgage lender and our solicitors.
- Carry out 'searches' and check there are no issues that will affect your new home.
- Ensure that all legal paperwork and the mortgage are in place in time for you to move into your new home.

Before you appoint a solicitor, you should get an estimate of the likely costs. These will include:

- Solicitors Fee.
- Land Transaction Tax
- Land Registry Fees.
- Search Fees.
- Expenses (known as disbursements).

#### **Stage 4: The Sales Process**

Once Mill Bay Homes has received your Reservation Fee and you have confirmed the solicitor that will be representing you, a 'reservation document', known as a 'Memorandum of Sale' will be issued to you and all solicitors involved. This document summarises the details of your proposed purchase and will give a date by which you must exchange contracts. The date for exchange of contracts will usually be 28 days from the date that you were offered the property. During the sales process your solicitor will carry out searches, check over the lease and raise any questions they may have from our solicitor. The legal term for this process is called 'Conveyancing'.

You must also inform your mortgage lender of the details of the home you are buying. Your mortgage lender will instruct a valuer to inspect your new home to ensure they are happy that it is suitable for them to lend against.

Once you receive a copy of your mortgage offer and valuation report, Mill Bay Homes will need to see a copy to approve.

Mill Bay Homes is the seller of the property which is subject to the Shared Ownership arrangement. Throughout the process your Mill Bay Homes will appoint a Sales Consultant who will be available to answer any questions you may have.

#### **Stage 5: Exchange of Contracts**

You are now entering the final stages of the legal process. Exchanging contracts means the buyer and seller are legally committed to the sale; you are legally bound to buy the home and Mill Bay Homes are legally bound to sell to you.

Both parties will then agree a 'completion date' — a date on which you get the keys and move into your new home. The completion date is usually within 10 working days of exchange of contracts if your home is ready to move into. If your home is still under construction Mill Bay Homes will let you know when it is ready and then arrange a completion date, this is known as 'completion on notice'.

#### **Stage 6: Completion Day**

In readiness for completion, your mortgage lender will have transferred the mortgage monies to your solicitor. Your solicitor will then pass that money onto our solicitors, once this is received the transaction will 'complete' and you are able to move into your new home.

A member of the sales team will usually make arrangements to meet you at your new home to give you the keys and you will also receive a handover pack which will cover running of your new home.

# Frequently Asked Questions

## I want to buy...

### **Q What size home can I buy?**

**A** You can apply to buy a home of any size. However, priority may be given to households whose size is more suitable for the home, for example, a couple with children may get priority over a single buyer for a three bedroom home.

### **Q Can I buy with an interest-only mortgage?**

**A** No. Your main lender's mortgage must be a repayment loan with interest and capital repaid every month. This ensures you make the Shared Ownership (MBH) purchase on a sustainable basis.

### **Q How much will it all cost?**

**A** When you get a mortgage, the lenders will require you to contribute towards the share in the property you wish to buy by way of a Deposit. Traditionally this is 10% of the share in the property, however at times this can be higher or lower and can also be reflected in the interest rate given. You will need to discuss this with your Independent Financial Advisor.

Excluding your mortgage deposit and Land Transaction Tax (if any), you will likely need at least an average of £2,500 of savings to cover the costs of buying (depending on the value of your home).

Costs are likely to include an Independent Financial Advisor Fee, Mortgage Valuation Fee and Mortgage Arrangement Fee. The level of fees may vary from lender to lender and in some instances it may be possible to add some of these costs to the mortgage. Solicitor's fees will also be payable.

You may also need to pay Land Transaction Tax. Your solicitor will be able to provide you with further details on how much this is likely to be.

### **Q What will the monthly costs be?**

**A** Each month you will make a payment to your Mortgage Lender, usually by direct debit. In addition, you will make a rent payment to Mill Bay Homes. It is very important to maintain your monthly payments. If you are unable to meet your monthly payments you must contact your Mortgage Lender and Mill Bay Homes as soon as possible. Failure to pay your full monthly commitments on a timely basis could lead to your Mortgage Lender and Mill Bay Homes taking action to recover the arrears.

This action, could as a final resort, include the repossession of your home.

## **Q Do I pay a service charge?**

**A** One of the key aspects of being a Leaseholder is that you may be required to pay a service charge. This is a sum of money collected monthly which covers your share of the cost of maintaining any communal areas of the development and administering the contracts, buildings insurance and major works. There can be service charges for a house if there are shared areas such as car parks, gardens and play areas. Shared owners will contribute to the service charge in the same way as an outright Leaseholder would.

You will pay your service charge to Mill Bay Homes directly. Your service charge is reviewed on 1 April each year based on the expenditure of the previous year. Mill Bay Homes will tell you the new service charge amount by mid-March each year.

You should review your lease with your solicitor as this will confirm the service charge details.

The service charge covers:

- cost of repairing and replacing communal lighting,
- cost of general repairs to communal areas,
- cleaning communal areas (typically once a week),
- maintenance and repair of communal door entry systems,
- gardening and grounds maintenance,
- lift maintenances, servicing and repair including any emergency telephone,
- management charge and audit fees,
- buildings insurance, and
- reserve fund for cyclical decorations and/or major works.

Please note it is advisable to arrange your own Contents insurance cover.

## **Once I've moved in...**

### **Q Who is responsible for repairs and maintenance?**

**A** If you own a house you are responsible for all repairs and maintenance to the inside and outside of your home, unless covered by your new home for a period of 10 years. You will be expected to fully maintain the home which means not causing damage and dealing with all maintenance issues related to your home. Mill Bay Homes will take care of the day to day repairs, maintenance and decoration of any shared areas. This is paid for through your service charge. In addition, rent may be subject to an annual increase of 12 month Consumer Price Index plus 1%.

### **Q What about repairs soon after I move in?**

**A** With all new homes you may experience teething problems, most of these will be minor such as shrinkage cracks as the property dries out or sticking doors or windows. Your home is covered by a warranty which covers your home for defects on the workmanship for two years after you move in and for structural problems for 10 years.

## **Q Can I make alterations and improvements?**

**A** Whether you will be permitted to undertake any improvements will however be subject to the following and compliance with the terms of your lease (see clause entitled 'Not to Alter'):

- You will be authorised to carry out small DIY jobs to make your home more comfortable, such as laying new carpets and painting walls, subject to you obtaining Mill Bay Homes prior written consent. The value of such works will not be discounted from the staircasing value.
- You are authorised to undertake works of general up-keeping and maintaining of gardens, fence panels, boilers and fitted wardrobes for example in accordance with the terms of your lease. The value of such works will not be discounted from the staircasing value.
- As the value of our loan is directly linked to the value of the property, significant and/or structural repairs and improvements are not permitted even though they may increase the market value of the property.

These will include works such as:

- a. loft conversions,
- b. extensions,
- c. conservatories, and
- d. change to the floor plan/layout of the property.

## **I want to own my home or sell...**

### **Q How can I staircase to full ownership?**

**A** This will be possible at any point in the arrangement, as long as you are in a position to afford to do so. You will need to let Mill Bay Homes know and make sure any required mortgage can be put into place. The pre-emption rights contained within your lease will then cease to apply. This means that you will then be in a position, if you wish, to sell your home at any time. Mill Bay Homes will support you through all arrangements for this request.

### **Q How do I sell my home?**

**A** You can sell your home at any time.

If you own 100% of your property you can advertise on the open market via an Estate Agent. If you own less than 100% then you can sell your home to an eligible purchaser at any time and under the terms of your lease Mill Bay Homes has the right to nominate a person to buy your share (typically within 2 months). This helps you as it may save you the expense of going to an estate agent. In the unlikely event that Mill Bay Homes fails to find a buyer, you can instruct an estate agent to sell in the normal manner.

Depending on the terms of the shared-ownership scheme, the purchaser may then buy your share or they can buy all of the home (in which case they buy from you and from



the Landlord that owns the remaining share).

If your Landlord cannot find an eligible purchaser then you will be able to sell on the open market.

As with staircasing, the value of your home will be assessed at the time you decide to sell and the price will be based on the market value at that time. As with any home the market value can rise or fall.

### **Q What happens if the value of my home changes?**

**A** The value of your home can go up as well as down. Buyers will take on any potential risks and rewards within the housing market. As a part home owner you will take the value of your home at the point of staircasing.

At the point of staircasing you will purchase further shares at the value of the home at that point in time as determined by a RICS qualified valuer.

### **I'm in difficulty with the repayments...**

**Q** What if I can no longer make the payments of my Shared Ownership mortgage and/or rent?

**A** If you cannot meet your repayments, or you are worried you might fall behind, it is very important for you to contact Mill Bay Homes as soon as possible. You can also get free independent advice from other organisations and you may be able to get help with your mortgage.

Failing to keep up with mortgage repayments could mean your home is repossessed. An early discussion with Mill Bay Homes and your Lender will allow them to help you sort out any payment difficulties.

### **There's something else...**

#### **Q Can owner names be added or changed on the Shared Ownership home?**

**A** Only with permission from Mill Bay Homes, and you will be required to cover their reasonable administrative costs. This will require a change of ownership deed of accession and / or deed of release to be completed by you. Likewise, Mill Bay Homes will be able to arrange for a 'Deed of Release' should you wish to release your partner from the obligation of the Shared Ownership (MBH) loan. You may also have to enter into an amended loan agreement. Assuming that your first charge mortgage lender is content for this to take place and that you are able to provide evidence that you can meet your housing costs and still have a reasonable standard of living, permission should be a formality.

#### **Q Can I sub-let my home whilst I am renting?**

**A** No. Shared Ownership (MBH) is designed to assist you to move onto the housing ladder.

In exceptional circumstances, Mill Bay Homes will consider requests from a serving

member of the Armed Forces whose tour of duty requires them to serve away from the area in which they live for a fixed period. In these circumstances you would require prior approval from Mill Bay Homes.

However, lodgers are permitted under the scheme, as long as you will still be living at the property.

**Q What if I die after purchasing a Shared Ownership (MBH) home?**

**A** This depends on whether you bought your share of the home alone or with others.

If you bought your share of the home on your own and you die, then your share of the home will be passed on in the normal way under the terms of your will and the payments explained in this guide will be made by your estate in accordance with the scheme. If you have not made a will it will pass under laws to intestacy. It is recommended that a sole buyer seeks independent legal advice on this matter.

If you bought your share of the home with others and one of them dies, their interest in the home will either be transferred to the surviving co-owner(s) or will pass under the terms of their will, or (if there is no will) the laws of intestacy.

It is recommended where there are two or more owners, that they seek independent legal advice about this.