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The Right to Shared Ownership

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The Right to Shared Ownership scheme allows you to buy a percentage share in your home. You can purchase between 10% and 75% of its full market value and you will own this on shared ownership terms. You can increase the size of your equity stake in your home over time through a process known as 'staircasing', in many cases all the way up to 100%.

Things to consider before buying a percentage share in your home

Buying a share in your home is a big decision; your home can become an asset for you and your family in the future. Owning your home on shared ownership terms also brings some added responsibilities and you need to be sure this is the right choice for you and your family.

For example, you may need to get a mortgage to enable you to take up the Right to Shared Ownership. You must also pay rent on the percentage share of your home that you do not own.

Depending on the age of your home, you may also be responsible for all the costs of maintaining your home as soon as you have completed the purchase of your shared ownership purchase. This will include routine repairs, major structural repairs, and improvements to it.

Once you've used the Right to Shared Ownership to purchase a share in your home, your relationship with us as your landlord will be governed by the terms of a shared ownership lease agreement. If your circumstances change and you're unable to keep up with your mortgage, rent, or service charge payments, you could lose your home and possibly your investment in the percentage share that you purchased. It is important to take time to consider the costs involved and the choices available to you.

If you need advice on accessing the Right to Shared Ownership scheme, you can contact us directly – details are at the end of the document.

Who has the Right to Shared Ownership?

You probably have the Right to Shared Ownership if you meet all the following criteria:

- You are over 18 years old
- You live in a home where the Right to Shared Ownership applies (see below)
- Hold an un-demoted secure tenancy, an assured tenancy (including an assured shorthold tenancy), or a Localism Act fixed-term tenancy (either an assured shorthold tenancy or a flexible secure tenancy with a fixed-term of a minimum of two years). If you are unsure of what type of tenancy you hold, please contact us.
- You have been living in your current home for at least 12 months
- You have been a tenant of a home for social rent or affordable rent for at least three years (this need not have been with the same landlord, or for three years in a row)
- You are not in rent arrears
- You are not subject to legal proceedings (e.g. a notice of seeking possession has been served)
- You are not subject to a court order for possession of your home
- You are not subject to legal proceedings on the grounds of anti-social behaviour
- You are not subject to bankruptcy proceedings or unfulfilled credit arrangements
- You meet the shared ownership eligibility requirements, including the income requirement (currently an annual gross household income of £80,000 or less), and do not already own a property
- You are unable otherwise to purchase a home suitable to meet your housing needs on the open market
- You satisfy immigration requirements.

What kind of homes does the Right to Shared Ownership apply to?

The Right to Shared Ownership applies to homes that were built with grant funding from the Government's Affordable Homes Programme 2021-2026 and it is being let to you at a social rent or affordable rent. Certain homes are exempt from the Right to Shared Ownership, including:

- Homes where the landlord is a local authority
- Specialist homes for older, disabled or vulnerable people
- Homes built in remote rural areas
- Almshouses
- Homes where the landlord is a co-operative housing association or Community Land Trust.

If you are unsure about your homes eligibility, you should contact us for confirmation.

The costs of buying

Using the Right to Shared Ownership to buy a percentage share in your home is a major financial commitment.

Unless you are going to buy a share in your home with cash, you will need a mortgage. There are various types of mortgages, which your mortgage advisor can tell you about. You may need to pay a deposit to secure a mortgage. As part of the Right to Shared Ownership application process, you will need to speak with a mortgage advisor from our panel of shared ownership specialist mortgage advisors (you do not have to pay for this service and you do not have to take any products following their initial affordability assessment).

A family member (or someone else) could provide the funding for the purchase. However, the purchase can only be in the names of the eligible tenant(s) and other eligible applicants.

If you can't keep up the repayments on your mortgage, the lender may go to court and ask to take over your home. Your landlord does not have to give you another tenancy if you lose your home in this way.

How much will I need to borrow?

The amount you need to borrow depends on the market value of the percentage share in your home you're looking to buy less any cash you can put forward towards the purchase (deposit).

We will have your home valued as part of the shared ownership application process. This valuation will allow you to work out how much your percentage share in your home will cost. You will be expected to buy the maximum percentage that you can afford.

Stamp Duty Land Tax (SDLT):

You may be required to pay SDLT when purchasing a percentage share in your home using the Right to Shared Ownership. Please ensure that you discuss this with your solicitor before proceeding with your purchase.
For further information on SDLT for shared ownership homes, please visit GOV.UK.

Ongoing costs

In addition to paying the upfront costs of buying a percentage share in your home, there are other housing costs you must meet on an ongoing basis.

Service charges

As a shared ownership leaseholder, you may be required to pay service charges.

Service charges relate to your share of your landlord's costs of providing services including maintenance and repairs. Your shared ownership lease will set out the services your landlord is to provide. There are usually two key types of service costs you need to pay towards through your service charge:

- Service charges for day-to-day maintenance – e.g. the cleaning of communal areas
- Service charges for major repairs – e.g. fixing the roof if it leaks.

Service charges for major repairs will typically be paid for through contributions to a sinking fund (sometimes referred to as a reserve fund). The aim of a sinking fund is to spread the cost of major repairs over several years.

The types of service charges you will be required to pay depend on the type of home you have. For example, if you live in a wider residential block there are likely to be service charges for the day-to-day maintenance of any communal areas.

For some homes, you may also need to pay an estate charge. This is to cover the cost of maintaining any communal areas that are not covered by the service charge, such as the maintenance of access roads to the property.

> During the Right to Shared Ownership application process, your landlord must provide you with an estimate of the service charges you will be required to pay under the terms of your lease agreement.

Utilities (e.g. water, electricity and gas)

As a tenant of a home for social or affordable rent, you may have paid for utilities as part of your rent. Your landlord will also have been responsible for health and safety checks at your home, including gas servicing and electrical testing. Once you've used the Right to Shared Ownership to buy a percentage share in your home, you will be responsible for the payment of all utility bills. This will involve setting up accounts with the relevant providers (e.g. the water company) and meeting regular payments.

You will also be responsible for all health and safety checks at your home, including gas servicing and electrical testing.

Insurance

Once you've used the Right to Shared Ownership to purchase a percentage share in your home, you will need to consider taking out insurance cover for your home and mortgage. There are two main types:

1. Buildings insurance. This is essential. It is needed to cover the full cost of rebuilding your home if it were to be destroyed by fire or some other incident. In the case of Shared Ownership, this insurance is arranged by us and included in your monthly service charge costs.
2. Contents insurance. As well as buildings insurance, you may want to insure the contents of your home against theft and other risks.

There are various insurance policies which offer cover against these risks. The terms, level of cover, and costs vary. You can shop around for policies that best suit your needs.

Repairs and maintenance

Depending on how old your home is, we may be required to support you with the cost of repairs and maintenance for a time-limited period, known as the 'Initial Repair Period'.

The Initial Repair Period covers repairs and maintenance to things like:

- The external fabric of the building and structural repairs to walls, floors, ceiling and stairs inside the home
- Installations inside the home for the supply of water, gas and electricity and for sanitation, pipes and drainage.

The Initial Repair Period lasts for ten years from the date the home was physically completed by the developers and available to live in. This means that the Initial Repair Period reduces in length as the age of your home increases.

For example, if your home was completed in April 2023 and you used the Right to Shared Ownership to buy an equity stake in your home in April 2026, there would be seven years left on your Initial Repair Period.

If your home was completed in April 2023 and you used the Right to Shared Ownership to purchase an equity stake in your home in April 2034, your home would be 11 years old. As a result, the Initial Repair Period would not apply as it would have expired.

Once the Initial Repair Period expires, you will be responsible for all repairs and maintenance costs at your home not covered by guarantee, warranty, and/or insurance.

Before purchase, you should check with us to see how long is left on your home's Initial Repair Period or if it has expired. As you will need to have lived in your home for at least 12 months before using the Right to Shared Ownership, the maximum length of time the Initial Repair Period will apply to any home purchased using the Right to Shared Ownership is nine years.

Specific costs associated with shared ownership

Rent on the percentage share in your home not acquired by you

Using the Right to Shared Ownership, you can buy a percentage share in your home worth between 10% and 75% of its full market value. You will pay rent on the percentage share that you do not own.

When you first purchase a percentage share in your home, your rent is limited to a maximum of 3% of the value of the equity stake you have not acquired. However, we will often set the rent at the lower target rate of 2.75%.

The table shows how much the rent might be for a home valued at £200,000 and a home valued at £300,000 if you were to purchase an equity stake worth 40%. Figures are rounded to the nearest pound.

	Home 1	Home 2
Full market value	£200,000	£300,000
Value of a 40% equity stake	£80,000	£120,000
Value of the equity retained by your landlord	£120,000	£180,000
Rent for the first year of the lease (set at 2.75%)	£3,300	£4,950
Monthly rent	£275	£413

How do I apply?
(A step-by-step guide)

You can apply for the Right to Shared Ownership if you live on your own or you can make a joint application. You can make a joint application with:

- Someone who shares your tenancy. You are a tenant if your name is listed as a 'tenant' in the tenancy agreement
- Up to three family members who've lived with you in the home you're looking to purchase an equity stake in for the past 12 months.

All applicants must be party to the purchase of the home at completion and over 18 years of age.

Step 1 Pre-application

Before beginning the application process, you should contact us to register your interest in using the Right to Shared Ownership. We will then check if your home is eligible, we will write to you within four weeks of your initial enquiry to confirm if your home is eligible or not.

If your home is ineligible, your landlord must explain why and provide you with information on accessing our official disputes process should you wish to challenge the decision.

Step 2 Submitting your application form

If your home is eligible, you can complete the Right to Shared Ownership application form.

Once you have completed the application form, you should submit this to us. We can send you a PDF form to complete or you can download a copy of the application form directly from the Government website. You can also complete an online version should you prefer.

Once we have received your application form, we will complete a full set of eligibility checks for you and your home. We will have eight weeks from receipt of your application form to inform you of the outcome of these eligibility checks.

If your application is unsuccessful, we will explain why and provide you with information on accessing our official disputes process should you wish to challenge the decision.

Step 3 Attending a home ownership meeting with NCHA

If your application is successful, we will invite you to a meeting to discuss how the Right to Shared Ownership works. The meeting can be conducted face-to-face, or via telephone or video call.

As part of your meeting, we will also explain how shared ownership works. This will include a discussion of the long-term financial and legal responsibilities you will take on as a shared ownership leaseholder.

Finally, we will provide you with an estimate of how much your home is worth. This estimate will be based on the price comparable homes have been sold for in your local area. It will be used to work out the percentage share in your home you can afford to acquire.

Step 4 Undertaking an affordability assessment

Following the meeting, we will refer you to a regulated mortgage advisor to complete an affordability assessment.

Use of a regulated mortgage advisor to complete your affordability assessment is a mandatory requirement of the Right to Shared Ownership application process. Without it, you will not be able to complete the process.

The affordability assessment is designed to work out the percentage share in your home you can afford to buy. This calculation is based on the estimated value of your home provided by us and your financial circumstances.

The minimum percentage share you can buy is 10% of your home's full market value. However, you will be encouraged to purchase the maximum stake you can afford utilising any savings or assets you hold, minus the costs involved in purchasing your percentage share. The maximum initial percentage share you can buy is 75% of your home's full market value.

The affordability assessment is also used to assess your ability to afford and sustain the ongoing financial costs of shared ownership, including: mortgage repayments, rent on the percentage share in your home you have not acquired, service charges, including contributions to any sinking fund for major works.

Step 5 Having your home valued by your landlord

Once you have completed the affordability check, you must notify us. You can do this yourself, or you can authorise your mortgage adviser to notify your landlord on your behalf.

Once we have been notified, we will obtain an official valuation for your home. This valuation must be obtained from a valuer who is registered with the Royal Institution of Chartered Surveyors (RICS) and fully independent of NCHA. This means the valuer should not be employed by us.

Your home's valuation will be based on what it would cost to buy if it were sold on the open market. We will complete the valuation within six weeks of being notified of the outcome of your affordability assessment. The valuation must be provided to you and to your mortgage adviser and is usually valid for three months.

This valuation will be used to finalise the size of the percentage share in your home you are required to buy. If the valuation differs from the estimated valuation previously provided by us, it may be necessary to adjust the initial percentage share you are to be offered.

If you want to dispute the valuation obtained by us, you can commission a second valuation. You will be required to cover the costs of this valuation and the purchase must be completed within three months of receipt of the official valuation obtained by us.

The result of any valuation you commission will be binding for both you and us. As this valuation will be based on what it would cost to buy your home on the open market, it could be higher or lower than the official valuation obtained by us.

Step 6 Receiving your offer notice

Once the final value of your home and the size of the percentage share you will be buying has been confirmed, we will issue an offer notice. We should issue you with an offer notice within four weeks of confirmation of your home's final valuation.

The offer notice will include information on:

- The value of your home
- The size and value of the initial percentage share you will buying, as confirmed by your affordability assessment
- The total rent payable on the percentage share in your home you are not buying
- An estimate of the annual service charge, including any sinking fund contributions for major works
- The length of your lease term.

Step 7 Deciding to buy

Once you have received your offer notice, you must decide if you wish to accept it. If you decide to accept, you must inform us within four weeks of receipt of the offer notice. If you do not let us know you wish to accept within four weeks, the offer could be withdrawn.

If you decide you do not wish to accept the offer, you should notify us that you wish to end the process. If you choose to end the process, you will continue to rent your home on existing terms.

Step 8 Completing your purchase

If you choose to accept the offer, we will provide you and your solicitor with something known as a Memorandum of Sale. This will include the details you need to compete the sale, including the value of your home and the size of percentage share you will be buying.

We will then instruct our solicitor to make a formal offer to exchange contracts with your solicitor. At the same time, we will also conduct a final round of checks. This is to ensure that since the application process began, you have not developed any rent arrears or been issued with a notice of seeking possession for your home.

We will also check that your mortgage is from an approved lender or, if you are a cash buyer, that you have evidence of the necessary funds to make the purchase.

These checks must be completed within four weeks and prior to the official exchange of contracts.

You will have three months from the date you accepted our offer to exchange contracts. If you do not exchange contracts within this time, we may withdraw the offer unless you can provide a good reason why you were not able to exchange contracts in time.

Once you have exchanged contracts, the purchase of the percentage share becomes legally binding. Once you have exchanged contracts, you will pay your deposit.

After exchanging contracts, your solicitor will agree a completion date with our solicitor. Once you reach the completion date, you will officially become a shared ownership leaseholder.

Legal advice

Before deciding whether to buy, you should get legal advice, particularly if you have worries about the terms of the purchase of the percentage share. If you don't know a solicitor or a licensed conveyancer, please speak with your mortgage advisor who will be able to support you.

Useful contacts

Nottingham Community Housing Association – to register your interest or check eligibility

info@ncha.org.uk

0800 013 8555

The Right to Buy Agent service also offers free advice on things like:

- Eligibility
- The application process
- Filling in your application form.

enquiry@righttobuyagent.org.uk

0300 123 0913

Money Helper is a free and impartial service set up by government to help people make informed choices about managing their money –

https://www.moneyhelper.org.uk/en/homes/buying-a-home

ncha.org.uk