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SHARED OWNERSHIP

· Mortgage Guide ·

SHARED OWNERSHIP
Mortgage Guide

Shared Ownership can be a great way to purchase a home for first-time buyers or those wanting to get back onto the property ladder in an otherwise difficult market – read on to find out how.

When you combine consistently high property prices with the big deposits required by such a tightly controlled lending market, the prospect of owning a home in modern Britain seems like the stuff of dreams for many – but don't give up!

There are a number of government schemes that can help you get your foot on the first rung of the ladder and one of the most commonly known of these is Shared Ownership. This scheme could help make those intimidating costs much more affordable and ultimately turn your dreams into a reality.

DON'T *forget...*

Buying your home can be a confusing and daunting experience, so we'd always recommend taking advice from an expert before making any final decisions.

HOW DOES *it work?*

Shared Ownership is a process that allows you to take out a mortgage on a portion of a property and pay rent on the rest – here's how it works:

You can choose to purchase anything between 10% and 75% of your new home, with the remaining share owned by a housing association or approved housebuilder that acts as a landlord. You then pay rent to the landlord, which is calculated to reflect the size of the share they own.

By buying a smaller proportion of your home, it may be easier to qualify for a mortgage and the deposit required may also be much more affordable.

For example, if you're looking to buy a 50% portion of a £200,000 property, your 10% deposit would be £10,000 – half of the amount that would be required for a 'regular' 90% loan to value (LTV) mortgage.

DID YOU *know?*

You can buy a bigger share of your home at a later date through a process called 'staircasing'. Find out more on **page 6** of this guide.

WHAT DO *you need?*

In addition to the standard requirements of your mortgage lender, there are certain criteria that you'll need to meet to be able to take advantage of the Shared Ownership scheme.

THE SCHEME

To qualify, your annual household income needs to be lower than £80,000 and at least one of the following must apply:

- You're a first-time buyer
- You're an ex-home owner, but can't afford to buy now
- You're an existing shared owner

THE MORTGAGE

The exact requirements for a Shared Ownership mortgage vary depending on the lender, but are generally the same as any LTV on the open market. These include, but are not limited to:

- A deposit of at least 5% of the mortgage sum (no deposit schemes may be available)
- Proof of identity and address
- Proof of sufficient income in the form of payslips, bank statements or accounts
- Details of all outgoings, including loans, credit cards, child care and travel costs

DID YOU *know?*

If you're currently a housing association tenant, you can take advantage of Right to Shared Ownership. This scheme gives you the right to purchase as little as 10% of the home you live in through the Shared Ownership scheme. Speak to our expert team to discover your options.

WHAT ARE *the costs?*

Shared Ownership is just as big a commitment as any other form of home ownership, so it's extremely important that you understand the costs before moving forward.

THE MORTGAGE

Exact costs vary enormously depending on your situation, but bear in mind that the price of a mortgage is more than just a deposit and monthly payments. Additional costs may include stamp duty, legal fees, insurance and other third-party costs, such as surveys and valuations, so be sure to do your sums before signing up.

THE RENT

Your rent is worked out as a percentage of the landlord's share of your home. While the exact figures may vary, it's reasonable to expect this to be about 3%.

So, if you own 50% of a £200,000 property, the landlord's share would total £100,000. 3% of this comes to £3,000 a year, which works out at £250 per month.

DID YOU *know?*

Changes introduced by the government in April 2021 mean your landlord will provide you with support to pay for maintenance and repair costs for the first 10 years of ownership.

CAN YOU *increase your share?*

It is possible to buy additional shares from your landlord and gradually increase the proportion of the property that you own – this process is called staircasing.

Staircasing is a great option, especially if you're early on in your career and have an income that is likely to increase with time. It does, however, come with some negatives, so before making the decision to commit, here are some pros and cons:

PROS

- Get higher on the property ladder
- Benefit from price rises
- Owning can often be cheaper than renting
- Have more control when selling

CONS

- As your home's value increases, so will the price of the shares
- There will usually be additional costs such as valuation fees

DON'T *forget...*

Timing can play a huge role in staircasing success, so we'd always recommend taking professional advice to ensure it's the best time for you.

CAN YOU *remortgage?*

A great way to raise the funds for staircasing is to remortgage, and this is absolutely possible with Shared Ownership, however, there are some things to consider:

Be sure to check with the housing association or authorised body that owns the remaining share of your home. Criteria and rules may vary, so do your homework before moving forward.

The other thing to mention is that Shared Ownership mortgages are only available via selected lenders. In order to find the right deals for you, contact one of our mortgage experts who will have access to specialist products that are unavailable on the open market.

DON'T *forget...*

Your original Shared Ownership mortgage was taken out against a percentage of your home, so the remortgage can only be made against that same proportion, not the full value of the property.

THINGS *to consider*

STAMP DUTY

If the share you're buying is worth more than a certain value set by the government (currently £125,000 in England), stamp duty will be payable. This can be settled as a one-off payment based on the total market value of your home, or paid in stages. If you choose the latter, you'll pay whatever's due on the initial share, but then won't have to pay any more until you've increased it to 80%.

LEASEHOLD OR FREEHOLD?

As a shared owner you'll own the leasehold on your property, but will have no control over this aspect of ownership until you increase your share to 100%. You should then have the option to obtain the freehold if it's a house or extend the leasehold if it's a flat or maisonette.

SELLING YOUR HOME

If you own 100% of your Shared Ownership home, you can sell it privately, just as you would any other property. If you don't own 100% you can only sell it to a buyer who is also part of a Shared Ownership scheme and they must be buying a share equal to or greater than your own. In both cases, however, bear in mind that the housing association has first refusal for 21 years from the time of purchase.

THINGS
to consider *(continued)*

FINDING A PROPERTY

Not all homes are available on the Shared Ownership scheme. The best way to find out which ones are, is to speak to the local estate agent for that particular area.

FINDING A MORTGAGE

While shared ownership mortgages are relatively widespread, they're not available everywhere, so speak to a mortgage expert to help you make the right choice.

RESTRICTIONS

As with any rental property, there may be some restrictions on decoration, home improvements or pets, so be sure to check with your landlord before committing.

DON'T *forget...*

Negotiating the Shared Ownership process can be a confusing experience. Speak to our expert team who can help you avoid the pitfalls.

CHOOSING THE *right mortgage*

When looking at the mortgage market, you'll see that there are lots of different types of product out there, all designed for different situations.

We understand that it might look daunting, but it's okay, our job is to guide you through it safely.

Here's an overview of the most common types:

FIXED		VARIABLE
The current interest rate is locked-in. This protects you against future rises, however it also means you will not benefit if the rate falls.	*or*	The interest rate moves with the economy. This means you can make the most of future falls, but you'll also pay more if the rate rises.

DON'T *forget...*

Finding the right Shared Ownership mortgage deal is an extremely intricate process, which means you may not be able to find the right offer for you in the mainstream market. Our team of experts have unrestricted access to the market and work with specialist lenders who are not available on the high street, this ensures that we can find the right mortgage deal that is suited for your current situation.

WHAT IF YOU *have bad credit?*

Having poor credit doesn't rule you out completely, but it could make things more challenging.

First things first: lenders will analyse the data on your credit file when considering you for a mortgage, so it's a good idea to ensure everything is in order (refer to **pages 13 & 14** of this guide for some pointers).

However, even if everything's shipshape, if you have past items of bad credit on your file like bankruptcy or County Court Judgements, you may still be considered a high risk.

There are specialist lenders out there who will take a much broader view of your circumstances, but they aren't typically available on the high street, so it's essential that you enlist the help of a mortgage professional.

Our expert team has extensive experience in this area, so not only do they know where to find the right lender, but they also know how to make sure you're in the best possible position.

DON'T *forget...*

Things like County Court Judgments are wiped from your file after six years, so if you can wait until this has happened, it will make your application a whole lot easier.

DO YOURSELF *a favour*

There are many ways that you can make it easier for yourself to get a Shared Ownership mortgage. This section outlines a few of the most effective.

REGISTER TO VOTE

You'd be surprised just how much of a difference this simple task makes to your chances of a successful mortgage application, so do it now if you can! This is one of the simplest ways a lender can check that you live where you say you live.

PAY YOUR BILLS ON TIME

Any bills that are missed or paid late could result in a bad credit rating which could cause issues with your mortgage choices.

FINANCIAL HOUSEKEEPING

Make sure addresses and other details are up-to-date on all accounts – from credit cards to phone bills.

MAKE NO OTHER APPLICATIONS

Numerous credit checks can have a detrimental effect so keep all credit applications to a minimum in the lead up to your application where possible.

DO YOURSELF *a favour* (continued)

BOOST YOUR CREDIT SCORE

Strangely enough, sometimes the best way to improve your credit rating is to borrow money. One way to do that is to spend a small amount on a credit card each month, but make sure you pay it off on time each time!

NO CASH ON CREDIT

Withdrawing money on a credit card can be a warning to a prospective lender, plus it's typically not cheap, so best to avoid it altogether if at all possible.

REVIEW UNUSED CREDIT

Look at any unused credit facilities on your file such as old credit cards that you no longer use. A large amount of available credit can be detrimental so close these completely.

STEER CLEAR OF PAYDAY LOANS

Payday loans might seem like a lifeline, but for most mortgage providers they are an indication of cashflow problems. We recommend you consider alternative solutions wherever possible.

GET *specialist help*

Save yourself the time and effort of an often-fruitless search; give us a call today and gain access to the lenders who can really help.

You should always get yourself acquainted with the market before deciding whether to commit to a mortgage. However, even the most diligent researcher will only have access to a limited number of lenders that are available on the mainstream market, so your efforts could often be pointless.

It's for this reason that we would strongly recommend speaking to a specialist mortgage broker before making any decisions. Not only will this ensure that you have access to the niche corners of the market where some of the most favourable deals can be found, but also that your earnings and overall financial position are presented in the best possible light.

DON'T *forget...*

Not all mortgage brokers have complete access to the market. Some are tied to certain providers and limited to certain portfolios, so always check before moving forward.

BUY WITH *confidence*

A combination of extensive experience and unrestricted intermediary market access puts the team at The Mortgage Centres in the perfect position to help you get the mortgage you need.

We understand that buying a home through Shared Ownership can be a stressful experience, not least because you're venturing into the unknown. That's why the expert team at The Mortgage Centres prides itself on its friendly service, giving you the reassurance you need to make the right choice with confidence.

We have access to around 12,000 mortgage products across 90+ lenders, so we can obtain many deals from specialist lenders that you won't see on the high street, often on an exclusive basis.

By putting it all together, with the team at The Mortgage Centres behind you, you can enter into the house-buying process in the best possible position.

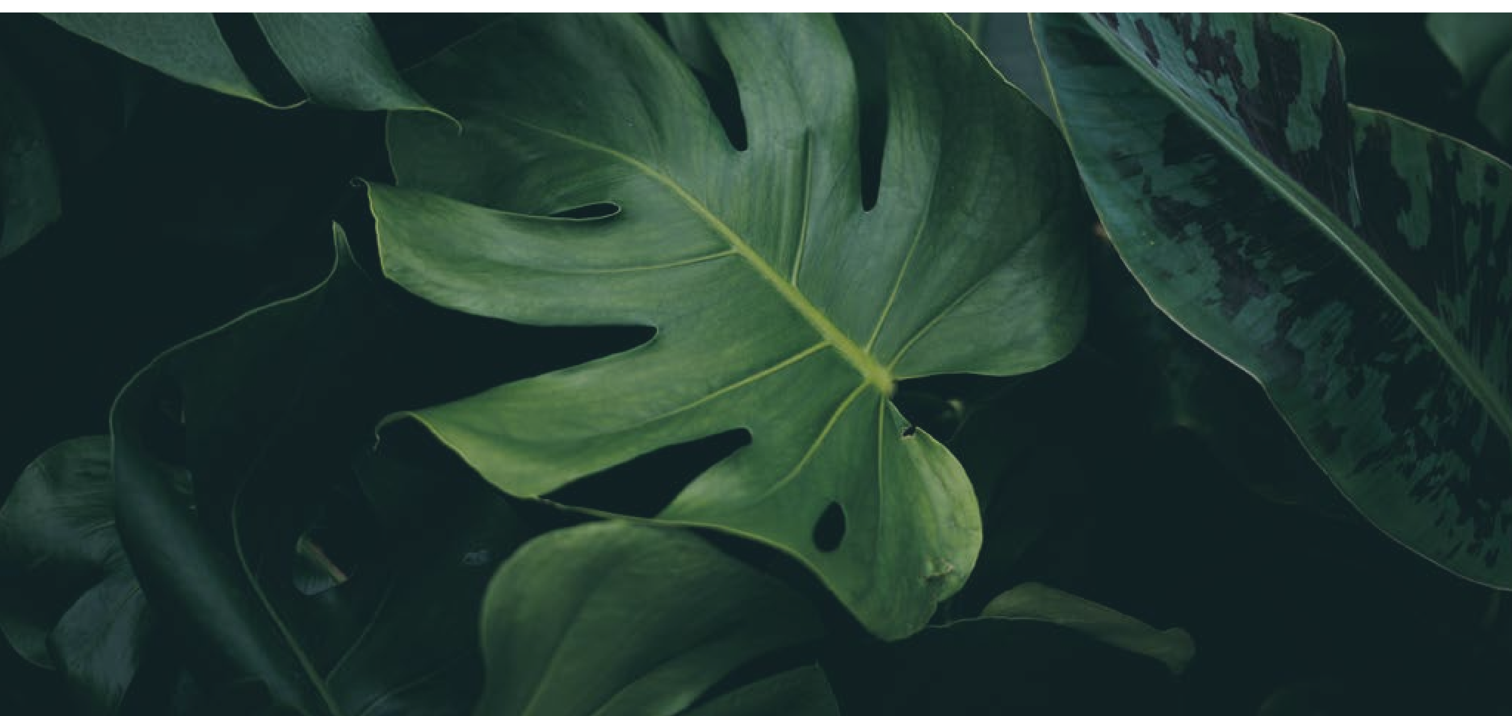
Get in touch today for a friendly chat and find out how we can help.

WHO *we are*

The Mortgage Centres team has decades of experience, expert regional knowledge and a national reach, allowing us to provide a truly personal service no matter where you are now and where you're moving to.

We understand that buying your first home can be an extremely daunting experience and that's why we'll be by your side through every twist and turn, always ready to offer support, advice and guidance whenever you need it.

Get in touch today and find out how we can help you take your first steps on the property ladder.



The Mortgage Centres

Call us today

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