Shared Ownership
A brief guide

Shared Ownership is a form of Low Cost Home Ownership (LCHO), targeted at people who would like to own their home, but are unable to afford the full cost of buying a property on the open market.

How does it work?

Eligible applicants can purchase a share of the property, which is sold in 25% shares or ‘tranches’, with a minimum share of 25%. Depending on your financial circumstances you either pay a lump sum or take out a mortgage for the percentage of the property you are buying. If you require a mortgage this would be organised by yourself, or through an Independent Mortgage/Financial Advisor. The mortgage may require a deposit and this will be specified by your lender.

A monthly occupancy charge is also payable to the Association for the remaining percentage of the property and consists of:-

Basic Occupancy Charge—This is calculated taking the following into account:

- Calculation based on rent for rented social housing with adjustment made for property repairs & maintenance costs
- Proportionate to the percentage of the property still owned by the Association
- Size and location of your home
- Associated costs to the Association to build shared ownership properties

Service charge: This is applicable to most homes and covers the cost of any services provided such maintenance of communal areas. Other applicable charges include buildings insurance and management fee.

Additional purchase costs?

In addition to the purchase price you will be liable for your solicitor’s costs and also registration fees associated with the purchase, for example:-

- Mortgage Deed or Standard Security
- Disposition with Title Deed
- Exclusive Occupancy Agreement.

We would advise that you contact your solicitor and obtain a quote for the costs associated with the purchase of your share of the property.

Who pays for the repairs and maintenance?

You are responsible for all repairs and maintenance to your property unless you live in a block of flats where there may be communal areas with shared maintenance responsibilities and the Association are acting as ‘Factor’. In this case there will be a factoring charge payable to the Association and this would be included in your monthly Occupancy Charge.

Exclusive Occupancy Agreement.

When purchasing a shared ownership property you will sign an agreement called the Exclusive Occupancy Agreement (EOA) that sets out the rights and responsibilities for the sharing owner and the Association. This agreement lasts for 20 years and if you have not bought the property outright before this expires you will be required to either sign a new agreement or purchase the remaining shares.

How much of the property can I buy?

One year after purchasing your original share, you can purchase further tranches, sold in 25% multiples, up to full ownership, however, there is no obligation to do so.

Can I sell my home?

You may sell your share in your home at any time, provided that the Association is informed beforehand. You may wish to nominate someone to purchase your share however they must firstly submit a LCHO application form and be eligible for the scheme. If you do not nominate anyone the EOA also gives us the option to nominate another applicant from the current LCHO waiting list. If the Association is unable to nominate a new sharing owner then the property can be sold on the open market.

If sold on the open market, the sharing owner will liable for the costs of the home report whilst the costs of marketing will be shared between you and the Association in proportion to each parties share of the property.

What happens if things go wrong?

Your rights as a sharing owner, and the rights of the Association are laid out in the EOA. The Association aims to support sharing owners who encounter financial difficulties, providing you contact the Association immediately, so that a repayment schedule for any arrear of the occupancy charge can be agreed.

Help with paying your Occupancy Charge

You may be entitled to help with your occupancy charge through Housing Benefit e.g. if you are on a low income. To get further information and an application pack you should contact the Housing Benefit Section, Orkney Islands Council, Kirkwall, Tel: 01856 873535 or 01856 886312.

Should you experience difficulties in paying the mortgage on your home, it is important that you speak to your lender as soon as possible. **Please be aware that your home may be at risk if you do not keep up with payments on the Occupancy Charge, Mortgage payments or any other debt secured on it.**

What happens upon the death of a sharing owner?

After the death of a sharing owner, before the property is owned outright, the beneficiary of the estate inherits the share of the property, but not the right to live in it. As per the Exclusive EOA the Association may trigger a buy-back of the share or agree for the property to be sold on the open-market with the net proceeds from the late owners share going to the named beneficiaries.

If you require any further information please do not hesitate to contact our Housing Services staff on (01856) 875253 or email allocations@ohal.org.uk