

Shared Ownership

A brief guide



Shared Ownership is aimed at people who would like to own their home, but cannot afford the full cost of buying a property on the open market.

How does it work?

You buy a share of the house, which is sold in 25% shares or ‘tranches’. The minimum share is 25%. You either pay a lump sum or take out a mortgage for the percentage of the house which you are buying. If you require a mortgage this would be organised by you through either your bank, building society or, alternatively, an Independent Financial Advisor. You should be aware that you will be required to put down a deposit. The actual amount will be specified by your lender.

An occupancy charge is paid to the Association for the remaining percentage of the property and is made up of:-

- **Basic Occupancy Charge:** This:-
 - ◇ is based on normal rent less Repairs & Maintenance costs
 - ◇ is proportionate to the percentage of the property still owned by the Association
 - ◇ is based on the size and location of your home
- **Service charge:** This is applicable to most homes and covers the cost of any services provided such as, buildings insurance, grounds maintenance and lighting of communal areas.

Help with paying your Occupancy Charge



You may be entitled to help with your occupancy charge through Housing Benefit eg, 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.

What are the costs?

In addition to the purchase price you will be required to meet your solicitor’s costs and also Registration Fees associated with the purchase, for example:-

- ◇ Mortgage Deed or Standard Security of approximately £25;
- ◇ Disposition with Title Deed of approximately £100 - £200 (Properties valued up to £100,000 the cost is £100 and for properties valued between £100,000 to £200,000 the charge is £200);
- ◇ Exclusive Occupancy Agreement of approximately £30.

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 unless you live in a block of flats where there may be shared responsibility and the association may act as 'Factor'. In this case there will be a factoring charge payable to the Association.

How much of the property can I buy?

Potentially, you can eventually purchase your home outright. In addition to your original share, you can purchase further tranches which are sold in 25% multiples. These tranches may continue to be purchased after you have moved into your home, until you reach a stage where you own your home outright. However, there is no obligation to do so.

An important point to note is that although you can buy more shares in your home, you cannot sell shares, unless you are selling all the shares



Can I sell my home?

Yes, you may sell your share of your home at any time, provided that the Association is informed beforehand. The legal documentation between you and the Association gives the Association 'first refusal' if you intend to sell. This is to enable the property to be offered to another sharing owner who can be nominated from our current waiting list. If the Association is unable to nominate a new sharing owner then the property can be sold on the open market.

What happens if things go wrong?

Your rights as a sharing owner, and the rights of the Association are laid out in the Exclusive Occupancy Agreement which is signed by both parties.



The Association will be sympathetic towards 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. Should you experience difficulties in paying the mortgage on your home, it is important that you speak to your lender as soon as possible.

What happens if I die?

If you die before you own your home outright your beneficiary inherits your share of the property, but not the right to live in it. The property will be sold and the net proceeds from your share will go to the beneficiary. In certain circumstances the Association may consider offering an Exclusive Occupancy Agreement to the beneficiary but is not obliged

If you require any further information please do not hesitate to contact our Housing Services staff.

Shared Ownership

Indicative Monthly Payments based on 3.99% interest rate and average 2018/19 occupancy charges

Property details	% share purchased	Purchase Price £	Monthly Occupancy Charge £	Monthly Mortgage £	Total Monthly Payments £	Mortgage payments on full purchase (for comparison)
2 Bedroom 4 Person house (Kirkwall) Cost = £125,000	25%	31,250	208.30	166.52	374.82	£666.09
	50%	62,500	149.59	333.04	482.63	
	75%	93,750	90.88	499.57	590.45	
3 Bedroom 4/5 Person house (Kirkwall) Cost = £145,000	25%	36,250	218.59	193.17	411.76	£772.66
	50%	72,500	156.45	386.33	542.78	
	75%	108,750	94.31	579.50	673.81	

The figures used for the monthly mortgage payments are based on a 25 year capital plus interest style mortgage and are for guidance only. Applicants should consult their Bank, Building Society or an Independent Financial Advisor for information on loan terms and repayment figures. The property costs are estimates. Actual prices will be Market Value as assessed by a Professional Valuer.

The monthly occupancy charge includes an allowance for house insurance and management fees.

The monthly repayment figures **do not** include insurance of your house contents, maintenance of the house and garden or other outgoings such as insurance to keep up your mortgage repayments if you cannot work, or Council Tax.

While the foregoing particulars have been prepared with care and are believed to be accurate, no liability for any errors or omissions therein or the consequences thereof will be accepted by Orkney Housing Association Limited.

**YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS
ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.**