



YOUR GUIDE TO **SHARED OWNERSHIP** WITH CERRIS HOMES

The easy and affordable way to become a homeowner

that welcome home feeling

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SHARED OWNERSHIP WITH CERRIS HOMES

Cerris Homes provides high quality, new homes that are affordable for you to buy, through the shared ownership scheme.

In this guide, you'll find lots of information to help you understand the shared ownership scheme and to help you become a homeowner.

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WHAT IS SHARED OWNERSHIP?

If you dream of owning your own home but can't afford to buy on the open market, shared ownership is a flexible, low cost way to get your first foot on the property ladder.

Shared ownership or 'part buy, part rent' allows you to buy between 25% and 75% of your new home and rent the remaining part from us, at a subsidised rate.

If you choose to, you can buy a larger percentage share of your home at any time. This is called 'staircasing' and as you increase your share your rent reduces accordingly. If you 'staircase' to 100%, you become the freeholder and outright owner of the property. Up to that point you will be a homeowner of a leasehold property.

You can sell your shared ownership home at any time and we're on hand to help you through this process to secure a buyer.





HOW DO YOU QUALIFY?

To take advantage of the shared ownership scheme, you must:

- Be a British or EU/EEA citizen, or have indefinite leave to remain in the UK
- Be a first time buyer or a newly forming household, for instance if you're buying again after a relationship breakdown
- Be aged 18 or over
- Demonstrate you have sufficient funds, in addition to your deposit, to cover the costs of your mortgage arrangement and legal fees
- Not own another property, either in the UK or overseas (unless a court order forces you to remain on the deed of a property where your children reside)
- Occupy the shared ownership property, as it cannot be sublet (or purchased with a buy to let mortgage)



THE BUYING PROCESS

Take the first step to becoming a homeowner

Most of our shared ownership buyers begin their journey online, where all of our available properties and upcoming developments can be found, on our website.

To find out more information on one of our homes or developments, you can either get in touch with us through our website, or give us a call directly and an expert from our New Homes Sales Team will give you more information about the homes, and talk you through the next steps.

We'll ask you to fill out an application form for the shared ownership scheme and then put you in touch with an Independent Financial Advisor (IFA), who'll be able to establish with you, your eligibility for the scheme and broadly, what share percentage you can afford to buy.

This initial assessment doesn't need to be face-to-face and can be completed by phone and/or email. You can also use the IFA we put you in touch with, later in the process, to help you find a mortgage, if you wish to do so.



Finding your new home and securing it

When you view a home you'd like to buy, the sales negotiator who accompanies you on your viewing will give you a simple application form for that property that you can fill in there and then. The sales negotiator will then take your application form back to our offices to carry out the relevant check to confirm we can offer you the property.

If you decide to proceed, you can secure your new home by paying a reservation fee to Cerris Homes, usually £500. This fee is non-refundable and acts as a deposit, which will be offset against your total costs upon completion.

Once you've paid your reservation fee, we'll send you a formal offer letter with details of the purchase. You'll need to sign and return this letter to Cerris Homes, along with the documents listed below, within 3 working days:

- Pay slips for the previous three months (or, if you are self-employed, either the last two years of accounts audited by a chartered accountant or HMRC tax assessments for the last two years)
- Bank statements for the previous three months a certified copy of your passport
- Proof of residence for all addresses you have lived at over the last three years (this can be in the form of bank statements, council tax documentation or utility bills)

- Proof of savings
- A signed letter confirming any gifted deposit
- A copy of your credit reference report, available through Experian, Equifax or a similar credit reference agency
- Documentary evidence of any benefits you receive e.g. child benefit



Confirming the size of your share and your affordability

In addition to the initial financial assessment, you'll need to have a further financial interview with an IFA, usually the same one who carried out your initial financial assessment.

You'll need to provide your IFA with copies of the same documents you provided Cerris Homes, so they can confirm the exact percentage size of the share you can afford to purchase.

Once the IFA has approved and signed this off, confirmation will be sent to Cerris Homes.



Appoint a solicitor

You'll need to appoint a solicitor to act on your behalf.

We recommend using a solicitor experienced in shared ownership, and we can provide you with details of solicitors who have that experience.

Our solicitor will then issue the Memorandum of Sale (MoS) to your solicitor. The MoS is an important document which sets out the details of the purchase and the terms of the sale. This includes a date by which we expect you to exchange contracts (exchange). If you pull out of the purchase after exchange you will forfeit your deposit. The timeframe for exchange in most cases is 28 days.



Finding and applying for a mortgage

Once the FCA registered Independent Financial Advisor (IFA) has calculated the size of mortgage you can afford, you need to identify a lender that will give you a mortgage.

To find a lender you can either use an IFA or approach lenders directly. The IFA can be the same IFA who carried out your assessment and/or interview, or you can appoint a different IFA of your own choosing.

If you plan to approach lenders directly, Cerris Homes can provide details of high street lenders that offer shared ownership mortgages.

As soon as your solicitor has received the MoS you must submit a mortgage application, if you haven't already done so, as this can take up to 21 days to be granted.

Once submitted your mortgage application will be assessed by the lender's underwriter, and a valuer will attend the property on behalf of the lender to ensure it provides sufficient security against the loan you are applying for. This usually takes place within a couple of weeks of making the mortgage application.

All being well, the mortgage offer should be issued within a week of this visit. If you haven't received an offer within three weeks of submitting your application you'll need to bring this up with your financial advisor so they can chase it up for you. In the meantime, your solicitor will be preparing the legal documents for exchange, ready for you to sign.

You will need to pay some money to your solicitors upfront in order for them to start the legal works, such as applying for local and environmental searches. You must ensure you do this as soon as possible after formally instructing them, not to delay the purchase and in turn the 28 day exchange target.



Exchange of Contracts

Exchange of Contracts (exchange) is when your solicitor and the housing provider's solicitor swap contracts signed by the purchaser (you) and the vendor (Cerris Homes). At this point you'll need to pay your deposit, which is usually 5% of the purchase price.

As already mentioned, if you change your mind about buying after this point, your deposit will not be returned.

If the property you're buying is still under construction when you exchange contracts, completion (the final step in the process) will be 'on notice' until the home is ready for you to move in.

Once the property is ready and has been handed over from the builder to Cerris Homes, we will give your solicitor 10 working days' notice for you to complete. Your solicitor will help you establish a date within that timeframe for you to complete.



Completion and receiving the keys to your new home

On the day of completion, your solicitor will transfer the money received from your mortgage lender to our solicitor. This is the moment when the property legally changes ownership from Cerris Homes to you, and you become a homeowner.

As soon as we have that confirmation a member of our shared ownership team will contact you to arrange a time to meet you at the property and to hand you the keys to your new home (the 'handover').

The handover needs to be before 4pm to allow time for taking meter readings and to provide you with your Home Owner Manual (including manuals for all appliances and the heating system).

Although we will take meter readings and let the council know that you have moved in, it is your responsibility to contact utility companies and the council and provide them with your personal details and set up accounts with them.

BUYING YOUR HOME COSTS

There are several costs involved when you buy a house, and it's best to understand these at the outset to avoid any unexpected surprises along the way.

Below is a list of payments that you will need to make when purchasing a new home:

Reservation Fee

In order to secure the property, you will need to pay Cerris Homes a reservation fee, normally £500. This fee is not a cost, as it will be deducted from the final purchase price, which will be shown on your completion statement at the end.

If you are unable to proceed with the purchase, this fee may be retained either partly or in full by Cerris Homes, depending on how far along the process you are.

Legal Fees

You will need to appoint a solicitor to act on your behalf during the property purchase and you need to pay for their services. Many solicitors will charge a fixed fee, plus VAT.

In addition to the fees for your solicitor's services, there are several necessary steps involved in a purchase, which you will need to pay for, via your solicitor. These are listed below:

Search Fee

These fees are paid to the relevant local authority for their searches, which provide specific information about the property you are buying and the immediate surrounding area.

Land Registry Fee

The Land Registry fee is a charge to register the change of ownership from Cerris Homes, to you and Cerris Homes, as shared owners.

Stamp Duty Land Tax (SDLT)

SDLT is payable to the government if the value of the initial share of the property you are buying is over £125,000. You will pay stamp duty only on the amount over the £125,000 threshold. Your solicitor will be able to explain the exact amount you will need to pay and will advise on which payment option is available to you.

If you plan to staircase to 100% you can choose to pay all SDLT due on the full market value of the property. You may do this if, for example, you expect SDLT rates to rise in future.

Mortgage Arrangement Fee

You can apply for a mortgage directly with a lender or you can choose to obtain a mortgage through a broker. Some brokers charge a fee for arranging your mortgage whilst others offer their services at no cost. Most mortgage lenders charge a fee for the arrangement of the mortgage; this fee varies between lenders and your mortgage advisor will explain the differences.

Deposit

For all shared ownership purchases you will have to pay a deposit. Housing providers will generally want the deposit to be at least 5% of the purchase price of the property, although this can vary. This deposit is paid to the housing provider when exchange takes place.

You will pay the deposit to your solicitor and it will in turn be paid to the housing provider.

From your point of view, it is important to take into account the other costs involved in buying a property before agreeing how much you will be paying as a deposit.

Removal Costs

You will need to move your belongings into your new home. To do this you can either use a removal firm or hire a van and do it yourself to save on costs.



Furniture and Fittings

You may wish to set aside some money to furnish your home, especially if you are a first-time buyer and don't have much furniture. Some new homes come with floor coverings and kitchen appliances included in the purchase price, but you should check exactly what will be included, before committing to a purchase.



UNDERSTANDING THE LEASE

The difference between leasehold and freehold.

When you buy a shared ownership home from a housing association or local authority, you will become a leaseholder.

A lease is the legal agreement between the purchaser and the housing provider which sets out the respective rights and responsibilities of the leaseholder (the purchaser) and the lessee (the housing provider) in relation to the property.

A standard shared ownership lease for a new build property runs between 99 and 125 years. As the purchaser of the lease you become the leaseholder, for that period of time.

Houses are typically freehold, and if you are buying a shared ownership freehold house, you will own the freehold to the property once you have staircased to 100% ownership.

In some cases, there is a restriction on staircasing to 100%. For example some schemes only allow you to staircase to 80% in rural areas in order to keep the homes at an affordable level for local people.

What will be in the lease?

Many housing providers use the standard Homes and Communities Agency Lease to which no amendments can be made to the clauses and covenants contained in the lease. Details of this standard lease can be found at www.homesengland.co.uk.

A standard shared ownership lease will contain the following:

- A description of the property, including its boundaries and a guide to which parts are the responsibility of the home owner and which are the responsibility of the housing provider
- The amount of rent that you must pay at the point of completion and the method to be used by the housing provider to review this amount annually
- Details of the arrangement for building insurance
- Details on how to purchase additional shares in the property ('staircasing')
- Details on what to do if you wish to sell the property in the future

Whilst Cerris Homes adopts the standard form of a shared ownership lease recommended by the Homes and Communities Agency, some details may differ between each shared-ownership development.



Rights and responsibilities

It is essential that you and your solicitor read the lease offered to you very carefully to ensure you clearly understand each point, in particular the rights and responsibilities of the shared owner and the housing provider which are listed below.

The list below describes your typical key rights and responsibilities, as a shared owner:

- To pay your rent and service charge on time
- To be responsible for the maintenance of all fixtures and fittings within the property
- To keep the structure and exterior of the property in a good state of repair. Unless you have staircased to 100% on a freehold house, any repairs that need to be carried out to the exterior will be carried out by the housing provider. Any charges incurred for repairs will be distributed between the relevant properties.
- To permit the housing providers representative to have access with reasonable notice and also in the case of emergencies
- Not to assign (resell) the lease to another party or sublet the property without gaining the consent of housing provider
- Not to make any structural alterations to the interior or exterior of the property without obtaining the consent of the housing provider

The list below describes our typical key rights and responsibilities, as the housing provider:

- To allow the shared owner peaceful enjoyment of the property
- To keep the building insured against loss or fire
- To maintain any communal areas and grounds, keeping them clean and well lit
- To maintain the exterior of the property and arrange any required repairs



WHAT IS STAIRCASING?

How to increase your share

The process by which you buy further shares in your property after the initial purchase, is called staircasing and can potentially take your ownership up to 100%. However on some properties you can only staircase to a maximum of 80% - this is designed to keep homes at an affordable level for local people.

You can staircase at any time after your initial purchase. In some cases the lease states that you may only be able to staircase after the first 12 months. The exact terms for staircasing can be found in your lease, but it is important to note that you can staircase a maximum of 3 times.

Each time you staircase the minimum additional share you can buy is 10% and the maximum is the percentage of the unowned equity (i.e. the share you need to buy to get to 100% ownership).

You will need to pay for a valuation to be carried out by an independent chartered surveyor. The outcome of the valuation will determine how much you pay for the additional share. As property values tend to change over time it is unlikely that the total property value will be the same as when you initially bought your share in the property.

You will need to instruct a solicitor to act on your behalf (for a fee), and you will also need to obtain any additional mortgage if necessary.

Reducing your rent

If you staircase and increase your share, your unowned equity reduces and your rent will also reduce accordingly.

Staircasing to 100%

If you staircase to 100% on a leasehold apartment, the property will remain leasehold and whilst you will no longer pay rent, you will continue to pay a service charge.

If you staircase to 100% on a house, it will generally become freehold, however this is not always the case - your lease will determine this. Once you own 100% you will become responsible for the buildings insurance and may still have a service charge contribution to make if there are common areas within the estate. You will no longer pay rent.



WHEN OR IF YOU DECIDE TO MOVE

You can sell your shared ownership home at any time. However, if you own less than 100% of the shares, we have the right to try and find a buyer within an agreed time frame, before you put it on the open market. Usually, the agreed timeframe is 12 weeks.

The sale proceeds will be divided between you and Cerris Homes, according to the share that we each own.

If you own 100% of the property you can put it straight on the open market and you will receive 100% of the sale proceeds (after taking into account any outstanding funds to your mortgage lender).

In both cases you are responsible for paying any estate agency fees and you will need to advise your mortgage lender of your intention to sell the property. In some cases, the housing provider will charge a fee to cover the costs of finding a purchaser; if this is the case it will be outlined in your lease.





NEXT STEPS

Start the process of finding your new home today!

- To register with us go to:
www.cerrishomes.co.uk/contact-us
- Or contact one of our shared ownership experts:
01782 854 748 or email newhomes@cerrishomes.co.uk
- To view our current homes and upcoming developments available for shared ownership go to:
www.cerrishomes.co.uk/property-search