



# **Shared Ownership Guidance Notes**



For your assistance, this document can also be made available in another language, in Braille, in large print, or on audio cassette.

Please ask any member of staff and the necessary arrangements will be made.

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### Introduction

The purpose of this Guide is to outline the principles of Shared Ownership and help you to decide if Shared Ownership Housing via Loreburn Housing Association will meet your housing needs.

### About Loreburn Housing Association

Loreburn Housing Association is a registered charitable housing association first established in 1982. Our aim is to provide good quality, affordable accommodation on a fair and equitable basis for people in housing need, whilst making the best use of available stock and assisting in the creation of sustainable communities.

Membership of Loreburn Housing Association is open to anyone and costs £1. By paying £1 for a share, each shareholder is entitled to vote at Loreburn Housing Association's Annual General Meeting, and stand for election to Loreburn Housing Association's Management Committee. The Management Committee meets on a regular basis to make decisions on the running of Loreburn Housing Association's affairs.

Loreburn Housing Association works in partnership with various organisations from very different backgrounds. We are regulated by Communities Scotland, who also provide our funding for new-build developments along with other lenders.

To date, Loreburn Housing Association has over 1,900 properties located throughout Dumfries & Galloway. We provide housing for a variety of different housing needs from young single homeless, to first time buyers, to elderly or disabled people requiring supported or sheltered accommodation, to families and incoming workers to the Region.

Loreburn Housing Association's Shared Ownership Policy sets the standards, guidelines and procedures used in accepting applicants for shared ownership. A copy of the Shared Ownership Policy is available on request from any of Loreburn Housing Association's offices.

Loreburn Housing Association has built 324 shared ownership properties throughout Dumfries & Galloway. This number has now reduced to just over 200 as people have increased their share and subsequently purchased the property outright.

### General Principles of Shared Ownership

Shared ownership is the term given to a form of home ownership. It allows you to purchase shares in a property, which you would not be able to afford to buy outright. The scheme allows for a share to be purchased in a property, which is then owned by you and part leased from Loreburn Housing Association. Your initial investment can be, depending on the share being sold, 25%, 50% or 75% of the value of the property. An occupancy payment, similar to a rent, is paid on the remaining value of the property, which you lease from Loreburn Housing Association. Shared ownership is one of a number of low cost home ownership options which the Scottish Government support through grant funding.

Shared ownership allows you to increase the share you own after you have been in the property for a year or more. Shares are purchased in multiples of 25% and can lead to outright purchase in the future, if you wish. This is called *staircasing* and is explained further on. There is, however, no obligation on you to purchase further shares.

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## **Who Can Apply for Shared Ownership Housing?**

Loreburn Housing Association will target shared ownership properties at people who wish to own their home but are unable, financially, to purchase outright a property suitable to their needs. A prospective sharing owner will, however, be able to afford to pay a small mortgage and occupancy payment.

Loreburn Housing Association will therefore give priority to the following:

- ◆ First time buyers, particularly young single people, couples and small families, on Loreburn Housing Association's and/or other Registered Social Landlords (RSLs) / local authority Housing Lists who are unable to purchase outright on the open market.
- ◆ Existing tenants of Loreburn Housing Association or other RSL / local authority who wish to take the first step into home ownership.
- ◆ People with medical conditions that require alternative accommodation but are unable to purchase on the open market, either owing to affordability or there not being a suitable property available.
- ◆ Existing or past owners facing particular difficulties and unable to sustain or move back into full owner occupation.

## **Assessing Shared Ownership Applications**

Within the above categories, Loreburn Housing Association will also apply the assessment of housing need to applicants. This will be done in accordance with Loreburn Housing Association's Allocations Policy, to determine priority where demand for the properties exceeds supply. A copy of the full Allocations Policy is available on request from any of Loreburn Housing Association's offices.

If you apply to become a sharing owner, Loreburn Housing Association will require proof of your financial circumstances. This may include such things as evidence of your salary, proof of savings, proof of mortgage payments and satisfactory references from your previous landlords.

Loreburn Housing Association considers that sharing owners cannot support occupancy payment and mortgage outgoings which exceed 30% of net household income. Offers to sell will not be made where this would be the case.

If your income and / or savings are such that you can afford to purchase a suitable property outright on the open market, you will not be considered for shared ownership.

Likewise, you will not be considered eligible if you are considering buying a shared ownership property for another family member to live in e.g. dependents, parents etc

Prior to an offer being made, a Home Visit will normally be carried out to verify the accuracy of your application details. It is your responsibility as an applicant to advise Loreburn Housing Association of any change in circumstances which might affect your application for shared ownership housing.

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## **Occupancy Payments**

For the proportion of the shared ownership property not purchased, an occupancy payment will be charged. A total occupancy payment level is set for the entire property (as if it were being let on a rent only basis) then reduced to take into account the share you are buying and your repairing responsibilities. The higher the share you purchase, the lower the occupancy charge.

Charges are reviewed annually and sharing owners will be given at least 4 weeks notice of proposed changes. It is Loreburn Housing Association policy to maintain all charges at an affordable rate. Charges are set in accordance with Loreburn Housing Association's Rental Policy, at levels which represent value for money and are comparable with those set by other providers in the area.

## **Service Charges**

Service charges relate to services such as communal landscape maintenance. There are a range of services that can be provided. The number in any one development depends on its design, purpose and the level of communal facilities within that development.

Service charges are non-profit making and are set based on actual costs for the range of services provided. Each year the service charge is reviewed in accordance with Loreburn Housing Association's Service Charge Policy. Charges can decrease as well as increase. You will be given at least 4 weeks notice of any change to your service charge.

If you are interested in a particular property or development, staff will be happy to tell you what the current service charge costs are.

## **Building Insurance**

Shared ownership building insurance is applicable to all shared ownership properties. Loreburn Housing Association will insure the property on your behalf and you pay the annual premium to Loreburn Housing Association. We have negotiated very competitive rates through our block policy. All new sharing owners will receive a copy of the insurance certificate from their Solicitor.

Any claims are made direct to the insurance company and not through Loreburn Housing Association.

House contents insurance is the full responsibility of you, as sharing owner.

## **Repairs & Maintenance**

Like any other homeowner, as a sharing owner you are responsible for organising and paying for **all** repairs and maintenance to your property, both internally and externally. Your occupancy payment has been adjusted to take account of this.

You have a mutual responsibility for certain items common to you and your neighbours, for example communal ground maintenance. Loreburn Housing Association, under the service charge levied, arranges for the maintenance of some communal items on behalf of residents and you will be notified of these if you become a sharing owner.

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## **Staircasing**

You can increase the share you own at any time after you have owned the property for one year or more. Shares are purchased in multiples of 25%, but you can only carry out one additional purchase in any 12 month period. You can decide to buy out Loreburn Housing Association's share at any one time. At each increase, the price you pay for the additional share is set by an independent valuation. The cost of the valuation will be met by the sharing owner and will remain valid for 6 months.

Each time you purchase a further share, which means Loreburn Housing Association's share is decreasing, your occupancy payment is reduced accordingly. Legal fees and survey fees are payable each time you purchase a further share. You can only increase your share of ownership. It is not possible to reduce your share.

## **Reduced Survey Fees**

As a sharing owner, you are responsible for the costs of any new valuation. Loreburn Housing Association has negotiated a fixed valuation survey fee with a local RICS surveying company. The fee is currently £84.00. Each valuation remains valid for a period of 6 months.

## **Moving On**

If you decide to move home, you will have to pay for a Home Report, at a cost of £300, and your own legal fees. There are 3 possible routes regarding selling your home:

- ◆ Loreburn Housing Association buys back your share in order to resell to a sharing owner identified through the Housing List or advertising (this would only happen in exceptional circumstances);
- ◆ Loreburn Housing Association identifies a potential sharing owner from its Housing List, or you identify a suitable prospective sharing owner, and you make a direct sale of your share with Loreburn Housing Association's agreement;
- ◆ Loreburn Housing Association decides not to take up the option to buy back and agrees to join with you in the open market sale of the property.

Whichever of the above option applies, if your home has increased in value by the time you sell, you will receive a share of its increased value after selling costs have been deducted. Just as you would benefit from any increase in the value of the property according to your share, you should be aware that you might be affected by any fall in values.

## **Occupancy Agreement & Deed of Conditions**

If you become a sharing owner, you must sign legal documents. The rights and responsibilities of sharing owners and Loreburn Housing Association are contained in these documents: The Occupancy Agreement and the Deeds of Conditions.

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These are formal documents, which set out the contractual conditions and obligations of all proprietors. They control the arrangements for dealing with payment of occupancy charges, responsibility for communal repairs, individual property maintenance and other related matters.

Although you do not buy the property outright, as a sharing owner you will have the normal rights and responsibilities of a full owner-occupier. If there is any question or dispute between sharing owners and Loreburn Housing Association about rights and responsibilities, then you and your solicitor will need to refer to these documents. Prior to purchasing a shared ownership property, you should seek appropriate guidance on these documents from your solicitor. A model Occupancy Agreement is available on request.

## **Co-operation Agreements With Banks & Building Societies**

The rules, under which Loreburn Housing Association is able to provide shared ownership housing, require us to enter into Co-operation Agreements with your lender. This will usually be the building society or bank, which gives you your mortgage or loan for your share of the property.

The Co-operation Agreement obliges both Loreburn Housing Association and your lender to act together if there are serious arrears of your occupancy payment, mortgage or loan. If for instance a sharing owner keeps up to date with mortgage payments but allows occupancy arrears to build up, we would, as a last resort, inform the lender of the situation. Even if there were no mortgage arrears they would be compelled to act with us in taking action, including legal action, to force a sale or repossess the property. If you have financial difficulties, it is important to contact both your lender and Loreburn Housing Association straight away for advice.

## **Initial Costs**

If you wish to purchase a shared ownership property, it is important that you are aware of both the ongoing costs and the initial costs involved in purchasing a property.

### **◆ Legal Fees:**

If you decide to put an offer in for a shared ownership property, you are required to seek legal advice from a solicitor. In buying a house through shared ownership you will, as in any other form of house purchase, incur legal costs associated with buying a share and finalising the purchase. Your solicitor will be able to give you advice on the level of legal fees and expenses involved. Fees can vary so it is best to ask for an estimate and get quotations from different firms to compare costs. Loreburn Housing Association is not responsible for giving out legal or financial advice to applicants or covering the costs.

### **◆ Mortgage & Valuation Fees:**

In order to purchase a share you must make arrangements financially, such as a mortgage with a bank or building society. Your bank / building society will advise what your monthly repayments will be on the amount of money you intend to borrow. You may also be required to pay for your own independent valuation survey of the property you wish to buy. Loreburn Housing Association cannot refer applicants to preferred mortgage lenders.

### **◆ Removal Costs:**

You will need to consider the costs of removal. These can be quite large if you are moving away from the area in which you currently live.

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## Complaints & Appeals

All applicants and sharing owners have the right to complain if they are unhappy with any aspect of the shared ownership process. We will do everything we can to resolve your complaints informally and to your satisfaction. If you are still unhappy, you have the right to invoke Loreburn Housing Association's formal complaints procedure. A copy of Loreburn Housing Association's Complaints Policy will be made available on request.

## Further Information

As a first step to becoming a sharing owner, please complete the Application for Shared Ownership and return it to one of Loreburn Housing Association's offices detailed below. Your application will be assessed based on the information detailed in this Guide.

By completing the Application and being accepted on the Shared Ownership Housing List, you will be sent details of any Loreburn Housing Association shared ownership properties that are available for sale. When existing shared ownership properties become available for resale, they are advertised to everyone on the List via a monthly circular. Properties will also be advertised on Loreburn Housing Association's website and social media platforms as soon as they become available.

If you wish to have your name removed from the Shared Ownership Housing List please notify Loreburn Housing Association in writing.

**Please Note:** The information contained in this Guidance does not constitute any part of an offer or a contract. Details provided are for information only and may be subject to change.

If you wish to discuss any of the above or need assistance in completing the Application for Shared Ownership, please do not hesitate to contact a member of staff at the offices below.

Loreburn Housing Association  
Huntingdon  
27 Moffat Road  
DUMFRIES  
DG1 1NN  
Tel 01387 321300

Loreburn Housing Association  
29 Hanover Street  
STRANRAER  
DG9 7RX  
Tel 01776 705479

Email: [Customerservice@Loreburn.org.uk](mailto:Customerservice@Loreburn.org.uk)

Website: [www.Loreburn.org.uk](http://www.Loreburn.org.uk)

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