



NORTH STAR

Creating homes, building futures

Right to Shared Ownership



What is the right to shared ownership scheme?

This government scheme is for customers who are renting a home delivered through the Affordable Homes Programme 2021-2026.

The government has introduced the right to shared ownership for many people renting social housing who live in a new home delivered through the Affordable Homes Programme 2021-2026. It will enable them to move from a rented tenure to shared ownership if they choose.

Certain homes are exempt from the Right to Shared Ownership, including:

- specialist homes for older, disabled or vulnerable people
- homes built in remote rural areas

For those eligible, you'll be able to buy a share in your home (between 10% and 75%), helping you to get on the property ladder.

Am I eligible for the right to shared ownership scheme?

To be eligible, you need to have been a North Star tenant in a new home built from 2021 as part of the Affordable Homes Programme 2021-2026. Homes funded through other sources will not have the Right to Shared ownership. North Star will be able to advise you if your home is eligible.

You probably have the Right to Shared Ownership if you meet all the following criteria:

- you are over 18 years old
- you live in a home where the Right to Shared Ownership applies
- you have been living in your current home for at least 12 months
- you have been a tenant of a home for Social Rent or Affordable Rent for at least three years (this need not have been with the same landlord, or for three years in a row)
- you are not in rent arrears
- you are not subject to legal proceedings (e.g. a notice of seeking possession has been served) or court order for possession of your home including on the grounds of anti-social behaviour
- you are not subject to bankruptcy proceedings or unfulfilled credit arrangements
- you meet the Shared Ownership eligibility requirements, including the income requirement (currently an annual gross



household income of £80,000 or less), and do not already own a property

- you are unable otherwise to purchase a home suitable to meet your housing needs on the open market
- you satisfy immigration requirements
- In the case of joint applications, all applicants must either be tenants or family members who have lived in the property for 12 months prior to purchase. All applicants who join the application must be party to the purchase at completion.

How does it work?

Eligible residents will be able to buy an initial share of their home worth between 10% and 75% of its full market value, either in cash or through a mortgage, through a Shared Ownership lease agreement.

You will pay rent to North Star on the rest and service charges, for example towards the maintenance of communal areas, if applicable.

As times goes on, you can buy more shares when you can afford it, gradually increasing the percentage you own - this is known as “staircasing”.

How does staircasing work?

You can buy shares until you own a 100% share of the property. There are two ways to do this:

- gradual staircasing - buying shares of 1% each year
- standard staircasing - buying shares of 5% or more when you are able to

Gradual staircasing - buying shares of 1%

You can buy a 1% share each year for the first 15 years after you become a shared owner. You cannot buy shares of 2%, 3% or 4%. The price of a 1% share will be based on the original price of your home, increased or decreased in line with the House Price Index (HPI).

Your landlord will give you a HPI valuation at least once a year or whenever you ask to buy a 1% share. You cannot roll over unused options to buy 1% shares to future years. You may also need to pay some legal fees to have your lease agreement amended to reflect the size of the percentage owned and administration fees to North Star.

Standard staircasing - buying shares of 5% or more

You can usually buy additional shares at any time if you are increasing your stake by 5% or more. This is called ‘standard staircasing’.

The cost of your new share will depend on how much your home is worth when you want to buy the share. Standard staircasing will also involve other fees as you will have to pay

to have your home valued and any legal fees involved in the purchase including having your lease agreement amended to reflect the new percentage owned.

The Costs of Buying

In addition to paying the costs to buy a percentage of your home, there are other costs that you must meet.

- Rent on the percentage of your home that you have not bought yet. It is important that rent and any other obligations in your lease are kept up to date to prevent court action which could terminate your lease and risk losing the equity you have in your home.
- Mortgage payments – unless you are buying your equity share in cash, you will have monthly mortgage payments.
- Service charges that could be due for maintenance of communal areas.
- Building Insurance – North Star have responsibility for insuring the building under the lease agreement and this will be included in the service charge.
- Stamp Duty Land Tax (SDLT) - You may be required to pay SDLT when purchasing your equity stake in your home using the Right to Shared Ownership. If required, there are 2 ways you can pay SDLT:
 - Make a one-off payment based on the total market value of your home
 - Pay any SDLT due in stages.

If you decide to make a one-off payment up front, this is known as making a 'market value election' for SDLT. If you choose to pay SDLT in stages, you pay anything that's due on the first sale amount. But then you don't make any further payments until you have acquired an equity stake of more than 80% in your home.

Maintenance of your home

Depending on how old your home is, North Star may be required to support you with the cost of repairs and maintenance for a time-limited period, known as the 'Initial Repair Period'.

The Initial Repair Period covers repairs and maintenance to things like:

- the external fabric of the building and structural repairs to walls, floors, ceiling and stairs inside the home
- installations inside the home for the supply of water, gas and electricity and for sanitation, pipes and drainage.



The Initial Repair Period lasts for 10 years from the date the home was physically completed by the developers and available to live in. This means that the Initial Repair Period reduces in length as the age of your home increases until the property is ten years old. Other maintenance would be your responsibility.

How do I apply?

Contact North Star to register your interest in using the Right to Shared ownership. We will then check if your home is eligible or not and reply to you within four weeks of your enquiry. If it is not eligible, we will explain the reason why.

If your home is eligible, we will send you a Right to Shared Ownership application form. When you return the form, we will complete full eligibility checks and set up an appointment with you to go through the details of how shared ownership works. We will arrange for your home to be valued using an independent Chartered Surveyor.

The next stage is an affordability assessment to work out the size of the equity stake in your home is affordable. North Star will refer you to a regulated independent financial advisor to complete the assessment.

Once these steps have been successfully completed, North Star will send you an offer notice with detail on the value, initial equity stake, rent payable on the share not purchased and lease details. You then have four weeks from the offer to decide if you wish to accept it and go ahead with the shared ownership.

If you decide to go ahead you will need to have a mortgage offer in place, if applicable, and appoint a solicitor to deal with the shared ownership sale on your behalf.

Links to further information:

<https://www.gov.uk/government/publications/right-to-shared-ownership-a-guide-for-tenants>

<https://www.gov.uk/right-to-shared-ownership/how-to-apply>

For further information, get in touch:

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