First Garden Cities Homes
Pioneer House, Norton Way South
Letchworth Garden City, Hertfordshire SG6 1NY

Key information about shared ownership

The information in this document is for the **standard shared ownership model**. There are variations of shared ownership which have different features. For more information on the variations, see the 'Key information about the home' document.

When you are looking for shared ownership homes, you should always check the key information document to see which model covers that specific home.

When you buy a home through shared ownership, you enter into a shared ownership lease. The lease is a legal agreement between you (the 'leaseholder') and the landlord. It sets out the rights and responsibilities of both parties.

Before committing to buy a shared ownership property, you should ensure you take independent legal and financial advice.

This key information document is to help you decide if shared ownership is right for you. You should read this document carefully so that you understand what you are buying, and then keep it safe for future reference.

It does not form part of the lease. You should carefully consider the information and the accompanying lease and discuss any issues with your legal adviser before signing the lease.

Failure to pay your rent, service charge, or mortgage could mean your home is at risk of repossession.

The costs in this document are the costs as at the date issued. These will increase (typically on an annual basis) and you should take financial advice on whether this will be sustainable for you.

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1. How shared ownership works

1.1 You pay for a percentage share of the market value of a home. You enter into a lease agreement with the landlord and agree to pay rent to the landlord on the remaining share.

1.2 You can buy more shares in your home, which is known as ‘staircasing’. This is covered in section 6, ‘Buying more shares’.

1.3 When you buy more shares in your home, the rent you pay goes down in proportion to the landlord's remaining share.

1.4 You can rent out a room in the home, but you must live there at the same time.

1.5 You cannot sublet (rent out) your entire home unless you either:

- own a 100% share; or
- have your landlord's permission which they will only give in exceptional circumstances

and

- have your mortgage lender’s permission if you have a mortgage

An example of an exceptional circumstance for sub-letting is if you're a serving member of the armed forces, and you're required to serve away from the area where you live for a fixed period.

2 Lease

2.1 All shared ownership homes are sold as leasehold, even houses. This is because you only pay for part of the market value up front, and the landlord has an interest in the remaining share.

2.2 You are buying a long leasehold interest in the home but only paying for part of the market value. The length of the lease is stated in the ‘Key information about the home’ document.

2.3 Information included within your lease:

2.3.1 A description of the home, including its boundaries.

2.3.2 Your responsibilities as a leaseholder, such as repairs and maintenance, and your landlord's responsibilities, such as buildings insurance. For more information on repairs, see section 5, ‘Maintaining and living in the home’.

2.3.3 Details of any restrictions or obligations.

2.3.4 The lease start date.

2.3.5 The share that you have bought.

2.3.6 The amount of rent you must pay, together with any other amounts due under the lease.

2.3.7 How the landlord will review your rent.

2.3.8 The method by which you can buy additional shares to own more of your home in the future (staircasing).

2.3.9 The method by which you can move home, either by selling your share or selling the whole home.

2.4 As the lease is a legally binding contract, review it carefully with your legal adviser. It's important that you make sure that you understand the lease before you sign it. Your legal adviser will provide you with a copy of the lease.

2.5 Lease extensions

2.5.1 Shared owners who own less than 100% of their home do not currently have a legal right to extend their lease term.

2.5.2 You'll need to contact your landlord before you buy to confirm their lease extension policy and what rules they have for shared owners who want to extend. There will be costs associated with a lease extension that you need to be aware of. The length of your lease can affect the value of your home. Usually you can extend your lease, but this can be expensive.

2.5.3 You may need to extend the term of your lease as a short lease can make it more difficult to sell or get a mortgage on the home. A short lease is generally considered as one with 80 years or less left on the term, although different lenders have different criteria. It can be significantly more expensive to extend a short lease.

2.5.4 Before you buy a property, you should ask your legal adviser about your lease and the implications that has for you now and in the future.

2.5.5 Your landlord may not own the freehold which may limit the lease extension length they can provide you with.

2.5.6 You should ask your landlord the terms on which they will allow shared owners to extend their leases. You should check how they apportion costs relating to this.

2.5.7 Extending a lease can be expensive. Costs to consider are:

- The “premium”. This is the amount of money charged for increasing the lease length. Some landlords may charge the full amount whilst others link this to the share owned. Where the landlord is not the freeholder, they may need to pay a “premium” to the freeholder in order to extend their own lease.

- Valuation costs. In order to find out the “premium” a specialist valuation will need to be carried out. Your landlord should be able to give you an indication of the cost but this may change in the future.

- Legal costs. You and your landlord will need to take legal advice. Your landlord may require you to pay their legal costs in addition to their own.

2.6 100% ownership

2.6.1 See ‘Transfer of freehold’ in the ‘Key information about the home’ document to find out what will happen once you own 100% of your home.

2.6.2 When you reach 100% ownership of a shared ownership house, in most cases the freehold will transfer to you, and the shared ownership lease falls away. When you reach 100% ownership of a shared ownership flat, your lease will normally continue but certain clauses will no longer apply. Your lease will set out which clauses fall away at 100% ownership.

2.6.3 Your landlord will not charge you for the transfers described above, but there may be charges payable to third parties on reaching 100% ownership. For example, Land Registry fees to register the change in ownership or notice fees to third parties such as estate management companies.

2.6.4 You may need to enter into direct agreements with third parties such as estate management companies on 100% ownership.

2.6.5 Your legal adviser should advise you on any of the above which apply to your home.

3 Rent

3.1 Under a shared ownership lease, you only pay for part of the market value up front, and you agree to pay rent on the remaining share to the landlord.

3.2 The total rent to pay at the start of the lease is based on the percentage of the remaining share of the market value you did not pay for. This percentage is noted in the ‘Summary of costs' document. If you buy more shares in your home, the rent will go down.

3.3 The rent is reviewed on each Review Date whether or not you will have owned the property for a year at the date of the first Review Date. The Review Date is set out in the 'Summary of costs' document and in your lease.

Your rent will increase when it is reviewed. It will not go down even if the Retail Prices Index (RPI) has fallen. Your actual rent increase will be calculated each year based on the RPI increase and additional percentage set out in your lease. Your landlord will notify you each year what this amount will be.

3.4 Your lease will include the dates used for calculating the increase in RPI. For more information see the 'Rent Review Period' and 'Rent Increase' sections in the 'Summary of Costs' document. A worked example demonstrating how the rent is calculated at review is also set out in Appendix 2 of the lease.

3.5 Your landlord may be entitled to terminate the lease and to make you leave the home if you:

- do not pay the rent;
- do not observe and perform your obligations in the lease.

The landlord would need a court order to terminate the lease. There are set rules on what grounds can be used to make an application for a court order.

If the landlord terminates the lease, you may lose any equity in the home you had bought. You could also lose any deposit or monies you have contributed towards the purchase of your home.

If action is needed for non-payment of rent or breach of another obligation in the lease, the landlord will be obliged to make your mortgage lender aware of this. The mortgage lender may take their own action as they feel is appropriate.

3.6 When you complete (the day you buy your home), you will need to pay these costs for the rest of the month and possibly for the following month:

- rent
- service charge (where applicable)
- estate charge (where applicable)
- buildings insurance
- reserve fund (also known as 'sinking fund') payment (where applicable)
- management fee (where applicable)

Remember to plan for these amounts when you work out how much money you need for completion. You will receive a completion statement that explains what you need to do. Your legal adviser will go through it with you.For more

information on what these costs are for, see 'Your monthly payments to the landlord' in the 'Summary of costs' document.

4 Other costs

4.1 You'll need to make monthly payments to the landlord for the:

- rent
- service charge (where applicable)
- estate charge (where applicable)
- buildings insurance
- reserve fund (also known as 'sinking fund') payment (where applicable)
- management fee (where applicable)

There is more information on the GOV.UK website about service charges and other expenses. You can ask your landlord to provide a summary showing how the charge is worked out and what it is spent on.

Please see 'Monthly payments to Landlord' In the 'Summary of Costs' document

4.2 You'll need to budget for your other monthly costs, which may include:

- mortgage repayment
- contents insurance
- Council Tax
- gas and electricity
- water

4.3 You may need to pay a reservation fee to secure your home. When you pay the fee, no one else will be able to reserve the home. Your landlord may have a policy on how long they will reserve a property before exchange of contracts. See the 'Reservation fee' section in the 'Key information about the home' document.

If you proceed to buy the home, the fee will be taken off the final amount you pay on completion.

4.4 You'll need to pay a deposit towards your purchase:

- check with your legal adviser when you need to pay the deposit
- check with your mortgage adviser when your first mortgage payment is

due after completion

4.5 You'll need to pay for your contents insurance. You'll need to arrange this yourself before completion.

4.6 The landlord is responsible for the buildings insurance while you are a shared owner. This applies to both houses and flats.

If you reach 100% ownership and remain a leaseholder, you'll continue to pay the landlord for buildings insurance.

If you reach 100% ownership and become the freeholder, you'll need to arrange buildings insurance yourself.

To find out which of these apply, see the 'Maximum share you can own' section in the 'Key information about the home' document.

4.7 You'll need to pay your own legal adviser's fees and any associated purchase costs. You can expect to pay fees including:

- legal services fee
- search costs
- banking charges
- Land Registry fee
- document pack fee
- management agent consent fee - subject to development and terms of the management company

Legal adviser's fees can vary. Your legal adviser should confirm what the fees cover and the cost when you instruct them to act on your behalf.

4.8 You may have to pay Stamp Duty Land Tax (SDLT) depending on your circumstances and the home's market value. Discuss this with your legal adviser. There is more guidance on the GOV.UK website:

- Stamp Duty Land Tax and shared ownership property
- Calculate Stamp Duty Land Tax (SDLT)

4.9 Remember to plan for these amounts when you work out how much money you need for completion. You will receive the following documents from your legal adviser:

- an initial quote for the costs involved
- a completion statement after exchange of contracts, which describes the

actual costs

Your legal adviser will go through these documents with you.

5 Maintaining and living in the home

This section describes the responsibilities for repairs and maintenance and who pays the costs.

5.1 As the leaseholder, you are responsible for keeping the home in good condition.

5.2 You are responsible for the cost of repairs and maintenance of the home. This means you will pay 100% of the costs no matter what share you own. This includes all of the costs set out in 'Monthly payments to your landlord' in the 'Summary of costs' document.

5.3 The landlord is not responsible for carrying out refurbishment or decorations. For example, replacing kitchens or bathrooms.

5.4 You are responsible for arranging and paying for a boiler service every year. The service must be carried out by an engineer on the Gas Safe Register.

5.5 Decoration and home improvements

5.5.1 You can paint, decorate and refurbish the home as you wish. For new-build homes, it's better to not decorate for the first year though. This gives building materials like timber and plaster time to dry out and settle.

5.5.2 If you want to make any structural changes to your home, check with your landlord first to see if you need permission.

5.5.3 You'll need to check with your landlord what counts as a home improvement and get permission before you carry out these works.

5.5.4 Home improvements may increase or decrease the market value of your home. How this affects you is covered in more detail in section 6, 'Buying more shares'.

5.6 Responsibilities for maintaining the building

5.6.1 For new-build homes, the building warranty will cover the cost of structural repairs (typically for the first 10 or 12 years). You'll need to check with the landlord who the building warranty provider is. You are also likely to benefit from a defects liability period (see 5.6.5 below).

5.6.2 For flats, the building owner (typically the landlord) will arrange external and structural repairs required. The cost will be divided between you and the other flat owners in the building if the reserve fund does not cover the cost. Check with your legal adviser to confirm what is in your lease.

5.6.3 If you buy a home through a shared ownership resale, any remaining period on the building warranty will transfer to you.

5.6.4 The service charge covers the items described in the 'Summary of costs' document. The landlord can use the service charge to pay for external and structural repairs unless they are covered by the repairs reserve fund.

You have the right to be consulted about charges for running or maintaining the building if you have to pay more than:

- £250 for planned work
- £100 per year for work and services lasting more than 12 months

There are steps your landlord must follow when they consult you, known as a 'Section 20' consultation.

5.6.5 New-build homes have a defects liability period. This usually lasts for around 12 months after build completion, but it can vary depending on the contract. Check with your landlord what period applies to this home. During this period, the contractor must put right at their own expense any defects or faults which arise. For example, from defective materials or faulty workmanship. You should ask your landlord for information about the defects liability period.

5.7 Repairs reserve fund

5.7.1 If there is a reserve fund (also known as 'sinking fund'), you will need to pay into the fund. The fund covers major works, like replacing the roof. There are rules about how landlords must manage these funds. You will not usually be able to get back from the landlord any money you pay into this fund if you move home, even if there have been no eligible works carried out while you lived in your home.

5.7.2 Refer to your 'Summary of costs' document to check if there is a reserve fund payment. Your landlord can provide you with further information on how they have calculated this payment, and what it will cover.

6 Buying more shares

6.1 You can buy more shares in your home. This is known as 'staircasing'.

6.2 If you buy more shares in your home, the rent will go down.

6.3 Where you require legal advice when buying more shares, you are responsible for paying your own legal fees. Your mortgage lender will require you to instruct a suitably qualified legal adviser if you are borrowing money to fund any purchase of additional shares. The landlord is responsible for paying their own legal fees related to share purchase transactions.

6.4 It is advisable to take independent legal and financial advice before buying more shares to be clear on your options. For example, you might need to pay Stamp Duty Land Tax (SDLT) on these purchases.

6.5 You can buy additional shares of 10% or more at any time.

6.6 You'll need to know your home's market value. You'll need to pay for a valuation by a surveyor who is registered with the Royal Institution of Chartered Surveyors (RICS). The responsibility for who arranges the valuation (you or the landlord) is in the 'Home valuation' section of the 'Summary of costs' document. You can find a registered surveyor on the RICS website.

6.7 The landlord may charge an administration fee each time you buy more shares. The fee is stated in the 'Summary of costs' document.

6.8 You will need to have your landlord's permission to make home improvements.

6.8.1 If you have made home improvements, then your home valuation should show two amounts:

- the current market value - this is the home's value including any increase because of home improvements
- the unimproved value - this is the home's value excluding the value added by any approved home improvements carried out

6.8.2 The price for additional shares is based on the unimproved value.

7 Selling your home

7.1 You can sell your home at any time.

7.2 If you do not own 100% of your home, you must inform your landlord when you intend to sell your share.

7.3 If you do own 100% of your home, you can sell it on the open market. For example, through an estate agent. In some circumstances, you may need to inform third parties about your intention to sell. Your legal adviser will tell you if this is the case.

7.4 Landlord's nomination period

7.4.1 When you give the landlord notice that you intend to sell your share in your home, the landlord has a period of time to find a buyer. This is called a nomination period, and it is specified in the 'Key information about the home' document. The landlord may offer to buy back your share, but only in exceptional circumstances and if they have funds available.

7.4.2 If the landlord does not find a buyer within the nomination period, you can sell your home yourself on the open market. For example, through an estate agent. If you sell on the open market, you can either:

- Find a buyer for your share. The buyer would need to be approved by your landlord
- Sell 100% of your home. In order to do this, you would purchase the remaining shares in your home and then immediately sell the 100% ownership to your buyer. The transactions happen simultaneously so the money for the staircasing purchase comes from your buyer. This is known as "back-to-back" staircasing

7.4.3 There are certain limited circumstances where the landlord's nomination period does not apply. These include the death of a leaseholder or if a court order requires you to transfer your ownership. You should ask your legal adviser if you think these circumstances may apply. The landlord's nomination period also does not apply once you own 100% of your home.

7.4.4 If your landlord finds a buyer during their nomination period, the price will be at the current market value of your share of the home based on a RICS valuation.

7.4.5 If you sell your share on the open market, without first following the landlord nomination process set out in your lease, your landlord may require the new owner to make an additional payment and complete final staircasing.

7.5 Selling fees and costs

7.5.1 The landlord may charge you a fee when you sell your home. The cost is stated in the 'Summary of costs' document.

7.5.2 You are responsible for seeking legal advice when you sell your home. You will need to pay your legal fees.

7.6 Valuations

7.6.1 The sale price of your home is based on a RICS valuation. Further info can be found on the RICS website.

7.6.2 For information on who is responsible for arranging and paying for the RICS valuation, see the 'Summary of costs' document.

7.6.3 Once the nominations period has ended, the lease does not specify a maximum or minimum price for resale. If you have not reached 100% ownership, your landlord will be asked to approve your buyer's mortgage. This approval may not be given if the purchase price is not supported by a RICS valuation confirming the current market value of your home.

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Useful links

- Service charges and other expenses (GOV.UK) https://www.gov.uk/leasehold-property/service-charges-and-other-expenses
- Service charges and other issues (Leasehold Advisory Service) https://www.lease-advice.org/advice-guide/service-charges-other-issues/
- A guide to mortgage fees and costs (Money Advice Service) https://www.moneyadviceservice.org.uk/en/articles/mortgage-related-fees-and-costs-at-a-glance
- UK House Price Index (Land Registry) https://landregistry.data.gov.uk/app/ukhpi
- Retail Prices Index percentage change over 12-month period (Office for National Statistics) https://www.ons.gov.uk/economy/inflationandpriceindices/timeseries/czbh/mm23
- RICS
  RICS website