



Rhanberchnogaeth
Cymru
Shared Ownership
Wales

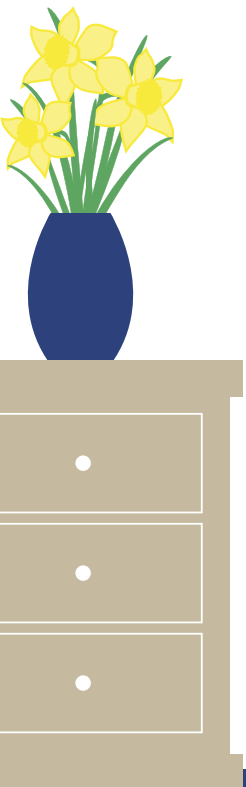


Llywodraeth Cymru
Welsh Government

Shared Ownership – Wales

Staircase Process – Guidance Note

www.gov.wales/sharedownership



As a shared ownership leaseholder you can buy further shares in your home when you can afford to, this process is known as ‘Staircasing’.

Staircasing enables you to own a greater proportion of your home. The greater the share in your home the less rent you will pay. If you Staircase to 100% ownership you become an outright owner,

and will no longer have to pay rent to your Housing Association. You may still have to pay a service charge and/or ground rent depending on the type of property you own and the type of services provided to you.



When can I Staircase and by how much?

You can Staircase up at any time, however, must buy a minimum share of at least 10% in each staircasing step. The maximum share you can purchase in each step is 25%.

You are permitted to purchase more than one step at one time, e.g. 40% to 80%.

In addition, leaseholders can Staircase to 100% and sell on to a third party simultaneously. For further information, please contact your Housing Association.

Can I afford to Staircase?

Before you make a formal application to purchase a further share of your property it is important to consider the costs associated with staircasing at the beginning of the process.

You may wish to speak with your current lender who will assess your current mortgage terms and advise you whether or not to borrow additional funds on your existing mortgage in order to own a larger share of your property. Your lender may charge a fee for this service.

You may also want to contact a new lender directly and find out if it would be better to take out a new mortgage loan with them (paying off your current lender as part of the process) to achieve a better interest rate; this process is called Re-mortgaging.

The new lender will assess your financial circumstances and issue a mortgage promise. This is not a formal mortgage offer, but gives you an idea as to whether or not you are able to purchase a further share and an approximate idea as to what the repayment terms will be without having to formally commit to the new mortgage.

When re-mortgaging it is important to check with your current lender first to ensure that there are no penalty charges for early repayment.

Another option to consider when weighing up your financial position is to contact an Independent Financial Advisor who will assess your financial circumstances, before searching across a number of lenders who specialise in Shared Ownership mortgages to find the right mortgage for you.

What happens when I apply to Staircase?

Once you have had confirmation that you are able to purchase a further share in your home, you will need to speak to your Housing Association and pay them a sum to cover the cost of an independent valuation of your home. Upon receipt of the monies they can instruct a surveyor to provide you with an independent valuation of your home.

How is the market value of my property assessed?

The market value of the property will be assessed as set out in the section below.

The market value of the property as a whole is used to calculate the additional percentage acquired during the staircasing process.

Improvements made to the property may increase the market value of the property however the value of any significant improvements will be deducted from the staircasing value save where the value of the nature of the works are such that they will depreciate over time and the works have been completed over 3 years ago, such as installation of a new fitted kitchen or bathroom.

Whether you will be permitted to undertake any improvements will however be subject to the following and compliance with the terms of your lease (see clause entitled 'Not to Alter'):

- You will be authorised to carry out small DIY jobs to make your home more comfortable, such as laying new carpets and painting walls, subject to you obtaining the Landlord's prior written consent. The value of such works will not be discounted from the staircasing value.
- You are authorised to undertake works of general up-keeping and maintaining of gardens, fence panels, boilers and fitted wardrobes for example in accordance with the terms of your lease. The value of such works will not be discounted from the staircasing value.
- As the value of our loan is directly linked to the value of the property, significant and/or structural repairs and improvements are not permitted even though they may increase the market value of the property.

These will include works such as:

- a. loft conversions,
- b. extensions,
- c. conservatories, and
- d. change to the floor plan/layout of the property.

Your Housing Association will ensure that the above guidelines are adhered to.

Definition of market value

The definition of market value means the price (established in accordance with current RICS Valuation Standards) at which the sale of the property would have been completed unconditionally for cash

consideration on the date at which the property is valued on an arms length sale in the open market disregarding:

- i. Any property improvements other than decorative improvements made to the property by you with the written consent of your Housing Association.
- ii. The existing first charge over the property in favour of your mortgage lender.
- iii. Any tenancy and/or any other right of occupation affecting the property.
- iv. Any additional bid by a purchaser with a special interest.

But assuming:

- v. A willing seller and a willing buyer.
- vi. That prior to the date at which the property is valued the property has been fully exposed to the market and there has been a reasonable period (having regard to the state of the market) for the proper marketing of the property and for the agreement of the price and terms and for the completion of sale.
- vii. If the property or any part of it has been destroyed or damaged it has been fully restored.
- viii. The property is accessible and in good repair and condition, well maintained and decorated as at the date at which the property is valued and any garden of the same has been properly maintained and stocked with plants and that any integral kitchen appliances (including without limitation any dishwasher and/or washing machine) are in good mechanical order.
- ix. That both parties to the transaction have acted knowledgeably, prudently and without compulsion.

- x. That all covenants contained in your mortgage have been complied with.
- xi. That the property will be vacant upon the completion of any disposal of the property.

What happens with the valuation report?

Your Housing Association will provide you with a copy of the valuation report. You will normally have 3 months from the date of the valuation to complete your staircasing purchase. If you do not complete your transaction within this time frame you will normally have to obtain confirmation from the surveyor that the valuation period is still valid.

All valuations will be:

- dated and signed by the valuer
- contain the RICS registration number of the valuer in the report.

If you are unhappy with your valuation then there are procedures in place which are detailed in your lease. Please note this may incur additional costs.

Your Housing Association will also forward you a letter documenting the staircasing details. The letter will also contain the 'Request to Proceed' Form; which you

will need to complete with your solicitor's details and the percentage you wish to Staircase by, in order to formally proceed with the staircasing transaction.

Please be advised that at this stage you are formally confirming that you wish to proceed with staircasing and, as such, your solicitor and your Housing Association's solicitor may charge an abortive fee should you withdraw from the transaction at any stage.

The amount you will have to pay is based on the current market value of your property.

To help explain this we have produced an example below which shows what extra shares would cost if the value of your property fell, increased, decreased or stayed the same.

Staircasing Calculator

Within this example, we are assuming:

- You originally purchased 40% of your home and that you wish to buy a further 60%. We have then looked at what the extra shares would cost in a rising market where prices have gone up by 10%.
- Where prices have not changed.
- Where prices have gone down by 10%.

1. Property value 10% increase:	
Original value	£200,000 + 10% increase in property market £200,000 + £20,000 (10%) = £220,000
Current % share	40% (£88,000)
Share available to purchase	60% (£132,000)

£132,000 is the price payable to your Housing Association for the additional 60% share.

2. Property value remains the same:

Original value	£200,000
Current % share	40% (£80,000)
Share available to purchase	60% (£120,000)

£120,000 is the price payable to your Housing Association for the additional 60% share.

3. Property value 10% decrease:

Original value	£200,000 – 10% increase in property market £200,000 – £20,000 (10%) = £180,000
Current % share	40% (£72,000)
Share available to purchase	60% (£108,000)

£108,000 is the price payable to your Housing Association for the additional 60% share.

What happens when I purchase 100% of the property?

When you have purchased 100% of a house, the freehold of the property will normally revert to you and we will ensure that freehold title is transferred into your name. The lease that you originally signed then ceases to exist. At this point no rent is payable and you should arrange your own building insurance.

However, if the property you are purchasing is a flat, then you will continue to remain a leaseholder and will be responsible for paying a ground rent and most likely a service charge (which will include a contribution towards the cost incurred by the Housing Association in insuring the building of which the flat forms part).

Staircasing is a legal process and therefore your Housing Association's solicitor will liaise with your solicitor to ensure all legal documentation is complete before agreeing a completion date. They will also arrange for the payment of your staircasing premium to be paid to your Housing Association along with any arrears that are outstanding on your rent and service charge account at the time of staircasing.

Following completion your solicitor is responsible for contacting the Land Registry and making any necessary amendments to the legal documents held.

You are at risk of losing your home should you fail to keep up your mortgage and service charge payments.

Staircasing: Request to Proceed Form

Name(s):

Address:

Telephone No:

Serve notice upon

that I/We wish to Staircase our ownership of the above property to %

I/We understand our responsibility to meet the valuation cost and that

should be instructed to carry out a valuation report on the property.

The cost for the valuation is £ (plus vat).

Any additional cost of the valuation will be paid by us upon production of the valuer's

invoice by and we

understand that any overpayment will be refunded by

upon receipt of the report.

The following authorised improvements have been carried out on the property, which the valuer should take into consideration for the purposes of his report.

Improvements:

The Valuer can contact me/us on the following telephone number(s) to arrange their visit:

My/our Solicitor's Name & Address is:

We understand that this valuation is binding on both the Housing Association and I/us.

Signed:

Dated:

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.