



firstxtra
financial services

Shared ownership guide



SHARED OWNERSHIP GUIDE

Buying a home should be one of the happiest and most exciting times of your life. However, it can also end up being stressful and overwhelming.

It can be difficult to know where to begin. That's why we've put together a useful guide that will explain everything you need to know when looking to buy a shared ownership home.

At Firstxtra, our friendly team are here to help you every step of the way and make things as stress free as possible.

WHAT IS SHARED OWNERSHIP?

Also known as 'part buy, part rent', shared ownership is a scheme that allows you to buy a share of a property and pay rent on the rest.

You buy a stake of between 25% and 75% from a housing association, registered social landlord, local authority or independent provider and pay up to 3% on the remaining share.

It's designed to help people with small deposits and lower incomes get on the property ladder.

In short, you pay for the part you can afford, and the shared ownership partner will pay for the rest.

They then charge you rent on their portion, which is usually less than the rent you'd pay on the open market.

WHO IS ELIGIBLE?

There is usually set criteria you must meet if you wish to purchase a shared ownership mortgage. You will only be eligible if:

- You are over the age of 18 years old
- You don't have any existing properties that you are looking to keep
- Your income is less than £80,000 outside of London or less than £90,000 in London

WHAT ARE THE BENEFITS OF SHARED OWNERSHIP?

Shared ownership option can be a great opportunity for people to get on the housing ladder without the need for a large deposit or a large mortgage.

In most cases you will need a minimum of 5% of the share that you are purchasing and the share you can usually buy is between 25% and 75%.

One of the big advantages is you are buying your own property and your mortgage payments are going to reduce your mortgage debt over time.

You can also purchase further shares of the property as and when your finances allow you to.

In addition, you can also purchase a new build home or an existing resale home using shared ownership.

WHAT IS A MORTGAGE?

A mortgage is a loan taken out to buy a property (or in some cases, land). The majority of mortgages are for 25 years, but the term can be shorter, or longer.

In most cases, before you're able to get a mortgage, you'll need to save up to 5% or more of the property price as a deposit and borrow the rest from a lender such as a bank or building society.

The loan is 'secured' against the value of your home until it's paid off.

If you can't keep up your repayments, the lender can repossess your home and sell it so they can get their money back.

Paying your mortgage isn't really any different from paying rent, but instead of paying a landlord, you give your money to a lender and once the debt is all paid off, with interest, the home is yours.



HOW CAN I GIVE MYSELF THE BEST CHANCE OF GETTING ONE?

Register with the relevant Help to Buy agent

This will only take around 10 minutes and will confirm if you are eligible for the scheme.

Get a free credit check

A credit score gives you an indication of your credit health. Most lenders use this score as one of the factors to decide whether to offer you products such as credit cards, loans and mortgages. You can easily check your credit score online for free in just a few minutes.

Plan ahead

When you apply for a mortgage, lenders will look at your income and outgoings. To prove your income you usually need to show pay slips and bank statements from the last three months.

If you're self-employed, you'll need copies of your tax returns and business accounts. Planning ahead and getting everything ready can save you a lot of time and stress in the long run.

Cut back on spending

Got a gym membership you don't use but you're still paying for? Or do you maybe splash out on a couple of takeaways a week?

We're not suggesting you don't treat yourself, but looking at your finances and identifying where you could cut back could help save you thousands of pounds a year and give you a bigger deposit.

Make sure you're on the electoral roll

If your name isn't on there, you'll find it much harder to get credit and may come into difficulty when it comes to getting a mortgage. Go to The Electoral Commission to find out how to register.

WHAT OTHER COSTS DO I NEED TO CONSIDER?

When it comes to buying a home, it is important to remember that it isn't just the deposit you need to pay for. There are also a number of additional costs to consider too.

Here are some of the main ones that you need to be aware of:

Stamp Duty

You must pay Stamp Duty Land Tax (SDLT) if you buy a property or land over a certain price in England and Northern Ireland. How much you pay depends on the value of the property.

Usually, there is no stamp duty to pay on the first £125,000. You'll pay 2% on the value between £125,000.01 and £250,000 and 5% on the next £675,000 (between £250,000.01 and £925,000).

You can find out more about stamp duty on the UK government website.

Legal fees

A solicitor or licensed conveyancer will carry out all the legal work when it comes to buying and selling your home. Fees can range from £850 and run into the thousands.

Valuation fees

During a valuation, the mortgage lender will look at the value of the property to work out how much they are prepared to lend you. The cost for this varies depending on the lender and property value, but as a rough estimate it can cost anywhere between £250 and £1,500.

Removal costs

Hiring a company to move your belongings can cost hundreds and depending on how much you have and how far you're moving, sometimes thousands. The price will depend on the size of the property and if you want them to pack and/or unpack for you too. If you want to save yourself some money, you could hire a van and ask family and friends to help you.

Mortgage broker fees

A Mortgage broker/lender manages your entire mortgage application, from start to finish. They are charged for the services they provide, so it's best to check how much this is likely to be.

Reservation fee

When you find a home that you want to buy, you'll usually need to pay a reservation fee of up to £500 with the Housing Association.

This makes sure that no one else can reserve the home for a fixed period of time. If you do not proceed in purchasing the property you will not normally receive a refund of this fee.

WHAT TYPE OF INSURANCE DO I NEED?

Getting the right type of insurance is vital as it can help protect you – and your property – when things don't go to plan or when something serious happens.

Buildings insurance

While it's not a legal requirement, most mortgage lenders require you to have buildings insurance in place when you exchange contracts.

It's the minimum level of insurance required by most lenders and as a result, your chances of getting a mortgage without it are slim.

Buildings insurance covers the cost of rebuilding your home if it's damaged or destroyed.

Garages, sheds and fences are also covered, as is the cost of replacing items such as pipes, cables and drains.

Contents insurance

Contents insurance covers your possessions in the event of theft, loss or damage, including natural disasters, fires or flooding.

It's separate to home insurance, which covers the building you live in, including fixtures and fittings.

It may be cheaper to buy buildings and contents insurance together – but you can also purchase them separately.

Life Insurance

You don't need life insurance to get a mortgage, but it may well be something you'd like to consider, particularly if you have someone who relies on you financially.

Life insurance can offer the comfort of knowing your family or loved ones will be taken care of if the worst happens.

It may mean your mortgage can be paid off without having to leave this responsibility to your family, or risk them having to sell the property and move.

The amount of cover you need will depend on the size of your mortgage and the type of mortgage you have.

Terms and conditions vary from lender to lender, so make sure you check with whoever you're taking your policy out with what's covered and what isn't.

Income protection insurance

Income protection insurance helps ensure that your monthly payments are covered if for any reason you're unable to work due to sickness or injury.



HOW MUCH DEPOSIT DO I NEED?

Saving up enough money for a deposit can often be the biggest hurdle that stops people being able to buy their first home.

However, there are many options available now, such as the Shared Ownership scheme, which means owning a property might not be as far out of your reach as you think.

Generally speaking, you need to try to save at least 5% of the cost of the property you want to buy. For example, if you want to buy a house for £300,000, you'll need to save at least £15,000.

If you're in the position to do so, saving more than 5% will give you access to a wider range of cheaper mortgages and a lower interest rate.

WHAT HELP IS AVAILABLE?

You might feel like owning your own home is a distant dream.

However, there are a number of schemes available to help first-time buyers get on the housing ladder, particularly if you only have a small deposit.

They include:

Help to Buy scheme

The Help to Buy scheme offers an equity loan where the government lends first-time buyers in England money to buy a newly built home.

The money must be used to buy your main residence and can't be used to buy a second home or a buy-to-let property.

To meet the criteria, you'll need a deposit of at least 5% and you can then borrow 20% (40% in London) of the purchase price.

Guarantor mortgage

A guarantor mortgage is where a parent or family member takes on some of the risk of the mortgage by acting as a guarantor.

This usually involves them offering their home or savings as security against the loan and agreeing to cover the mortgage payments if the homeowner misses one or can't afford to pay.

TAKING THE FIRST STEPS

The thought of taking the first step might be a daunting one, but at Firstxtra, we are here to make the whole process as easy and stress free as possible for you.

Here's what you can expect when it comes to buying your first home.

Step 1 – Speak to us

Speaking to a Firstxtra mortgage adviser will enable you to work out how much you could borrow, how much you can afford to repay and what kind of mortgage might be right for you.

At Firstxtra, we offer a free of charge initial consultation where we'll ask a few questions to get to know you and understand more about your situation. We will also run through the process and details our costs and services to you.

This consultation can be done face-to-face or virtually and last approximately 30 minutes to one hour. Before the meeting would ask you to provide some information to us which we will request beforehand.

After this one of our friendly advisors will make a recommendation and if you're happy to go ahead, we will look to secure your Decision in Principle (DIP)/Agreement in Principle (AIP).

With A DIP/AIP, you can take the first step to buying your home and will give you an idea of how much you could borrow before you apply for a mortgage.

Step 2 – Look for a property

Once you've established how much you can afford to pay, you can start looking for properties that are within your budget!

Different estate agents list different properties, so it's always an idea to speak to several of them and get registered so you've got the best chance of finding your perfect property.

Step 3 – Make them an offer they can't refuse...

So, you've got your DIP and found your dream home. What next? Chances are you'll want to make an offer on the property.

Once your offer has been formally accepted, you can then move on to the next step of the application process.

Step 4 – Make a full mortgage application

This isn't as scary as it sounds! Your mortgage adviser will take you through everything you need to know and handle your full application for you. At this point, your lender will also organise a mortgage valuation for you.

Step 5 – Draw up the contracts

At this stage of the mortgage application, your solicitors/conveyancers will draw up contracts for the purchase and make sure everything is as it should be.

Step 6 – Exchanging contracts

You've read and signed the contracts – now your solicitor and the seller's solicitor will exchange them. You won't pay for the property yet – but you will have legally agreed to buy it on a specified date agreed by both parties.

It's also this point that you hand over your deposit and we can set up your insurance policies to start.

Step 7 – Complete the sale...and move in to your first home!

The sale is completed once you have exchanged contracts and paid for your home in full. Once the money is transferred to your seller's solicitor, they keys are yours.

It's official, you are homeowners! Now all that's left to do is move in.



Take your first step today.

Get in touch with one of our friendly team for a free discussion and find out how we can help make the dream of owning your own home a reality.

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YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

A fee of £199 is payable on application of the mortgage and £250 on issue of the mortgage offer. There may be a further fee payable on mortgage offer of up to £250. The overall amount of the fee is dependent on the amount of research and administration that is required. We will also be paid commission from the lender.

Most Buy to Let mortgages are not regulated by the Financial Conduct Authority.

Some of the products/services shown above are not or may not be regulated by the Financial Conduct Authority.