

# **FST SOLICITORS GUIDE TO** **AFFORDABLE HOUSING SCHEMES**

FST Solicitors based in London and Kent specialise in acting for Housing Associations and their purchasers in the various Government-backed Affordable Housing Schemes. Over the last few years much money has been pumped into Affordable Housing, with a number of new schemes having been launched and others having been re-branded.

We therefore set out below a list of the current schemes, together with a brief description of each, together with definitions of some of the key words and phrases. A fuller list of such words and phrases can be found in the Literature section of our website under “Glossary of Terms”.

## **Affordable Housing**

This is the generic term used to describe the Government’s various schemes to help first time buyers onto the housing ladder, either on a shared ownership or equity loan basis. FST Solicitors specialise in all types of Affordable Housing Conveyancing.

## **Shared Ownership**

This is the part buy, part rent of a property on the basis of a Shared Ownership Lease. Originally Shared Ownership was marketed mainly as DIYSO (Do It Yourself Shared Ownership) which involved the purchase of second hand properties on the open market, with some properties being developed by Housing Associations and sold as New Builds. Subsequently, shared ownership was solely marketed in respect of New Build properties (now re-branded as “New Build HomeBuy”) with the only second hand properties available being those sold as Resales.

## **Equity Loan**

This is where a Housing Association provides money to a purchaser to assist with the purchase of a property and takes security by way of a second charge. That charge secures not the value originally advanced, but a percentage of the value of the property and hence the amount required to pay off the loan goes up and down in line with house prices. The first equity loan schemes promoted by Housing Associations were under the Starter Home Initiative and were for 25% of the properties value on which no interest was payable. The current range of equity loan products is more flexible in terms of the percentage loan available but sometimes interest is payable on the amount initially advanced.

## **New Build HomeBuy**

Through New Build HomeBuy (previously known as Shared Ownership or part buy, part rent) you can buy a share in a brand new or refurbished home. You usually pay a mortgage on the part you own and a subsidised rent on the part you don’t own. As your income rises you can increase the share you own, until you eventually own 100% and no longer pay any rent to the Housing Association.

## **Home Ownership for people with long-term disabilities (HOLD)**

HOLD helps people with long-term disabilities to buy a home on a part buy, part rent basis. You will own part of the home and will rent the other part from the Housing Association, your mortgage and rent will be funded by the benefits system. We can provide you with details of how to gain specialist financial advice.

## **Resales**

This is the second hand sale or purchase of a shared ownership property that was built and sold in the past and is now available for purchase because the existing shared owners wish to sell. Most Housing Associations have a list of Resale Properties available in their area to qualifying applicants.

## **Staircasing**

This is the process of buying a further share, or the final share, of your Shared Ownership home. In the case of a House, you will have the Association’s freehold title transferred to you. In the case of a flat, you will continue to own on a Leasehold basis but your Lease will no longer be on shared ownership terms.

### **Open Market HomeBuy**

At one time this was the name given to the then current equity loan product available to affordable housing purchasers. Now however it is the umbrella term used to describe the whole range of current equity loan products which are: MyChoiceHomeBuy, Ownhome, New Build Shared Equity, HomeBuy Direct, London Wide Initiative and First Time Buyers Initiative.

### **MyChoiceHomeBuy**

MyChoiceHomeBuy is primarily for key workers and public sector tenants although applications will be considered from other first time buyers with a household income of £17,600.00 to £60,000.00. This scheme enables you to buy a home of your choice on the open market by offering you equity of as much as 50% or as little as 15% towards the value of the home depending on your needs. Interest is payable on the amount of the equity loan at 1.75% (but increasing by RPI plus 1% every year).

### **Ownhome**

Ownhome is provided by a partnership between Place for People and the Co-operative Bank. Ownhome is an equity loan of up to 40% to help you buy a home on the open market. For the first five years no interest is payable on the amount of the equity loan, for the second five years it is charged at 1.75% and from year 11 at 3.75%.

### **New Build Shared Equity**

This is exactly the same as MyChoiceHomeBuy save that the purchaser has to buy a new property from a private developer rather than a second hand property (this is why you may see adverts from private developers such as Barratt or Ward Homes using the "HomeBuy" logo). Interest is payable initially at 1.75% but increases annually,

### **HomeBuy Direct**

HomeBuy Direct helps first time buyers to buy a home direct from a property developer with the help of an equity loan of up to 30% of the property market value. There is no interest to be paid on the loan for the first 5 years.

### **London Wide Incentive**

London Wide Incentive is a shared equity product available solely to key workers across 15 developments in London. The Government retains a percentage in the home with no monthly payments due on the Government share until you sell the home or leave your key worker profession.

### **First Time Buyers Initiative**

FTBI enables first time buyers to buy a share in a home on a designated FTBI development with Government financial assistance (minimum £25,001). You don't have to pay anything on the amount the Government has contributed for the first three years, thereafter interest becomes payable (but at a subsidised rate).

### **Social HomeBuy**

This is where the tenant buys their home from the Housing Association with a discount. They can buy outright or buy on a shared ownership basis, in which case they only get a proportion of the discount.

### **Right to Buy / Acquire**

A scheme whereby Social Housing Tenants can buy the home they currently live in with a discount from the Council or Housing Association.

### **Rent to HomeBuy**

Rent to HomeBuy enables you to rent a new build home at a discounted price, of a minimum of a 20% discount, on an Assured Shorthold Tenancy of between 2 to 3 years. At the end of your tenancy you can apply to buy your home on New Build HomeBuy terms.

### **Intermediate Rent**

This option offers you the chance to rent a brand new or refurbished apartment at a subsidised rent. The rent charge is normally 20-30% lower than what you would expect to pay for a similar apartment in the same area.

### **Social Housing**

Rental Housing (at a below market rent) provided by a Council or Housing Association to tenants who cannot afford to buy or rent in the open market. If the tenant and/or the property qualify the property may be purchased in the future under the Right to Buy/Acquire or Social HomeBuy Scheme. However, the tenant is not required to buy and has the benefit of security of tenure not generally available to private sector tenants.