

Social HomeBuy

Social HomeBuy is a Government grant funded scheme which enables tenants to buy their current home. Those that can't afford to buy outright will be able to buy shares of at least 25%. They will pay a reduced rent of 2.75% (reviewed annually) on the share that remains with Mercian Housing Association and benefit from any increase in the value of their share.

The scheme also provides a discount to help reduce the cost of purchasing. The amount being based on the current Right to Acquire Discount and the size of the share being purchased.

The aim

We want to give as many people as possible the opportunity to get on the housing ladder. We believe that this scheme could make home ownership a reality for many of Mercian tenants. And we will use the money we get from selling shares to provide new homes for rent, so that we can give even more people the chance of an affordable, secure home.

Am I eligible?

We are only able to accept applications from assured or secure tenants who have been a tenant in local authority or housing association accommodation for at least two years starting before 18 January 2005. For those that became tenants after 18 January 2005 the qualifying period is 5 years. In addition you must not have breached your tenancy agreement for 2 years. This includes having arrears of no more than a month on your rent account for the last two years and not being subject to a possession order.

It may not be possible to sell shares in a small number of our properties because we acquired them on the condition that they remained affordable rented accommodation. We will have to check whether your property is eligible as part of the application process.

Sheltered schemes and specially adapted properties are excluded from the scheme and we have limited funding so reserve the right to prioritise the properties sold.

Can I afford it?

This will depend on your income levels and the value of your home. You can get an idea of how much your home is worth from your local estate agent, property papers and the internet. You must be able to afford to buy a 25% share in your home. As a rough guide, we would expect your overall housing costs (rent, mortgage and service charges) to represent no more than a third of your income.

You will also need to have at least £3,000 in savings to cover your legal costs and survey fees.

What share, what discount?

You must buy a share of at least 25% but we will expect you to buy the biggest share you can afford, taking into account your discount. Over the 25% the share can be any multiple of 10% right up to and including 100%. Your lender will give you advice on how much you can afford to buy under the scheme.

The discount on offer depends on the Local Authority where you live and can range from £9,000 to £13,500. If you buy 75% of your home you will get 75% of the discount, if you buy 25% then you will get 25% of the discount. It has been recently confirmed by the Government that a discount will also be available for all future shares purchased.

Once you've bought, you will be able to buy more shares if you want to – although you must buy at least 10% each time. This is called 'staircasing'.

For any further details please contact our Leasehold Team on **0121 322 7373** or contact us via our web enquiries form.

Is Social HomeBuy is affordable for you?

Your monthly outgoings

There are a number of ongoing costs that you will need to take into account when deciding whether Social HomeBuy is affordable for you.

Mortgage repayments

Unless you can afford to buy a share with savings you will have to arrange a loan or mortgage from a bank or building society or other lender which you will be required to pay back in monthly instalments. The maximum amount you can borrow will depend on your income. You should ask your lender how much you can borrow and the costs of the mortgage. There are different sorts of loans you can get and you should obtain your own independent advice about which is most appropriate for you. Remember, if you do not keep up repayments on a loan secured against your house you could lose it.

Rent

You will be charged rent on the share that you do not buy so if you buy 50% then you will pay rent at 2.75% on the remaining 50%. The rent usually increases every year by the Retail Price Index.

Service charges

This figure will differ depending on the characteristics of your home. Service charges cover buildings insurance, any ground rent, and where applicable the

costs of maintenance of any external or communal areas e.g. gardens and lighting, and the costs of long term or cyclical maintenance in the future e.g. new roof, repainting etc. Service charges can be quite substantial, particularly in large blocks of flats but are minimal for individual properties.

Repairs and maintenance

Don't forget that, as a homeowner, you will also be responsible for all the repairs and maintenance of your home. The costs of maintenance will differ from property to property and will largely depend on the condition of your home when you buy it. As a guide, we would expect to spend roughly £300 each year on repairs and maintenance for each of our rented properties. Tenants in blocks of flats will not be responsible for external repairs or communal areas but will pay a higher service charge to cover these costs.

What happens if I can no longer afford the costs of home ownership?

Our checks should establish whether the costs of Social HomeBuy are affordable for you. But if you can no longer keep up the payments on your home due to a change in financial circumstances then it may be possible to reduce your share (also known as 'staircasing down') or, as a last resort, to go back to renting your home as a tenant. However this will not be an automatic right, it will only be allowed in very exceptional circumstances and is subject to your lender's approval.

If you become unemployed or unable to work because of ill health or disability, you may be able to claim Jobseeker's Allowance or Income Support. You may then get help with your mortgage interest payments, although usually this will not apply until you have been on benefit for 39 weeks. You should consider taking a mortgage protection policy to cover periods when you cannot afford payments.

If your income is low enough, or if you are claiming Income Support or Jobseeker's Allowance, you should also get Housing Benefit to help with some or all of your rent (and Council Tax Benefit to help with some or all of your Council Tax).

Will the valuation take into account the value of any property improvements I have undertaken?

Any major alterations to your property must have been carried out with the approval of Mercian. You should therefore have a letter giving consent to the works. This letter may give a value for the works which can be taken into account in valuing your property. If the letter does not give a value then you will need to supply proof of the costs of the works you carried out - such as receipts. It will not be possible for the independent valuer to take into account any work you have done in the past without the necessary consents and unless there is evidence of the value or costs of the works.

What alterations and improvements can I make once I have bought my home?

You can make home improvements – but leaseholders must get our written permission first. We'll only say no if you're doing something to cause structural damage or reduce the value of your home. You don't need to ask permission for minor things like decorating, putting up shelves, or simple repairs. If in doubt, ask first.

What about selling?

You can sell your home at any time. We will have a limited period to arrange for you to sell to someone on our waiting list. If we can't find a buyer then we could decide to buy back your home ourselves. After this period you will be free to sell privately.

What happens next?

Step 1

If you are still interested in applying once you have finished reading this guide then please fill in the attached form and return it to us.

Step 2

We will send you an application form and a guide to the likely costs including service charges, rent and mortgage. This cost estimate will be based on the approximate value of your home. We hope that this will give you some information to help you decide whether to continue with your application.

Step 3

If you feel that Social HomeBuy is the right option for you once you have studied the costs guide then you should submit a completed application form (we will also require 3 months payslips, bank details as proof of savings and evidence that you have held a secure or assured tenancy for a two year period if you have not been a Mercian Housing Association tenant for that time).

Step 4

We will assess your application against the eligibility criteria and check affordability for you. We will probably also need to meet with you to talk about your application. If your application is accepted then we will arrange for a valuation by a qualified person and make a formal offer.

Step 5

If you wish to proceed then you will need to accept the offer, arrange a mortgage and appoint a solicitor. We will expect completion within 3 months of the valuation. You are now a homeowner!

Further Information

If you have any further questions about the Social HomeBuy scheme then we would be happy to help. Please contact Mercian on **0121 322 7373**, or email or write to Eluise Derby at Social HomeBuy Sales, Mercian Housing Association, Gee Business Centre, Holborn Hill, Aston, Birmingham, B7 5JR.