

Staircasing

Your guide to buy further shares

We are pleased to hear you wish to buy further shares in your home. As a shared owner, your lease allows you to purchase additional shares in your home, at a time and level that suits you.

This process is known as staircasing and enables you to own a greater proportion of your home. The process itself couldn't be easier and is detailed on page 2 of this guide.

If staircasing is for you, the greater the share you buy, the less rent you will pay to Stonewater. If your lease allows, you can buy 100% of the shares in your home, become an outright homeowner and will no longer need to pay rent. This is not the case for all of our customers, and we will advise you further on application what your options are if you don't already know.

Every lease is different, so we will always need to check the details on your lease before you begin the process, but we hope to be able to answer any questions you have within this guide.

The decision to staircase is individual to you and your circumstances, and there is never any pressure or expectation from Stonewater that you should staircase. Equally, Stonewater are not financial advisors, so are not able to give you any financial advice on whether staircasing may be the right option for you.

We recommend you check with a financial advisor to see what is affordable for you. If you would like us to put you in touch with an


Independent Mortgage Advisor, please let us know and we can arrange this for you. A brief chat with them won't cost you anything but may help you decide what share works best for you.

We have included a series of frequently asked questions we hope you will find useful. Alongside this, we have provided you with information on obtaining a RICS (Royal Institute of Chartered Surveyors) Valuation, which determines the value of your home, along with costs you will need to consider if you choose to staircase.


Please take your time to read through this guide so you have all the facts and know what is involved. If you have any questions, please contact us at commercialservices@stonewater.org or by calling 02380 658858 (Option 2).




What does staircasing look like?




We send you this guide, with as much information as possible to help you decide whether you wish to proceed with staircasing or not. If you have any questions that aren't answered here, you can reach us at commercialservices@stonewater.org or by calling 02380 658858 (option 2)




Once you decide to move forward, you will need to complete the application form and provide us with a copy of your certified ID. For further information on certifying ID, please visit www.gov.uk/certifying-a-document. This is needed for all parties to the lease. Completing the application form doesn't commit you in any way to purchasing further shares – it just helps us know what you are thinking of doing.




On receipt of your application form and certified ID, we will carry out the relevant lease checks to ensure you can purchase the share you wish. If you are not able to purchase 100% of the home, we will let you know at this point. We will let you know what your options are and request that, if you wish to proceed, you provide us with a valuation of your home as per the guidance.




Once you have had your home valued, you will need to send us a copy of this valuation -the valuation is only valid for 3 months, so please don't delay in sending it to us. We can then let you know the premium due for the shares you wish to purchase, as well as the rent on completion. If you are staircasing to 100%, there will be no further rent payable, but you may need to still pay a service or estate charge. We will confirm this to you at this point.




Once you decide to proceed, you will return your staircasing acceptance form, along with proof of how you intend to fund the purchase of additional shares. If you are purchasing additional shares but still remaining a shared owner, we will need to approve any mortgage finance. Please also include which solicitor you wish to use so we can move forward. At this point, you will be required to pay Stonewater's administration fee of £240 (in VAT) for Staircasing. We are not able to instruct solicitors without this.



Once we have your signed form, we will instruct our solicitors to begin the legal part of the transaction. There will be forms that we need to sign, and you need to sign, but your solicitor will go through this with you. If you are using a mortgage to fund the purchase of extra shares, but will still be a shared owner, we will need to approve your mortgage at this point.



Once the paperwork has been completed, your solicitor will propose a date for completion. Once the transaction has completed, we will receive the funds due to us and will update our records with your new ownership details and amend the rental payment due. If you have staircased to 100%, it may be your relationship with Stonewater ends here, but we will also send you a confirmation of completion to confirm.



FAQ

What happens if I staircase to 100%?

You will own your property outright and will no longer have to pay any rent to Stonewater. It's important to remember that any service or estate charges, as well as ground rent (if applicable), will still have to be paid.

If you wish to sell the property in the future, you will no longer be subject to a nomination period or buyer restrictions. You may sell your home for as much as you wish and keep the full proceeds of the sale.

If you own a flat, you will still be a leasehold owner but all of the shared ownership provisions in your lease will fall away. Stonewater will continue to organise the insurance for the building, and you will pay for this via your service charge.

Normally, if you own a house, you will no longer be a leasehold owner and, after you complete the final purchase of shares, your lease will end and Stonewater will transfer the freehold of the property to you. This means you don't have to worry about the lease running out. You will no longer have to pay the buildings insurance portion of your service charge – although you will have to take out your own buildings insurance policy. There may still be estate charges to pay, depending on what services we deliver at the scheme.

In rare occasions, the freehold does not transfer to you when you buy 100% of a house, but we will always discuss this with you before you begin your staircasing transaction.

When can I staircase?

Your lease may state a certain period of time that you must own your home before being able to purchase additional shares.

There may be some cases where Stonewater are able to allow you to purchase further shares sooner than your lease permits so it's always best to contact us if you think this is something you would like to proceed with.

How often can I staircase?

You can either buy more shares in increments, or you can buy the remaining available share in one transaction.

There are sometimes restrictions on the number of times you can staircase and this will be stipulated in your lease. It is better to staircase in large chunks to avoid paying administration and legal fees more than once.

The minimum share you can purchase will be in your lease.

Is there any reason I wouldn't be able to staircase?

There are no restrictions in the majority of cases, however we would recommend you refer to your lease in the first instance.

For some homes, there may be a cap on the maximum share of your property you are able to own, usually around 80%. This restriction is more often found in rural areas and is because Stonewater agreed with your local authority when building the property that your home would always remain as affordable housing. This ensures the continued supply of shared ownership homes within the area for local people.

Before you are able to make an application to purchase additional shares in your home, your account must be paid up to date with no rent or service charges outstanding. Stonewater will not be able to help you to purchase further shares if this is not the case.

What about a mortgage?

You will need to contact your mortgage lender if you will be increasing your mortgage in order to staircase. This is known as a 'further advance'. If you want to move your mortgage to a new lender, perhaps for a better interest rate, this is known as 'remortgaging'.

Do I need to contact a solicitor?

You are advised to appoint a solicitor to act on your behalf in connection with your staircasing transaction. If you are remortgaging or taking out a further advance as part of the process, your lender will insist upon it.

You will be responsible for your solicitors' fees, which your solicitor will be able to advise you on. You will also need to provide Stonewater with the name, address and telephone number of the solicitor who will be acting on your behalf.

Note: We advise you use a solicitor that has experience of staircasing. Shared ownership mortgages have extra requirements from standard mortgages, so it's best to use a company with the right knowledge.

How do I know what my home is worth?

There are a few things to consider before you buy more shares. Firstly, you'll need to check the approximate value of your home. You can do this by:

- Looking at local property papers and local estate agent windows.
- Looking on the internet, there are lots of sites: www.rightmove.co.uk or www.zoopla.co.uk, for example.

Once you have an idea of the value of your property, you can calculate how much extra shares might cost.

Note: If you have made any improvements to your home which have increased its value, the valuer will take these into account. For example, you have built a garage on the side of your home, and you now want to buy an additional 25% share. The valuer values your property at £110,000 but estimates that the garage has added £5,000 to the value.

The price of the additional share would be based on £105,000, so would cost £26,150 for a 25% share.

In order to proceed with staircasing, you will need to obtain a RICS valuation – further details are provided below.

How does it work?

It really is very simple. You may acquire additional shares in your property at a price equal to the relevant proportion of the current full open market value of the property.

For example: if your property is valued at £200,000 and you want to buy an additional 25% share, the purchase price will be $£200,000 \times 25\% = £50,000$.

What are the expected costs?

As well as the cost of a mortgage, there could be other costs involved in the process of buying further shares, including:

- The premium due to purchase the further shares
- Valuation fees
- Your solicitors fee
- Mortgage arrangement or independent financial advisor fees
- Outstanding arrears of service charge and rent
- Stamp duty (where applicable)
- Stonewater administration fee

Valuations accepted by Stonewater are valid for three months from the valuation date. If you do not buy the extra shares in your home in this time, your home will have to be re-valued. This is usually at a reduced rate

as the surveyor who carried out the original inspection will not need to revisit your home. Please note that if the value has increased in the meantime, it will be more expensive to buy your extra shares.

Do I have to staircase?

No, this decision is up to you. A lot of people who live in Shared Ownership properties choose to buy extra shares in their home in order to reduce their rent.

Please check your lease for specific information about the minimum percentage you can buy and your entitlement to increase your shares to 100% ownership. It is important to consider all the costs involved in staircasing before you proceed. We strongly advise you discuss the process and likely costs with your solicitor before you go ahead with the transaction.



RICS Valuations Guidance

As a Shared Owner, if you wish to sell your home or buy further shares, you will need to obtain a Royal Institute of Chartered Surveyors (RICS) Valuation. This is a requirement of your lease. The two recognised qualifications in this regard are FRICS (Fellow) and MRICS (Member).

Where can I find a RICS Qualified valuer?

You will be able to search online for a RICS valuer in your area. There are hundreds of firms nationally that will be able to complete this valuation for you and carry the necessary accreditation. You can also check on www.ricsfirms.com to make sure they are suitably accredited.

How much does it cost and who is responsible for the cost?

As per the terms of your lease, you are responsible for the cost of the valuation, and any subsequent extensions of valuations that may be required. The cost of the valuation itself varies, dependent on which firm you chose, so it is always best to do your research on firms in your area to make sure you are happy with the charge.

What does the report need to contain?

Your appointed valuer will know what needs to be included but you will need to make sure the report contains:

- A single valuation figure for 100% of the property – not the share. (Unless you are staircasing – in which case see guidance below).
- Comparable evidence from a minimum of 3 sold properties or another suitable method of value ascertainment.
- A signature, name and qualification of the appointed surveyor who completed the valuation.

If you have completed home improvements to the property that have been approved by Stonewater and make a difference to the value of your property, please contact us before instructing your valuation. If we confirm you do have improvements that can be considered, this can be reflected in your valuation, and you will need to notify the valuer. Always contact us first.

What do I do once the valuer has completed the report?

You will need to send a copy to Stonewater for us to be able to progress your transaction. We will not

unreasonably disagree with the valuation but will need to check it meets the requirements of your lease, as well as Stonewater's requirements. We will then use this valuation to confirm how much your share is worth for the purpose of selling, or the value of further shares if staircasing. We will then advise you of the next steps.

How long is the report valid for?

Your valuation has a validity period of 3 months from the date of the report. If you are selling your share, you will need to have found a buyer and agreed a sale within this 3-month validity period. If you are staircasing or selling back-to-back, you will need to complete your transaction within this validity period.

If your valuation expires before you have agreed a sale, or completed your staircasing or back-to-back transaction, you will be required to get either an extension, a desktop or a new valuation. The cost of this will need to be met by you. For customers selling their home via a share sale, your valuation will be extended for 3 months at the point your sale is agreed.

If your transaction does not complete by this extended expiry date, you will need to arrange for an extension, desktop or new valuation. Please note, if you need to obtain a further valuation, the value of your home may have changed and could affect your transaction.

