FACTSHEET

Shared Ownership, Homebuy & Hold

Introduction

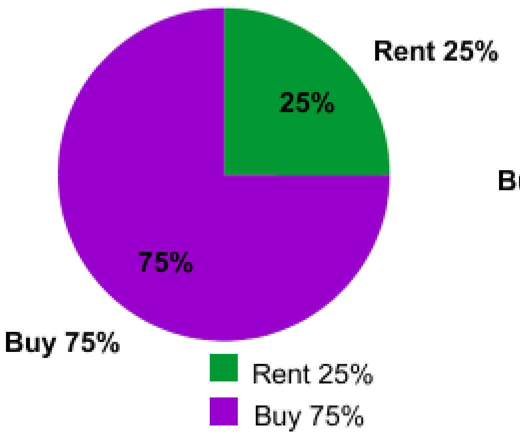
This factsheet explains how various types of low cost home ownership can be used by disabled people to buy a property. Home ownership is not suitable or possible for everyone. However, as the factsheet explains, by using various benefits in combination with special programmes, run by Registered Social Landlords (RPs) and a few other not-for-profit organisations, it is a possibility for some people.

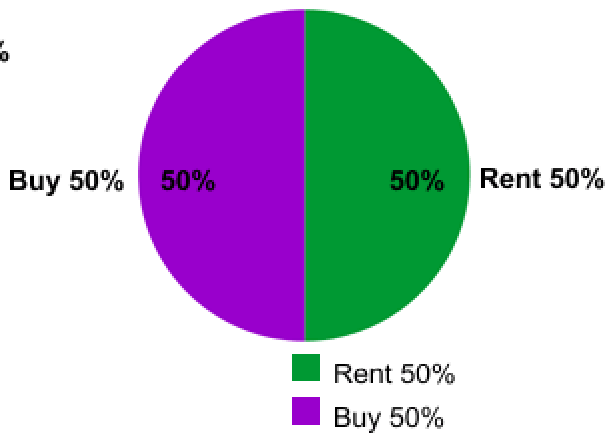
Readers who are most likely to find this guide helpful are those:

- who have some money, but not enough to buy a home outright, and a small regular income
- with parents or other relatives who can put up the capital to help provide a share of a home
- with a Trust sufficient to purchase part of a property
- getting either Income Support, Employment Support Allowance, Job Seekers Allowance or Incapacity Benefit along with Disability Living Allowance at the middle or higher rate and moving to somewhere more suited to their disability who as a result may be able to claim Support for Mortgage Interest (SMI) to cover mortgage interest costs

What is Shared Ownership?

Shared Ownership means that you buy part of a property and rent the other part, usually from a Registered Provider (RP). The RP helps you by letting you buy a share you can afford. This is between 25%, the minimum that can be purchased, and 75%, the maximum. You then pay rent for the part you do not own. If you buy a smaller share, the mortgage cost goes down but the rent increases





The attraction of Shared Ownership is that you can get nearly all the benefits of owning your own home including security without having to pay the whole cost; it is more affordable.
So for example, if an individual could afford £100,000 on their modest income but not afford to buy a flat or house outright for £200,000 they could simply buy a half-share or even a quarter share at £50,000.

There are other advantages of shared ownership for disabled people. The first is that if you purchase from an RP (commonly still called housing associations) then the property will have been subsidised so in effect making the rent lower than it would otherwise be. The subsidy is called Social Housing Grant; it comes from a Government agency, the "Homes and Communities Agency" which was set up in part to fund RPs.

You will be the owner and have the same rights and responsibilities as any other home owner. You don't have to share the home with anyone else - unless you want to of course, and it isn't like owning some rooms and not others. You simply share the ownership with an RP.
It is usually possible to buy a larger share or even the whole property later on if you want and you can sell at any time if you want to move on.

The part that is retained by the RP is rented to the individual. In the case of disabled people the part that is rented will, provided the individual qualifies, be eligible for Housing Benefit.

Shared Ownership

- Part but and part rent
- Shares- 25% up to 75
- Individual shares ownership of equity with another organisation – usually an RP, it cannot be another individual
- Housing Benefits payable on the rented part

Shared Ownership, like most of the low cost home ownership models promoted by the Homes and Communities Agency, is primarily intended for younger, single people, young couples setting up their first home, key workers like nurses who need to live in inner city areas who might not be able to afford property on their income and so on. In principle however, shared ownership with an RP is a very attractive option for other needs groups. Parents who may not be able to buy a property outright for their son or daughter but nevertheless are very concerned about their future housing can buy whatever share they can afford for their son or daughter; shared ownership makes housing affordable for them.

Homebuy

In 2006, following a Government led "Task Force" on Low Cost Home Ownership the shared ownership programme was substantially overhauled. Three core programmes were created and shared ownership was re-labelled "HomeBuy". At the same time, a specialist programme specifically for disabled people called "Home Ownership for the Long-term Disabled" (HOLD) was created.
HomeBuy is the label now used to describe the range of shared ownership arrangements offered through RPs.
The three main RP products are:

- Social HomeBuy aimed at existing social housing tenants who are able to purchase a share in their current home
- New Build HomeBuy for people to buy a share in a new property
- Open Market HomeBuy to enable people to buy a property on the open market with the help of an equity loan rather than a grant

RPs bid competitively to the Homes and Communities Agency for funding for each programme. In part associations compete on the level of Social Housing Grant subsidy they are seeking on each project so the subsidy element is now variable and can be quite small or even nil.
Some of the HomeBuy "products" rely on a loan, initially low or even at zero interest to make them affordable, rather than a grant subsidy.

The key features of each programme vary slightly but of most interest is New Build HomeBuy.
The features are:

- Purchase 25-75%
- Rent charge is based on up to 3% of unsold equity i.e. if £100,000 is kept by RP, rent is around £3,000 per annum or £60 per week
- Buy additional shares in 10% tranches in future if wish
- Buyer assumes full maintenance responsibility

Each programme is potentially available to disabled people on the same basis as any other applicant. However as there is a programme specifically for disabled people for most this is likely to be the best option.

Home Ownership for People with Long-term Disabilities (HOLD)
This is another Homes and Communities Agency programme. It is intended to help people with disabilities and mental health problems access home ownership and not be excluded from the low cost home ownership programmes supported by the Government.
HOLD applies the flexibility of New Build HomeBuy to the purchase of properties on the **open market** where the purchaser is disabled:

- Property can be found by purchaser on open market, acquired by provider housing association and then re-sold to disabled persons on shared ownership terms
- Buy minimum 25% and up to 75%
- Rent on retained equity up to 3% of value
- Can purchase additional shares in 10% tranches
- Can claim mortgage interest payments from Department of Work and Pensions
- Can modify lease to put maintenance responsibility on landlord, and not the disabled, part owner

How HOLD works is that you contact an RP that offers HomeBuy and ask them to help you buy a suitable property for you as a disabled person. The RP will tell you what value, size or other limitations it applies in the area you want to buy. In principle, you can buy either a new property or an existing property on the second hand market through HOLD. The arrangements consequently offer a lot of choice and can help a disabled person get the right type of property, in the right location, making it a particularly valuable programme. Unlike renting where there may be very little choice or properties may be unsuitable
The RP buys the property and then sells on to you whatever share you can afford.

What are the Problems with HOLD?
First, not all RPs offer HomeBuy, even fewer know about HOLD. The first step is to contact what is called a "zone" agent – a leading RP that knows about low cost home ownership in your area. A list appears at Appendix 1.

Second, RPs have to follow lots of rules and regulations set down by the Homes and Communities Agency. These include limits on size and value of property and also rent levels. These sometimes mean it is difficult to get a big enough property, with room for a carer or visitor, with all the adaptations that may be needed for some people, in an acceptable area.

Third, RPs have to bid to the Homes and Communities Agency for funding for HOLD allocations. These may not be enough or there may be no allocations in some areas of the country.

Advance Housing and Support Ltd are the largest providers of housing through HOLD. They operate across much of the Midlands and South and are a good starting point if local RPs are unhelpful.

Advance Housing and Support Ltd, 2 Witan Way, Witney, Oxford, OX28 6FH.
Tel: 0333 012 4307.
Web: www.advanceuk.org/shared-ownership
Email: homeownership@advanceuk.org

In the north, Progress Care offers various forms of shared ownership, some without grant.
Progress Care, Sumner House, 21 King Street, Leyland, PR25 2LW.
Tel: 01772 450600.
Web: www.newprogress.co.uk/progresscare.html
Email: enquiries@progressgroup.org.uk

Both are Learning Disability England members.

Family Funded Shared Ownership
RPs like Advance Housing and Support who specialize in housing and supporting people with learning disabilities and mental health problems also offer other forms of shared ownership which do not rely on grant from the Homes and Communities agency. As a result, any type of property (acceptable to Advance), anywhere they work, can be acquired.

Family funded shared ownership is targeted at people with learning disabilities who have relatives able to help meet the costs of shared ownership. Families who want to help their children/ relatives get better accommodation, who are unable to afford to buy a suitable property outright but do have some capital.

In the Advance scheme the capital grant an RP would get (or interest free element under some HomeBuy products) is replaced by an equity loan from the disabled person's family (or a Discretionary Trust) to the developer organisation.

The loan is from cash/ savings of the owner's family. The "developer" i.e. the RP or other organisation enters into a loan agreement with the family. The terms of the loan are negotiable; the developer may or may not pay interest.

The loan is repaid to the family at the point at which the shared ownership property is eventually resold.

If the individual qualifies, a mortgage can be raised up to £200,000 with interest payments being repaid via Department of Work and Pensions (explained below). The balance of the cost of the property is met by the developer raising private finance. This loan is repaid from the rental charge. The total gross rent can include management and maintenance charges. If the individual qualifies the rent will be eligible for Housing Benefit as in other shared ownership models.

The table below gives two simple illustrations.

Examples – family funded shared ownership (£s)

	1	2
Mortgage	72,000	100,000
Developers Private Loan	12,000	26,000
30% Family Investment	36,000	54,000
Total Cost of Property	**120,000**	**180,000**

How can I afford to buy - how does the money work?
There are two elements to fund:

- The purchase of the share
- The rent of the part retained by the RP

Capital – purchase of share and Support for Mortgage Interest
The part that is bought is usually funded by:

- Relatives putting up the money to buy a share or
- Money held in a Discretionary Trust (or possibly some other form of trust) or
- Through a mortgage

In the case of a mortgage, the question is how is it possible for someone on benefits, who is disabled, to get a mortgage? There are special provisions specifically for disabled people. These allow them to obtain Support Mortgage Interest Payments (SMI) that will service a mortgage.

There are four criteria:

- The applicant must be disabled
- Eligible for either Income Support, Employment Support Allowance, Job Seekers Allowance or Incapacity Benefit as well as Disability Living Allowance at the middle or higher rate
- The applicant must be "in need of alternative accommodation more suited to their special needs as a disabled person"
- The applicant must be placed, or likely to be placed, in the support group following their work capacity assessment

Provided these four criteria can be satisfied then someone with a learning disability can obtain Income Support to repay the interest on a mortgage of up to £200,000 if you started claiming the qualifying benefits after 5th January 2009, or 3100,000 if you started claiming before that date. The typical interest rate on mortgages arranged under this scheme is 1% above the current SMI rate for the term of mortgage. Therefore the owner will pay 1% of the mortgage amount as a top up to the SMI payments from their other benefits. Based on a mortgage of £100k this top up would equal £83.33 per month – on a mortgage of £45k it would mean £37.50 per month.

SMI

Schedule 3 IS (General regulations) para 4 sub para 9 (SI 1995 No 1613)
"Housing cost shall be met in any case where the loan was taken out, or an existing loan increased, to acquire alternative accommodation more suited to the special needs of a disabled person than the accommodation which was occupied before the acquisition by the claimant".

A few further points on SMI system:

i. SMI will only repay the interest on the loan, it will not repay the capital nor will it repay for example the insurance premium element in an endowment mortgage. For this reason the approach most commonly adopted is to raise an interest only mortgage.

ii. There is no requirement for a deposit but there are some setting up costs like legal and survey and other transaction cost to be met which might amount to £3,000 - £4,000 – there are no extra benefits to meet these costs.

iii. There is no checklist setting out what "in need of alternative accommodation" means. In practice for people with learning disabilities a wide range of circumstances might fit the bill. For example, seeking to move from a care home that is closing, requiring a bungalow or a ground floor flat accommodation because of growing physical impairments, needing to leave the parental home because relatives are no longer able to provide the necessary care…

Rent and Housing Benefit
Housing (HB) is a benefit administered by the local housing authority that pays the rent for those eligible.
The rental element in shared ownership can be met by Housing Benefit. The rent on a property where the landlord is a local authority or RP normally includes an element to pay for management and maintenance. This applies equally to shared ownership. Thus it is possible to get maintenance paid for through HB and organised by the landlord, who has a stake in the property and thus a direct interest in keeping it in good condition.

These two features make shared ownership particularly attractive and suitable for disabled people.
In shared ownership, the individual acquires a leasehold interest, usually 99 or 125 years leases. The funding of the maintenance via Housing Benefit depends on the lease putting the maintenance obligation on the landlord and not on the shared owner.

This is an important point because the normal Homes and Communities Agency model shared ownership lease puts the maintenance obligations on the owner, remembering that they imagine buyers to be mostly younger, fit, people able to do and pay for their own maintenance. In the HOLD scheme it is acknowledged the normal lease can be amended to make the landlord responsible for maintenance.

What if I Want to Sell?
You can sell at any time. Your home will be valued at the time that you want to sell and you will get your percentage of that price, not the original price you paid. So, you might get more or the same as you paid originally this is because the RP takes the risk on negative equity. In the example below if you buy 75% of the property you get back 75% of the value when you sell in say, 5 years' time.
Your housing association will have the right to find someone to buy from you or to buy it themselves. They will usually have about 8 weeks to let you know what they want to do. The details and timescale will be in the lease.

If they do not want to buy back your home or find a buyer, you can sell through an agent or by advertising another way. You will split the price that you get with the housing association based on the percentage you own. Here is an example showing what happens when you sell

Now		5 Years Later	
Value of Home	80,000	Value of Home	100,000
You Pay (75%)	60,000	You Get Back (75%)	75,000
RP Pays (25%)	20,000	RP Gets Back (25%)	25,000

You will have to pay the costs involved such as value and legal fees, estate agents fees, advertising, disconnection charges and removal costs. Some of these costs may be shared with the housing association.

Mortgages
One of the hurdles is getting a mortgage if one is needed and you plan to use SMI. There are very few lenders in the market who will offer mortgages to people dependent on benefits, who in addition want to acquire only a share in a property, with an interest only mortgage and finally are looking for 100% mortgage!
There is a very helpful company who specialises in finding mortgages for disabled people that are to be repaid through SMI:

MySafeHome, 1 Sycamore Court, Birmingham Road, Coventry, CV5 9AU.
Tel: 08000 121 333.
Web: www.mysafehome.info
They are members of Learning Disability England

How much will it cost to buy?
The monthly cost will vary. The table below gives you a rough idea of how much it might cost to buy a property worth £150,000 through HOLD.

A Guide to the Cost of Home Ownership				
Share Purchased	**Mortgage**	**Rent**	**Service Charge**	**Total Per Month**
25%	190	281	130	601
50%	380	188	130	698
75%	570	94	130	794
100%	760	-	130	890

All these figures are examples only. The real costs of your purchase will be different.

(Note: The figures we have worked out for the mortgage repayments are based on an interest only mortgage. This means there is no repayment of capital at all. In our calculations we have assumed that the mortgage will be paid over 25 years. The interest on the mortgage is the current Standard Interest Rate (SIR) of 6.08% used for SMI funded mortgages. The shared ownership rent in these examples is based on 3% of equity owned by RP)

Your home is at risk if you do not keep up repayments on a mortgage or other loans secured on it.

Don't forget, you will also have to pay out for other things before you move in.
These could cost about:

£270 valuation fee (depending on the value of the property)
£300 lenders mortgage booking fee
£1,000 Solicitors fees
£500 home moving costs

If you use MySafeHome to help, they will also charge a fee if they are successful in getting a mortgage.
If the bank or building society will not lend the full amount of the share you wish to buy, you may need to pay around 5% to 10% as a deposit. This would be £11,250 if you bought 75% of a home costing £150,000.

There are no additional benefits to meet these costs.
In practice they tend to be met in one of three ways:

- Relatives (or a Trust fund) pay the fees involved on the basis that in return for this investment permanent, secure housing will become available at effectively no cost.
- Adult Social Care meet the fees
- Very occasionally either the housing or care provider makes a loan to cover the set up costs which is repaid over time from the individuals benefits.

Adaptations
Some people will require some alteration or adaptation.
There are three approaches:

- Acquire a property already adapted or built to "Lifetime Homes" standards. It is possible where an RP is building new homes, provided you get involved early enough, to have the property designed to meet particular needs
- Under HOLD, it may be possible to get any extra work done before a share of the property is sold on. Sometimes the cost of the alteration can be reflected in the purchase price/ value of the property and included in the mortgage.
- Apply for a Disabled Facilities Grant (DFG) which is mandatory if you meet the criteria. This can fund up to £30,000 of work. There is nothing to prevent shared ownership being combined with a DFG.

Example

A family had 3 children, one of whom was disabled and could no longer manage stairs. The bathroom was on the first floor. They sold their own property which they were buying but had not yet paid much off the mortgage and purchased a slightly larger property. This had a ground floor cloakroom and attached garage. They could only afford to move to a bigger property my becoming shared owners. Having moved, they got a Disabled Facilities Grant to alter the garage and extend the cloakroom into a bathroom creating a ground floor, en-suite bedroom for their daughter.

Repaying the Capital on an Interest Only Mortgage
A common question is how is the capital on an interest only mortgage repaid? The short answer is it does not need to be repaid until the property is ultimately re-sold. At that point, the proceeds from the sale are used to pay of the original loan. In practice relatives may put in place some arrangement in their will or otherwise to ensure the capital is repaid.
A second question that goes with this is often 2what happens if the usual 25 year term of a mortgage is exceeded – i.e. the mortgage runs out2. The answer is that there are some interest only mortgages available with much longer terms – up to 45 years. In addition, it is possible to renew the mortgage for a further period of years.

Endowment Plan

A couple helped their son move from a care home to a small property almost opposite the home. As an ex-right to buy flat the price was quite reasonable and an outright purchase was possible within SMI limits - £100,000 at the time. The parents themselves arranged a 10 year endowment policy with the aim of using the proceeds when it matured to pay off the original mortgage loan.

Help and Support

Before you buy your home and move in, it is important that you make sure the help and support you need is already in place. Talk to your carer/ support worker about:

- A needs assessment under Section 47 of the NHS and Community Care Act – to sort out what help you will need living in your new home. This may be essential if you are trying to get Income Support to meet the interest on a mortgage

- Service provision – to get clear who will provide these services for you – this could be a care agency, RP, private company or Social Services own staff. Your community care assessment should say both what you need and who is going to provide it. If you get a Direct Payment or have a personal budget it may be possible to employ your own support workers.

- Service funding – to sort out who will pay for these services – this would usually be Social Services responsibility although sometimes the health authority will be involved. The cost of support can be met in three main ways:

  a) The various welfare benefits to which you are entitled
  b) The Independent Living Fund may be able to pay up to £475 per week if Social Services are willing to pay at least £320 a week
  c) Adult Social Care funding

- Service co-ordination – to decide who will organize all these services and be the person you go to for help. You may already have a social worker/ carer or support tenant.

Ownership and the Law

Because it is still a bit unusual for people with learning disabilities to buy their own homes, there are a few things that need special mention:

- Not all solicitors (or indeed, RPs) understand HOLD fully yet, because they may not have dealt with any so far. Try to find a solicitor who has done them before to avoid problems. Ask the RP for suggestions.

- The legal documents may be complicated but if there is anything you don't understand; ask for it to be explained to you. We recommend that you ask a solicitor to look after your legal rights and interests, or have an advocate to help you. Your solicitor should explain the main points to you.

- There can be questions about a disabled person's understanding and their "capacity" to enter into a legally binding contract to purchase the property or take on a mortgage. There are various approaches to resolving this problem discussed in our factsheet on capacity. In extremis it is possible for a "Deputy" to be appointed under the Mental Capacity Act. A Deputy can enter into a lease and any other contracts required so in legal terms there are mechanisms available to ensure if home ownership is in the individuals' best interests this can be achieved even if the person is judged to lack sufficient capacity.

- Although it is perfectly possible for you to buy your home on your own, if you are thinking of living with other people in your new home, it is also possible to buy jointly with someone else. Because you will be sharing the costs, this will make it cheaper for each person.

- If your carer or parents are helping you buy your home, it is worth their while considering making a will and setting up a Trust (Housing Options can tell you more about this, or ask a solicitor). This can make life a lot simpler in the future, and could avoid problems arising if you eventually inherit some money. A Trust can own property – including a share in a property.

Case Study – Tina and James' Story

James has profound physical and mental health needs but he is also a young man who craves independence as much as any other 25 year old.
His mother, Tina, wanted to give him that independence, while also securing his future. After considering several options she decided to explore the possibility of James becoming the shared owner of a property.
After being put in touch with a nearby housing association, Advance Housing, she was introduced to the team at MySafeHome. They confirmed that her son could have a mortgage and part own a house.

"*We were very sceptical*", recalls Tina. "*At first, we thought 'that can't happen'. Not with someone who can't go to work, not with someone who can't do anything for themselves. But when we looked into it we found, yes, it is possible! Someone from MySafeHome came to see us and explained everything. We were told, yes, he could have a mortgage. Yes, he could part own a home. As he can't read or write, we still weren't sure he could do it. But you go to the Court of Protection, The Public Guardianship Office and you become a deputy for your son or daughter. You fill in a form, send it off and a judge says 'yes' or 'no'".*

As a result, Tina was able to sign for James' mortgage in his name so he could part own his home. This is something that relatively few people are aware of, but it's a vital tool in the battle to give a voice to people with severe learning disabilities.

"The whole process was very carefully explained," said Tina, "*It would be an interest only mortgage for £100,000, paid for by Income Support .... so we decided to go for it.*"

At the time James was living in Kidderminster with his parents - a gruelling three-hour commute from his day centre. So they decided to look at it from James point of view and find a property that was closer to the specialist care and support that he needs. They viewed several properties and found one in the perfect location. However, it needed extensive work.

"We approached the district council for a Disabled Facilities Grant, which we got. We had an architect who involved us in the process, the budget was worked out and we had a shortfall. We went back to the council and they, with an equitable charge on James' property, agreed to cover the remainder," said Tina. Work started in January 2008 and James had moved in by June.
"*It's been very scary for me because I've been his main carer for 25 years, but he's happy, he's healthy and he's safe. He gets supported 24/7, he still accesses his day services five days a week and he's having fun. His support workers help him do what he wants to do and he's left home like any normal 25 year old lad would do. He has his own place. We know that James is safe and that his mortgage is being paid. It doesn't seem possible that someone with such complex needs could have a mortgage .... but he's got one and he's a home owner. He owns 59% of his house on a shared ownership basis, it's paid for by Income Support and it's brilliant!"*
Acknowledgement: With thanks to James, Tina and MySafeHome.

Common questions and Issues
Q. If three people share a house together; can they each get a mortgage of £200,000 with the interest paid through SMI?
A. No - in practice you can only get one mortgage per property re-paid by SMI not per person.

Q. Can three people share a house together as Shared Owners?

A. Shared Ownership can be a good option for one person or possibly a couple or two people who become joint owners. Once you get beyond two shared owners it becomes much more complicated with more risks and practical management problems even if a mortgage can be obtained and the RP will agree. If the aim is to establish a small group home, Shared Ownership is unlikely to be the best model.

Q. Can I turn the home I rent into Shared Ownership?

A. Not if you are relying on SMI because one of the criteria for SMI is needing to move to alternative accommodation which is more suitable.

Q. Can I extend or adapt my property so my son/daughter can continue to live with us using SMI?

A. No – for the same reason as above.

Q. I would like to get a job at some point in the future – is that a problem?

A. If you get paid employment which means you are no longer eligible for Income Support then you will no longer get the interest paid on the mortgage. For this reason, shared ownership may well not be a suitable option for anyone who anticipates working in the future.

Q. This is all very interesting, but it is no help to my family because my son/ daughter is far too disabled.

A. People with quite profound disabilities have become home owners. The critical thing is an adequate support package, but this is true whether someone rents or owns. If someone does not understand what is involved in ownership i.e. lacks legal capacity, then it may be necessary to get a deputy appointed through the Court of Protection/Office of the Public Guardian.

Office of the Public Guardian, PO Box 15118, Birmingham, B16 6GX
Tel: 0300 456 0300 - Phone lines are open Monday to Friday 9am till 5pm (Except Wednesday 10am - 5pm)
Web: www.publicguardian.gov.uk
Parents can be appointed as the person's Deputy. Please note that being an "appointee" for the purposes of administrating welfare benefits is not sufficient.

REMEMBER: YOUR HOME IS AT RISK IF YOU DO NOT OR CANNOT KEEP UP REPAYMENTS ON A MORTGAGE OR OTHER LOANS SECURED ON IT.