



YOUR GUIDE TO SOCIAL HOMEBUY

What is Social HomeBuy?

Social HomeBuy is a scheme which allows tenants to buy their current home. Those that are unable to buy outright will be able to buy shares of at least twenty five per cent. They will pay a reduced rent on the share that remains with Circle Anglia and will benefit from any increase in the value of their share.

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 Circle Anglia 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.

How many places are available?

Applications will be dealt with on a first come first served basis as from the beginning of the new financial year – 1st April; we hope to be able to offer more tenants the availability to buy their home, although this will depend on funding from the Government. The terms and conditions of any future scheme may differ.

Am I eligible?

We will only 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 12 months. This includes having arrears of no more than one month on your rent account for the last 12 months, not being subject to a court order or receiving Housing Benefit.

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 will be excluded from Social Homebuy.

Can I afford it?

This will depend on 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 at least a 25% per cent share in your home. As a rough guide, we would suggest that your overall housing costs (rent, mortgage and service charges) should be no more than a third of your income.

We advise that you should have around £2,000 to cover initial costs such as solicitors, moving costs, mortgage fees.

What share, what discount?

You must buy a share of at least twenty five per cent but we will expect you to buy the biggest share you can afford, taking into account your discount. The share can be any multiple of five or ten right up to and including one hundred per cent. Your lender will give you advice on how much you can afford to buy under the scheme.

The discounts for this scheme are fixed amounts published by the Government. The discounts currently range from £9,000 to £16,000. The amount of discount you receive will depend on where you live. The maximum discount on offer is £16,000. If you buy seventy-five per cent of your home you will get seventy-five per cent of the discount, if you buy twenty-five per cent then you will get twenty-five per cent of the discount. Here are some examples:

Equity Share	Discount
25%	£4000
50%	£8000
75%	£12000
100%	£16000

Once you've bought, you will be able to buy more shares if you want to, although you must buy at least ten per cent each time. This is called 'staircasing'. You will receive a further discount when you increase your equity stake.

For example if you initially bought a 25% share in an area with a maximum discount of £16,000 you would receive £4,000 discount on the initial purchase. If you then 'staircased' up and bought a further 50% you would receive a further discount of £8,000.

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 home you could lose it.

Rent

If you buy a share of less than 100% you will also be charged rent on that share. The rent usually increases every year by the Retail Price Index (RPI) plus 0.5% on the unsold equity.

Service charges

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

Repairs and maintenance

Don't forget that, as a homeowner, you will also be responsible for all the internal 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 internal repairs and maintenance for each of our rented properties.

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 may wish to consider taking a mortgage protection policy to cover periods when you cannot afford payments.

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 the Housing Association. 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 may sell your property whenever you wish, in just the same way as other homeowners.

If you are a shared owner 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.

If you have purchased 100% of your property and decide to sell at any time within the first 10 years from the date of purchase you will be required to offer the property to your former landlord (or their nominated agent) to buy at the current market value first – this is known as the Right of First Refusal. If your former landlord does not wish to purchase the property you are then free to sell it on the open market.

If you sell within five years from the date of purchase you should anticipate repaying an amount representing the value of the discount you received.

If sold within a year, 100% is repayable
If sold within 2 years, 80% is repayable
If sold within 3 years, 60% is repayable
If sold within 4 years, 40% is repayable
If sold within 5 years, 20% is repayable

No repayment is required after 5 complete years

Example: if your property is valued as £150,000 at purchase and you receive a discount of £15,000, the discount represents 10% of the property value. If when you come to sell the property is valued at £200,000 the 'discount' repayment will be $£200,000 \times 10\% = £20,000$. If you are selling within 3 years from the date you purchased the property the amount to be repaid will be $£20,000 \times 60\% = £12,000$.

What happens next?

Step 1

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 Internet guide of

the value of your home. We hope that this will give you some information to help you decide whether to continue with your application.

Step 2

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

Step 3

We will assess your application against the eligibility criteria and check affordability for you. If your application is accepted then we will arrange for a valuation by a qualified person and make a formal offer.

Step 4

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 8 weeks of the valuation. You are now a homeowner!