

Buying a Shared Ownership home with L&Q



L&Q

Shared Ownership

also known as part buy,
part rent, is designed as a
stepping stone to owning
your home outright.



Who is L&Q?

L&Q is an award-winning housing association creating Shared Ownership homes across London and the South East.

As well as building small and medium sized developments, we are at the forefront of vast regeneration schemes which transform previously neglected areas of London and make a lasting difference to whole communities. As trusted landlords for over 50 years we currently manage over 70,000 homes in London and South East.

Why buy through L&Q?

Buying a home is a dream that many people want to achieve. It's an exciting step, but it can also be one of the most daunting and most important financial decisions you are ever likely to make and, with all important decisions come difficult choices.

At L&Q we understand how you feel, and our promise to you is to provide you with the best customer service possible by ensuring your decisions are based on accurate information that is both informative and relevant to you.

What makes us different from other developers is that once you have

purchased a home from us we will continue to manage the home and neighbourhood where you live. We're with you every step of the way.

Our staff are fully trained to help you make the right choices and support you at every stage of the purchase, moving-in process, and beyond.

This booklet explains more about our service offer and tells you what you can expect from L&Q. It also tells you about the warranties that will apply to your new home, how you can report repairs, and answers many frequently asked questions.



What is Shared Ownership?

Shared Ownership makes it possible to own your home – even if you feel priced out of the property market. It's an affordable home ownership scheme designed as a stepping-stone to outright ownership if you can't afford to buy a home on the open market.

Under a Shared Ownership scheme you part-own and part-rent your home, making it possible for first-time buyers and families to get on the property ladder.

With a Shared Ownership property you become an owner-occupier. This gives you the long-term security and stability of home ownership at a price that's still affordable.

How does it work?

With an L&Q Shared Ownership property you start off by buying a share in your new home on a 125-year lease (this may vary). Your lease is a legal document that proves you own part of your home and sets out conditions such as how often your rent and service charge goes up and by how much.

The minimum share you can purchase on the majority of developments is 25% and the maximum is 75%. You will 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 L&Q. This process is known as 'Staircasing'.



Why choose Shared Ownership

You could be within reach of owning your own home, even if you don't have a large deposit ready. With Shared Ownership you need a much smaller deposit than when you buy on the open market – and it's already helped thousands of first-time buyers and families onto the property ladder.

Some of our current home owners have described their experiences getting on the property ladder with Shared Ownership. Watch some of our video case studies to find out what they think of their new homes.

L&Q has over 50 years of experience creating homes for people and we're committed to providing affordable home ownership schemes for people across London and the South East. To purchase one of our part-rent, part-buy homes you normally need a deposit of between 5 and 10% of the value of the share you are purchasing.

An affordable way to buy a home

Part ownership is a much more affordable way to have the security and stability of owning your own home. If you're currently renting your home, you may even be able to reduce your monthly outgoings with an L&Q Shared Ownership home. You may find the combined cost of your mortgage, rent and service charges to be cheaper than the cost of private rental.

What's more, you won't be overstretched because you will only purchase the share you can afford. We'll help you work out how much you can afford during your financial interview. As your income rises, you can increase the share you own, until you eventually own 100% and no longer pay any subsidised rent to L&Q.

How does the eligibility process work?

We've simplified the eligibility process by separating it into three sections:

Eligibility

To buy a home with us, please register with L&Q and check that you meet the Shared Ownership requirements. If you already own your home, or own a home under a Shared Ownership scheme, you can still apply for L&Q Shared Ownership provided you are currently marketing or have already sold your home. You'll need to be at least 18 years old to be able to obtain a mortgage.

Prioritisation

As of April 2016 previous rules have been relaxed. You are no longer required to live or work in the area where you intend to buy. However, there may be a few exceptions to these rules where historic agreements have been made with local authorities about particular properties. Priority will still be given to members of the military.

For more specific information on any restrictions that might apply to the property you are interested in, visit the 'property eligibility' information within the development listing.

Affordability

Household income requirements will differ from development to development in line with factors such as current house prices, the share for sale, and local authority policy. The general guidelines state that you must have a combined household income of less than £90,000 per year within London, and £80,000 outside of London.

L&Q will perform checks to ensure you can afford to purchase and sustain the housing costs before offering you a home.

Once you have registered your interest in a particular L&Q home, you will be sent whatever information is available for that property. More specific pricing information will become available close to the development launch. You can also keep an eye on the development listing for more information on a particular development. You can find out more about the home buying process by watching our video guide to buying a Shared Ownership home on the PricedIn website.

You will need approximately £5,000 to cover the costs of purchasing a home. These costs cover things like; the reservation fee, mortgage valuation fee, mortgage arrangement fees, solicitors' fees, removal costs and utility connection charges.



Step by step guide to buying a new home

STEP 1

Register

Start the home buying process by completing the L&Q Shared Ownership eligibility form online. Go to www.lqpricedin.co.uk

If you're accepted onto the scheme, we'll send you a reference number. Please make sure that you keep your reference number as you will need it throughout the homebuying process.

STEP 2

Reserving your home

Once your application has been accepted, you can register for homes you're interested in and book viewings once they have launched. When you've chosen a home, a payment of £500 will reserve it for you.

The reservation fee will be returned to you if:

- You decide that you don't want to go ahead with your purchase. (Prior to L&Q making you an offer).
- We are unable to offer you the property of your choice.
- You buy the property with us (it will be deducted from the fees due at completion).
- Because Shared Ownership isn't on a first-come-first-served basis, in some instances more than one person will reserve the same property. If this happens, we will allocate according to the eligibility criteria for the development.
- **We will not return the reservation fee if (after we make you an offer):**
 - You decide not to go ahead, for whatever reason, including if you change your mind.
 - We withdraw our offer of a home because you have given false or misleading information on your application form.
 - You have failed to progress the purchase within the set deadlines.



STEP 3

The Offer

Once you have paid your reservation fee, we will verify your identity in accordance with the UK Anti-Money Laundering Regulations. If the result of this check is satisfactory we'll contact you to make an offer of a home or let you know if you have been unsuccessful. Offers are made in line with L&Q's selection and allocation policy, details of which can be found at www.lqgroup.org.uk

STEP 4

The interview

If we offer you a home and you accept, we will arrange an interview with a specialist mortgage advisor. We will send out an offer letter confirming the date and time of interview.

At the interview the specialist mortgage advisor will:

- Check the information on your application to ensure it is correct and that you can afford to make the purchase.
- Agree the percentage share you will purchase. This is based on income, savings and any outstanding credit commitments.
- They can also provide you with information about choosing your solicitor and the right mortgage for you.

STEP 5**Appointing a solicitor**

Everyone who buys a home needs a solicitor to work on their behalf throughout the conveyancing process.

Your solicitor will:

- Make sure you have everything necessary to help you buy your home quickly.
- Check the lease and speak to your mortgage lender and our solicitors.
- Carry out what are known as ‘searches’, checking that we actually own the home we’re selling you and making sure there are no planned developments (such as new roads) that will affect your home.
- Check that all the paperwork and your mortgage are in place to allow you to purchase your new home.

STEP 6**Memorandum of sale**

- L&Q will issue a Memorandum of Sale (MOS) to all solicitors. This summarises the details of your proposed house purchase.
- The MOS will give a date by which we want you to exchange contracts. This makes your intention to buy a home through L&Q a legally binding agreement. You will usually be required to exchange contracts within four weeks of the MOS being issued.
- Once you have received your mortgage offer, your deposit has been paid, and the exchange of contracts has taken place, we will give you a completion date.

STEP 7**Finally – the completion date arrives!**

On the completion date, your mortgage lender will give your solicitor the money to buy your home. Your solicitor will then pass that money on to our solicitors. Once this is done, you will meet a member of the L&Q team at your home to get your keys.

You can also make an appointment to meet an L&Q Quality Inspector at the property who will carry out a home welcome and be able to answer any questions about the fixtures, fittings and equipment.

On completion day you will also receive:

- More information about being a homeowner.
- A Home User Guide which includes instructions for your heating and other appliances.
- Meter readings for you to pass on to your utility suppliers.
- L&Q home warranty booklet.

The big question; how much will it cost?

It is important from the beginning that you know exactly what your new home will cost you, both the starting-out costs and your monthly costs. To help you, we have included some information here.

Starting-out costs

- **The reservation fee** – This is the £500 you pay to reserve your home. You’ll get this back when you buy your home (it is taken off the purchase price). You will need to pay the reservation fee to the sales team when you view the home.
- **The mortgage valuation fee** – Your mortgage lender will arrange a valuation of your home, to check that it is worth the price you are paying. This costs around £400-£500 but it may vary from lender to lender. You pay this when you apply for your mortgage.
- **Mortgage arrangement fees** – For fixed rate mortgages there are usually ‘arrangement’ or ‘application fees’. These vary from lender to lender but you should allow £400 - £1,500. Generally the longer the interest rate is fixed for, the higher the fee. These fees are not returnable, so if you pull out later, you may lose this money. Your lender will tell you when you pay it.
- **Solicitors’ fees** – These are usually between £700 to £1000 including

Land Registry fees, local search fees and other expenses. You pay these on the completion date.

- **Stamp Duty Land Tax (SDLT)** – Stamp Duty Land Tax is a government tax on buying a home. You will need to check the stamp duty thresholds with your solicitor because these can change depending on how much you pay for your home. Your solicitor will be able to tell you the exact cost. You pay the SDLT to your solicitor on the completion date.
- **Removal costs** – If you are going to use a removal company to move your furniture, make sure you get two or three quotes as costs can vary enormously. You could pay £150 to £500, so it pays to shop around. You usually pay this on the day you move.
- **Deposit** – When you exchange contracts your mortgage lender will ask you for a deposit of between 5- 10% of the share you are purchasing. Like the reservation fee, the deposit is deducted from the price of your home - it isn’t extra money for you to pay.
- **Utility connection charges** – Although telephone points are always included in our homes, you’ll have to pay a connection charge for the point to be connected to the phone company. The cost is likely to be around £150.

What do I pay each month

Each month you will pay the following:

- Your mortgage (on the percentage share of the property you own).
- Your rent (on the percentage share that L&Q own).
- Your service charge.
- You also pay an annual ground rent.

Your mortgage payment

Each month you'll make your payment to your mortgage lender, usually by direct debit. The mortgage payment is between you and your mortgage lender, but as we own part of your home, we want to make sure our investment is protected, just as much as you do.

What happens if I am unable to pay my mortgage?

If you fall behind on your mortgage payments, or you think it could happen, ask for help from your mortgage lender. Many mortgage lenders will allow you to stretch your payments over a longer period while you both find a permanent solution. If you do not get help, or your financial problems continue and you get into debt, the mortgage lender can repossess your home and repay your mortgage. If this happens you might lose

all the money you put into your home, including the interest you have paid up to that point. Also, if your money from selling your home doesn't cover the amount owed to the mortgage lender, you will be responsible for paying the difference. Losing your home in this way could also mean that you'll have trouble getting a mortgage in the future. The most important thing is to let us and your mortgage lender know as soon as possible. We'll do everything we can to help you sort your problems out, including putting you in touch with an independent qualified debt counsellor.

Your rent

On the first day of each month you'll pay your rent to us by direct debit. This makes payment simple and convenient for everyone as the payments are taken directly from your bank account. Your rent will go up on April 1st each year by a set amount as agreed in your lease. We'll tell you the amount you will have to pay for your new rent every February/March.

What happens if I am unable to pay my rent?

- As the government doesn't give us all the money to build Shared Ownership homes, we have to borrow the rest

of the money from banks. Your rent repays these loans so it's important that you pay your rent on time.

- If you miss a payment, our Financial Services team will contact you. If you continue not to pay your rent, we will charge you interest, you may have to pay administration costs and, eventually we may have no choice but to take you to court. You could lose your home. If you have difficulties paying your rent and service charge, you should get in touch with our Financial Services

team as soon as possible. If you are in genuine financial difficulty, they will do everything they can to help you. They can often arrange payment plans, put you in touch with your local benefit agency, speak to your mortgage lender and put you in touch with a cost free independent qualified debt counsellor.

- Everyone who owns their own home through Shared Ownership pays a management and insurance charge each month along with their rent, also known as your service charge.



L&Q @ Elephant Park, SE1

Your service charge

Your service charge is calculated as a monthly rate and covers all of the following:

Management charges;

- Rent and service charge collection.
- New build defects reporting.
- Property management – repairs, management of shared cleaning and gardening contracts.
- Anti-social behaviour support.
- Property decoration programme.

Insurance

Because we own the freehold of your home, we need to make sure your home is adequately insured. We have a block policy which covers all our properties. As we require insurance on so many properties the premium payable is reduced and we can pass these savings on to you.

Apartment service charge

The service charge for apartments covers the following:

- The cost of all day-to-day and future repairs.
- Maintenance to the outside of the building and the shared areas. This could be the roof, communal TV aerial, entry phones – anything that is used by everyone in the apartment block.
- The cost of cleaning and gardening to shared areas.
- We only charge you what we have to pay out on services. We do not make a profit on service charges. We'll send you an estimate of what we will spend each year in February/ March. The service charges

are checked by independent, professional auditors and we will give you a statement each year showing what we have spent.

Repairs saving fund

If you buy a newly built apartment, some of the money we collect through the service charge is put in to a 'repairs saving fund'. The fund is kept in a separate bank account (which earns interest) and covers the cost of major repairs in the future – such as replacing the roof, redecorating shared hallways and so on.

Paying for repair costs month-by-month ensures that you'll never have to find a large amount of money to pay for repairs in the future. It will also help you later on if you decide to sell your home, because the new buyer will know that the money is available to cover any major repairs. Each year, you'll receive a statement of this fund.

Other charges

You will need to organise payment of your own contents insurance, council tax, TV licence, water, electricity and any other utilities that you require e.g. internet, telephone, satellite television.

You will also pay your ground rent annually on the 1st April each year. The price differs from scheme to scheme and the cost is provided to you when you reserve your home.



Once I've moved in...



So you've moved in, had the house warming and are enjoying living in a place of your own. Down the line you may need information on repairs and maintenance, you may want to increase the share of the property that you own, or you may decide it's time to move on. Here's some information to help you with those questions.

Who is responsible for any repairs and maintenance?

If you own a house, you are responsible for all repairs and maintenance to the inside and outside of your home.

If you own an apartment, you are responsible for maintaining the inside. We'll take care of day-to-day repairs, maintenance and decoration to the outside of the apartments and any shared areas. This is paid for through your service charge.

What about repairs just after I move in?

With all new homes, there may be some teething problems. Most of these will be minor, like cracking as the property dries out, or 'sticking' doors or windows. The builder will inspect the property, usually after 12 months of handover and arrange to put these right. Any more

urgent repairs (as a result of defective workmanship/ materials) should be reported to our Aftercare team on **0300 456 9998**. We will arrange for the builders to put the problem right. How quickly they do this will depend on how urgent the repair is. You will be responsible for any accidental damage.

Your home is also covered by the National House Builders Council's (NHBC) warranty or equivalent which covers your home for defects in the building workmanship for the first two years after you move in and for structural problems for ten years, in some cases 12 years. In addition, the L&Q Warranty lasts for two years from the date of legal completion and covers items not included in the NHBC warranty.

Do I need permission if I want to make any alterations or improvements in my home?

You don't need our permission for redecorating and simple repairs, but you will for anything more complicated. Make sure you get the benefit of any improvements that add value to your home by agreeing the work with us beforehand.

It is important to note when you sell your home improvements are dealt with differently, you will receive your share of the full market value (including improvements you have made). If you own a 50% share you will receive 50% of the full market value at the time of sale from your buyer.

How do I increase the share of the property I own?

You've found your new home, bought it and moved in. You then have the choice of purchasing a bigger share in your home if you want to. This is called 'staircasing'. The price you pay for any extra share is based on the market value of your home at the time you want to buy. This value can go up or down according to house prices. The value will be set by an independent valuer. There will be some costs involved in staircasing such as a valuation fee and solicitor's fees, although it shouldn't cost as much as buying your first share.

What happens when I want to sell my home?

You can sell your home at any time. Under the terms of your lease L&Q has eight weeks to find a buyer for your home. This helps you as it saves you the expense of going to an estate agent and doing all the hard work yourself. There will be a small charge for this, however this should be cheaper than using an estate agent. After the eight weeks, if we are unable to find a buyer, you can sell your home through an estate agent in the normal way.

Like staircasing, the price you sell your home for will be based on the market value at the time. Like any home, the value can rise and fall along with the housing market. The Law requires anyone wishing to sell to have commissioned an Energy Performance Certificate (EPC) prior to the home being marketed. L&Q have a panel of EPC providers, for you to choose from. You must feel comfortable with the risks of these ups and downs before you decide that Shared Ownership is for you.



Seventeen, SM1

The L&Q New Home Warranty

We build to extremely high standards and we sincerely hope that nothing will go wrong. But for extra piece of mind, L&Q has introduced the L&Q home warranty.

The L&Q New Home Warranty lasts for two years from the date of legal completion and covers items not included in the NHBC Buildmark cover. For that period, we guarantee items supplied as part of your new home, covering repairs caused by faulty workmanship or materials.

Alterations to your home

Any alteration or extension you make to your home after purchase may adversely affect all, or part, of your warranty. Please contact the L&Q Aftercare Team if you plan to alter your home. They will then liaise with other L&Q departments if necessary.

Change of ownership

The New Home Warranty should stay with the legal owner. It is not affected if you sell or let your home. It would help if you could pass on the details about the guarantee to subsequent buyers. If you sell your home, the cover automatically transfers to the new owner.

Your rights

The New Home Warranty does not affect your statutory rights. Some manufacturers also offer warranties over and above the initial two-year New Home Warranty. Please contact the manufacturer's own customer services department for further information.

Please note; we do not protect against every problem that may occur and you are obliged to maintain your home.

Your sales negotiator will provide you with full details of your warranty at time of purchase.



Reporting problems covered by the L&Q Warranty

You can report problems covered under your warranty to L&Q's Aftercare Team on 0300 456 9998 or by emailing LQAftercare@lqgroup.org.uk

If you have an emergency that is covered by your L&Q New Home Warranty, we will respond within 24 hours.

- An emergency is defined as a matter that presents an immediate danger to the occupant or members of the public or where further damage will result if the repair is delayed beyond 24 hours and/or it presents a health hazard.
- In non-emergency situations we will respond as quickly as possible, usually within five working days. However, our response times will depend on the severity of the problem and the availability of parts. We expect the majority of problems to be resolved within 20 working days. We will keep you informed if a longer time becomes necessary.

- If you have an out-of-hours emergency (information on what constitutes an emergency is contained in your welcome pack), your call will be directed automatically to our out-of-hours provider, Liverpool City Council. Confirmation that you have spoken to Liverpool City Council will be passed on to the Aftercare Team at the start of the next working day.

The NHBC Buildmark

The NHBC Buildmark covers your home for ten years after the building was finished.

Your solicitor will give you a copy of the National House-Building Council Buildmark registration policy number when you exchange contracts. You will also be given a copy of the Buildmark booklet which you should read.

The insurance certificate, which will be sent separately, will show the date that the insurance cover begins.

The Buildmark cover has two parts:

Initial two years – problems in your home caused by faulty workmanship or materials. Please contact L&Q about these issues.

Years three to ten – insurance for the cost of putting right and damage caused by a structural defect. Contact the NHBC claims team to discuss this sort of problem.

You can contact the NHBC on 0870 241 4329, or visit www.nhbc.co.uk for further information.

In some cases a similar level of cover may have been provided by Premier Insurance. Should this be the case, your solicitor will give you the pack of documents relating to this alternative cover.

Contact us



We're here to help so please contact us with any queries you may have along the way. We are available between 9am - 5pm Monday to Friday. Most of our developments are open at weekends. For opening hours or further information please visit our website.

Phone: 0300 456 9997

Visit: www.lqpricedin.co.uk

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