

Shared Ownership Staircasing Policy

Reference:	SO/SRR/DW	Approved:	4/4/17
Scope:	Shared Ownership Staircasing Reverse Staircasing, and Remortgaging	Revised:	31/3/2017
Related Policies:	<ul style="list-style-type: none"> • Shared Ownership Sales, Resales and Allocations Policy • Leasehold Management Policy • Shared Ownership Forfeiture & Possession Policy • Service Charge Policy 	Date of next Review:	31/3/2020
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Policy Statement

This policy outlines Housing Solutions approach to the purchase, by Shared Owners, of additional equity in their home. This is called staircasing.

It also covers reverse staircasing when a resident sells some, or all, of their share in a property back to Housing Solutions and remains living in the property. This can only happen at the discretion of Housing Solutions.

This policy supports Housing Solutions obligations relating to Shared Ownership and staircasing in accordance with the Homes and Communities Agency (HCA) Capital Funding Guide.

Housing Solutions will promote and encourage customers to purchase additional equity, where it is appropriate and affordable for them to do so.

Aims

To ensure that Housing Solutions complies with all financial and regulatory controls including those set out in the Homes and Communities Agency Capital Funding Guide.

To establish a staircasing process that is non-discriminatory and responsive to demand, while contributing to the need to be inclusive and ensure sustainable communities.

To establish an efficient, transparent, fair and effectively controlled basis for the acceptance and processing of applications for staircasing.

To offer reverse staircasing as a flexible tenancy option to shared owners under threat

of having their home repossessed.

To ensure Housing Solutions meet their social objectives whilst recognising and managing the financial implications for the organisation.

1. Staircasing Overview

1.1 Staircasing enables shared owners to buy further shares in their home when they can afford to. As they purchase more shares in their home their rent falls according to the proportion of their home that they own.

1.2 In most cases buyers can purchase up to 100% of the equity in their home becoming the outright owner. Once they own 100% of their home they do not have to pay any rent to Housing Solutions but may still have to pay a service charge depending on the type of property and services provided by Housing Solutions.

2. Restrictions

2.1 Staircasing arrangements vary across the different types of Shared Ownership offered by Housing Solutions. Any specific restrictions are set out in individual leases but in general:

- For most new build, DIYSO (Do it Yourself Shared Ownership), HOLD (home Ownership for people with long-term disability) or resale properties Shared Owners can build up their share through staircasing until they purchase 100% of the equity in the property
- For properties bought under the Older People's Shared Ownership schemes (homes specifically for people aged 55 or over) Shared Owners can build up their share through staircasing until they purchase a maximum 75% of the property.

2.2 In some cases leases will set out additional restrictions on the level of staircasing, for example for schemes funded in rural exception sites or in designated protected areas.

3. Buying additional shares

3.1 In order to buy additional shares in their home applicants are expected to:

- Have sufficient savings to meet the one-off costs of buying additional shares and access to capital or a mortgage to fund the additional purchase and
- Clearly demonstrate their ability to sustain the affordability of outgoings (mortgage, rent, service charge, repairs etc.) over the long-term future.

3.2 Applicants rent and Service charge accounts must be clear of any arrears at the point of completion of any purchase of additional equity, and will be a condition of that completion

4. Purchase of additional shares

4.1 Any purchase of additional shares can only be made by the current owner(s). If the property is jointly owned any additional shares must be jointly purchased.

4.2 If purchasing a shared ownership property resale please refer to the shared ownership sales resales and allocations policy.

4.3 The price paid for further shares is based on the full open market value of the property, excluding any improvements made by the shared owner. The valuation is made by an independent RICS accredited valuer. Please note the cost of the valuation is to be paid by the shared owner. To ensure that any purchase reflects current market conditions the valuation is valid for three months from the date Housing Solutions receive the valuation from the valuer.

4.4 Shared owners have 3 months to complete their staircasing purchase from the date that we receive the valuation. We have discretion to extend this to 6 months where the delay is outside the control of the shared owner and Housing Solutions.

4.5 Buyers must purchase additional shares in a minimum of 10%. Unless the lease stipulates otherwise. Details of this are set out in the lease. The final stair case to full ownership must be at least 10%.

4.6 Applicants purchasing additional shares in their home must be able to meet the costs of additional shares. A copy of the mortgage offer must be inspected and Housing Solutions will carry out financial investigation if necessary. Any additional borrowing secured through a re-mortgage or further advance can only be approved in certain conditions as it must gain the protections of the Mortgage Protection Clause. Please refer to section 7 for remortgaging

4.7 Where a further share is acquired in the Property, this will be documented by what is termed "A Memorandum of Staircasing" which is attached to the Lease. This sets out the additional percentage share acquired and the sum paid.

4.8 The remaining rent, if any, is calculated in line with the lease. For Older People's shared ownership, where a 75% share has been purchased, no rent will be payable on the remaining share unless otherwise stated in the lease.

4.9 Housing Solutions will charge an administration fee for any staircasing transaction. Fee levels will be reviewed annually and are set out in Appendix 1 of this policy.

5. Final staircasing

5.1 When a shared owner buys the remaining share in their property they become the outright owner of their home and they will no longer pay any rent to Housing Solutions. The final staircase to full ownership must be at least 10%.

5.2 In the case of a house, the freehold is transferred to the new owner. In some cases service charges may still be payable. In the case of a flat, Housing Solutions will continue to own the freehold and a service charge and ground rent are still payable.

5.3 Any service charges and ground rent will be calculated according to the service charge policy and any conditions set out in the lease.

5.4 Once this is complete owners are free to sell their property on the open market (subject to any restrictions set out in the lease).

5.5 Subject to lease there may be an administration charge payable on completion to Housing Solutions and are set out in Appendix 1.

6. Reverse Staircasing

6.1 Housing Solutions has discretion, to offer Reverse Staircasing (known as Flexible Tenure). This is designed to allow a shared owner to remain in their home:

- by selling some of their shares back to Housing Solutions in order to reduce their mortgage to a more affordable and sustainable level; or
- by selling all their shares back to Housing Solutions and becoming a tenant.

6.2 Reverse stair casing is not a right and can be offered at the discretion of Housing Solutions. It can only be used as safety-net to enable a shared owner to remain in their home, despite the changes in their financial circumstances, and is a last resort option when the shared owner has got or is about to get into mortgage arrears and potentially lose their home.

6.3 Housing Solutions will consider reverse staircasing when there is a potential need. There is no right to reverse staircase. Potential need is assessed on the basis of rent arrears, an indication that a household is at risk of repossession and household vulnerability (assessed using LA Homelessness criteria). Evidence will be required of what steps have been taken to resolve the situation. Housing Solutions works in partnership with Local Authorities to help prevent at risk households from becoming homeless.

7. Remortgaging

7.1 Before re-mortgaging you should get advice directly from a lender (like a building society or bank), or from a mortgage broker or financial adviser. Make sure they are registered with the Financial Conduct Authority

7.2 We will consider permission if you have a clear rent account and we're not taking any action against your tenancy

7.3 We will need a copy of your mortgage offer from the new lender and confirmation from them of the current valuation of your home. If you are borrowing extra money we

will need full details of what you are borrowing it for

7.4 Mortgagee Protection Clause (MPC)

This is a clause in your lease that protects your mortgage lender if they make a loss because they have had to repossess your home. It allows them to claim some of their loss from Housing Solutions. Lenders usually want confirmation from us that any extra money they lend you will also be covered by the original Mortgagee Protection Clause. In line with government guidelines we only extend the MPC to extra borrowing that's for

- Staircasing (buying more shares in your home)
- A shared owner buying out the joint owner such as in cases of relationship breakdown.
- Essential repairs needed to comply with the terms of your lease (in specific Circumstances)

We will not extend the Mortgagee Protection Clause for borrowing that's for other purposes such as

- Debt Consolidation
- Holidays
- Home improvements that are not essential repairs

7.5 The protection of the MPC is usually important for mortgage lenders, so you should check this with your proposed new lender at the beginning of your application to prevent delays or disappointment

7.6 If a remortgage has taken place subject to the terms of your lease an administration fee will be charged. There will also be a Notice of Assignment and/or Notice of Mortgage fee as well as a fee to reimburse any related legal charges incurred by Housing Solutions. Current fee levels are set out in Appendix 1 of this policy.

8. Monitoring

8.1 All instances of staircasing will be recorded on our Housing Management System and the Asset Register will be updated accordingly.

8.2 A quarterly Asset Register report will be presented to the Senior Management Team which will include details of staircasing and reverse staircasing.

8.3 This monitoring allows Housing Solutions to manage the financial implications of additional monies received through staircasing and the removal of property from its portfolio where staircasing of 100% takes place.

9. Equal Opportunities

9.1 Housing Solutions work in multi-cultural and diverse communities and believe that no person should suffer disadvantage by reason of their race, religion and believe, gender, sexual orientation, gender reassignment, disability, marital status, age or responsibility for dependents. We will ensure adherence to our Equality & Diversity Strategy.

9.2 We will also ensure that if our customers have difficulty in understanding any document or other information we will provide a translation service.

10. Review

10.1 This policy will be reviewed on a 3 yearly basis or in response to changes in Legislation, regulatory guidance, good practice or changes in other relevant Housing Solutions policy.

11. Data Protection

11.1 Under the Data Protection Act 1998 and the Human Rights Act 1998, all personal and sensitive information supplied to Housing Solutions, however received, is treated as confidential. This includes anything of a personal nature that is not a matter of public record about a resident, client or applicant

11.2 Every care will be taken to keep information secure and confidential and held only for as long as is necessary for the purpose it is intended for. The data can only be disclosed to relevant third parties provided it is for the purposes of accessing eligibility of applicants and for audit purposes. Housing Solutions reserves the right to contact third parties to request information for the purposes of assessing eligibility of applicants.

11.3 Housing Solutions will ensure that they only involve other agencies and share information with the consent of the applicant concerned, unless:

- To help to prevent fraud or if required to do so by law
- The information is necessary for the protection of children

11.4 For further information on how applicant's information is used, how we maintain the security of information, and rights to access information we hold on, is included in Housing Solutions Data Protection Policy, available on the Housing Solutions website.

Appendix 1

FEE SCHEDULE 2017/8

Where applicable the following administration fees will be charged for any Staircasing, Reverse Staircasing or Remortgaging transactions unless otherwise stated in your lease.

Housing Solutions' Administration Fee	£100
Registration of Home Improvements	£90
Notice of Assignment / Notice of mortgage fee	£60
Valuation Fee (valuation valid for 3 months)	£210 +vat (approx)
Reimbursement of Housing Solutions' legal costs	£200 +vat (approx)

Please note that these fees relate to charges levied by Housing Solutions. Applicants should be aware that they may incur additional fees and costs from their own mortgage lenders and/or solicitors.

For more information on all fees and charges please contact our Home Ownership team.