



The Scottish
Government

Low-cost Initiative for First-Time Buyers

LIFT

New Supply Shared Equity

Helping you to become a home owner

Low-cost Initiative for First-Time Buyers

LIFT

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The Scottish Government is committed to helping people meet their aspirations to become home owners where this is sustainable for them. This booklet gives information about our New Supply Shared Equity scheme that will help people across Scotland who are on low incomes, particularly first-time buyers, become home owners.

The New Supply Shared Equity scheme is separate from the Open Market Shared Equity Pilot that allows people to buy homes that are being sold on the open market in Scotland. A separate booklet covers that scheme.

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New Supply Shared Equity

What is New Supply Shared Equity and how does it operate?

The New Supply Shared Equity scheme aims to help people on low incomes who wish to own their own home but who cannot afford to pay the full price for a house. It is part of the range of assistance from the Scottish Government under LIFT, the Low-cost Initiative for First-Time Buyers.

New Supply Shared Equity is administered by the Scottish Government, the City of Edinburgh Council and Glasgow City Council.

The Scottish Government gives grants to registered social landlords – normally a housing association or housing co-operative – to help them build or buy new homes specifically for New Supply Shared Equity. The homes that are provided are for a variety of household sizes and are designed to meet a range of housing needs.

Registered social landlords offer New Supply Shared Equity properties for sale on a 'shared equity' basis. Shared equity means that the Scottish Government will keep a financial stake in the property so you do not have to fund all of it. You will pay for the majority share in the property (normally between 60 and 80 per cent) and the Scottish Government will hold the remaining share under a shared equity agreement which they will enter into with you. You will own the property outright but the interests of Scottish Government will be secured by a mortgage (or standard security as it is known in Scotland) on your property.

If you can afford a 75 per cent share of a property the Scottish Government's contribution will make up the remaining 25 per cent. You will have a 75 per cent stake in its value, whatever changes there are to the property's value over time. The price that the property is worth when you buy it is worked out by the District Valuer.

You will have to appoint a solicitor to act on your behalf to complete the work involved in buying a home. A solicitor acting on behalf of the Scottish Government will deal with the Scottish Government's interest in the purchase.

You will pay for your share of the purchase price in the usual way, along with legal costs, survey fees and any other costs associated with the purchase. You will also pay for the documenting and securing of Scottish Government's interest including all registration dues and (if applicable) stamp duty. You do not pay any form of rent on the property.

Who is it for?

New Supply Shared Equity mainly aims to help first-time buyers, such as people living in social housing, people in the Armed Forces or veterans, widows, widowers and other partners of service personnel, and people living in private rented housing or with relatives. But it can help others too. For example, it may be able to help you if you are looking for a new home after a significant change in your household circumstances or if you have a disability and own a house which doesn't suit your needs. If you currently own your home or part-own a property you will need to sell your interest in that property at the same time that you buy a home through the New Supply Shared Equity scheme.

In a small number of locations where you might own a home affected by demolition plans, New Supply Shared Equity may be able to help you buy a replacement house in the same area.

How do I know if I'm eligible?

The property that you buy must be your only home. Although it should be suitable for your current housing needs, you can if you wish buy a home that is a little larger than your current requirements. You will be able to purchase a property two 'bed spaces' more than the number of people in your household. For example, a couple would be eligible to buy a house with two double bedrooms, or a double and two single bedrooms.

As the New Supply Shared Equity scheme is aimed at low income households, you will be assessed by the registered social landlord to see whether or not you qualify. To allow this to happen, a form of 'means testing' will be carried out. Because housing costs vary so much from area to area there are no national criteria for this test. Instead, the registered social landlord involved in the scheme will agree on a local set of criteria with the Scottish Government, or the City of Edinburgh Council or Glasgow City Council if you live in those areas.

You will need to show that you cannot buy a house suitable for your needs without help from the New Supply Shared Equity scheme.

The amount that you contribute must be the maximum mortgage you can reasonably obtain – the registered social landlord will be able to give you information on the income multipliers it uses when considering the level of mortgage finance you can raise – plus any personal contribution you are able to make. The overall amount must be enough to pay for your stake and cover all the costs of buying a home, such as survey and legal costs.

The stake that you hold will normally be determined by the maximum mortgage that you can obtain and afford plus any personal contribution that you are able to make towards the purchase. For example, if a property is valued at £100,000 and you can afford to contribute £70,000 (the maximum mortgage that you can raise plus any personal contribution) you would hold a 70 per cent stake in your home.

When you apply to buy a house, you will have to state all your sources of finance. Your funds will be considered to be the total of:

- gross earnings, per single person or couple, as appropriate;
- any other income, comprising sickness benefit, unemployment benefit, bank interest, superannuation or pension from previous employment, working families tax credit, widow's pension and shareholder's profits; and
- personal contributions.

Personal contributions may include, for example, savings and gifts. The definition of savings that we use includes: cash; Premium Bonds; stocks and shares; unit trusts; bank or building society accounts and fixed-term investments; the surrender value of any endowment policies; property; redundancy payments; and pension lump sum payments.

You may keep £5,000 of any personal contribution you can make. Above this amount, 90 per cent of the balance will be treated as a contribution towards the cost of buying your home.

Example

An example of how the New Supply Shared Equity scheme works

Ian is single and has seen New Supply Shared Equity properties advertised in the area where he would like to live and thinks that he might be eligible for the scheme. The properties are valued at £100,000 each. He works full-time and earns a salary of £21,000.

Ian has £8,000 saved towards the cost of buying a property. He may keep £5,000 and must contribute 90 per cent of the £3,000 balance. Therefore he can make a contribution of £2,700.

The maximum mortgage that Ian can secure is £63,000. This sum, together with his savings of £2,700, means that Ian can contribute £65,700 towards the purchase of a property.

After the property has been bought, Ian has a 65.70 per cent equity stake in it. The Scottish Government holds the remaining stake of 34.30 per cent.

What percentage of a home can I have?

The stake that you take will normally be between 60 and 80 per cent of the price of a property, according to the maximum mortgage that you can obtain and the personal contribution that you are able to make. In most circumstances you will have to take a stake of at least 60 per cent of the price of your property.

In exceptional circumstances you may be able to take a stake of less than 60 per cent but not less than 51 per cent. This is likely to apply, for example, where you have additional housing costs because of your particular housing needs which might be related to a disability, or in areas where house prices are exceptionally high.

The registered social landlord will tell you if you can take a stake of less than 60 per cent.

If you have been affected by a programme of demolition and are looking to buy a replacement house in the same area, there will be no fixed minimum percentage stake that must be taken. You will, however, be expected to invest the value of your existing house in the replacement house.

In all cases, the maximum initial stake that you can take will be 80 per cent of the price of a property.

In the majority of cases, you will have the option to increase your stake after two years to 100 per cent subject to payment of all valuation and other legal costs and expenses. However, in certain circumstances the Scottish Government will keep a 20 per cent stake in the property. This is known as a 'golden share' and is likely to happen in areas where there are only small amounts of affordable housing and few opportunities to build more affordable homes.

When New Supply Shared Equity properties are advertised, the registered social landlord will tell you whether a golden share will be retained.

After two years, if you have a stake of less than 80 per cent, you can increase this stake to 80 per cent (or more if there is no golden share). This first increase must take the stake to a minimum of 80 per cent.

At least one year after this first increase (and again assuming that there is no golden share) you may increase your stake once more. This increase must take your stake up to 100 per cent.

Example

An example of where a shared equity owner increases their equity stake and there is no golden share

Jim and Susan purchased 65 per cent of a house from a registered social landlord. After two years they look again at their financial position. They have both received rises in their salary and they feel that they would now like to increase their equity stake in their property.

As there is no 'golden share', they can increase their stake up to 100 per cent, but they must raise it to at least 80 per cent. The couple seek independent financial advice and decide that they will raise their stake in the house to 85 per cent.

After a further few years Jim receives another rise in his salary and the couple decide that they would like to have an even greater share in their home. If they choose to increase their stake again, they must now take it to 100 per cent. Again they receive advice from an independent financial adviser and decide to go ahead with the increase. They now hold 100 per cent of the stake and will receive the whole of any increase or depreciation on the sale price of the house.

Example

An example of where a shared equity owner increases their equity stake and there is a golden share

Jane bought a flat from a registered social landlord and took a 60 per cent equity stake. The flat is in an area where house prices are high and there are few opportunities for building more affordable homes. Before she bought the property she was informed that the Scottish Government had the legal right to retain a 20 per cent 'golden share' in the property. Her financial situation has improved since she bought the flat and she would like to increase her stake in the property. As it is more than two years since she purchased her home she is able to increase the stake. She must increase her stake to 80 per cent but because of the golden share she cannot raise it above this level. After taking independent financial advice she decides to raise the stake to 80 per cent.

You can increase your stake in your home regardless of whether the market value of the property has increased or decreased. (The market value is set by the District Valuer or another professionally qualified valuer.)

You will not be asked about your financial circumstances again after you have bought your home. Before you increase your stake in your property, you are advised to take independent financial and legal advice.

What responsibilities does a shared equity owner have?

When you buy through the New Supply Shared Equity scheme you own the property outright – you will have full title to the property.

Like other home owners you will be responsible for all maintenance, insurance and repair costs, as well as making your mortgage repayments and paying tax to your local authority. You are responsible for keeping your property in a good state of repair. If the property has common and shared areas (flats for example) you will be responsible for paying any common maintenance or service charges.

You will need to take these costs into account when assessing whether you can afford to buy a property. You should seek independent financial and legal advice on the responsibilities that come with being a home owner both generally and in relation to any particular property you select.

You are only allowed to let or sub-let your property with the Scottish Government's prior written consent. If you are given permission to let your property you will only be able to do this for a limited period of time. This is because you are expected to live in the property as your only home. You must therefore receive written consent agreeing the start and finish dates for the period of letting. If the Scottish Government does not provide written consent you must not let your home.

Further information on your obligations as a shared equity owner will be available from the registered social landlord developing the New Supply Shared Equity properties and also from your own legal adviser.

What happens when I want to sell my shared equity property?

If, for example, you have an 80 per cent stake in your property when you want to move, then you will get 80 per cent of the selling price when it is sold. The Scottish Government will receive the remaining 20 per cent. The percentage you get is not affected by changes in the value of your property over time. In this example, if the value of your house increases, you will benefit from 80 per cent of the increase. The other 20 per cent of the increase will go to the Scottish Government.

Example	
An example of when the value of your property increases	
Initial property value	£100,000
Your stake – 80 per cent	£80,000
Scottish Government's stake – 20 per cent	£20,000
Sale price	£140,000
You receive 80 per cent	£112,000
Scottish Government receives 20 per cent	£28,000
In this example, the value of your stake has increased from £80,000 to £112,000.	

The Scottish Government does not make a profit. Any surpluses go towards providing more affordable housing.

The next example shows what happens if the value of your property decreases.

Example	
An example of when the value of your property decreases	
Initial property value	£100,000
Your stake – 80 per cent	£80,000
Scottish Government's stake – 20 per cent	£20,000
Sale price	£90,000
You receive 80 per cent	£72,000
Scottish Government receives 20 per cent	£18,000
In this example, the property value has fallen by £10,000. You have an 80 per cent stake and make a loss of £8,000 (80 per cent of £10,000).	

If you have made any improvements to your home, these will be reflected in the valuation. You will not be reimbursed for the cost of any improvements made at your own expense. The amount you sell your house for will be split in proportion to the stakes held by you and the Scottish Government.

Example

An example of when you improve your property

Initial property value	£100,000
Your stake – 80 per cent	£80,000
Scottish Government's stake – 20 per cent	£20,000
Improvements funded by you	£10,000
Sale price	£150,000
You receive 80 per cent of £150,000	£120,000
Scottish Government receives 20 per cent of £150,000	£30,000

You will be responsible for meeting the costs of marketing your house if you sell it on the open market.

What else do I need to know?

Registered social landlords will have more information on the requirements of the New Supply Shared Equity scheme. However, you are also strongly advised to take independent financial and legal advice before agreeing to take part in the scheme.

YOU SHOULD ALSO ENSURE THAT YOUR SOLICITOR ADVISES YOU ON THE TERMS OF ALL DOCUMENTATION AND THAT YOU ARE SATISFIED WITH THOSE TERMS BEFORE AGREEING TO ENTER INTO ANY LEGAL COMMITMENTS.

The shared equity arrangements will include the granting of a mortgage (or 'standard security' as it is known in Scotland) to secure the rights of the Scottish Government. **YOU SHOULD CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME, OR IF YOU WANT YOUR FAMILY TO INHERIT IT.**

How do I find out more?

New Supply Shared Equity projects are developed and promoted by registered social landlords and may be advertised through a variety of local and national media and the internet. The best place to find information on New Supply Shared Equity will be from the registered social landlords in your area. If you don't know who they are, check the following websites:

www.sfha.co.uk

www.scottishhousingregulator.gov.uk

You will find some more general information about the New Supply Shared Equity scheme at:

www.scotland.gov.uk/LIFT

How do I apply?

If you see a property advertised which you think you might be eligible for, you should contact the registered social landlord responsible for the project. They will be able to give you further information on the New Supply Shared Equity scheme and how to apply.

The registered social landlord needs to know details of your income, the size of the mortgage and personal contribution you will be able to make, and information about your household and your current accommodation.

Once all the details needed are fully completed and submitted, the registered social landlord will write to you to tell you whether or not you are eligible to buy a property. If you are successful, the registered social landlord will tell you about the next steps in buying your new home.

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