

We can help with Staircasing



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What is staircasing?

As a leaseholder of a shared ownership property bought either new, as a resale or via Social Homebuy, you can buy further shares in your property. This process is known as staircasing, enabling you to own a greater proportion of your home. The greater the share you buy in your home the less rent you will pay to Family Mosaic. If you staircase to 100% you become an outright owner, and pay no rent!

Staircasing is limited to those who have purchased their home through a New Build Homebuy (shared ownership) product.

The Homes and Communities Agency - the governing body for Housing Associations require that leaseholders may acquire additional shares in their property at a price equal to the relevant proportion of the current full open market value of their property.

Buying additional shares in the property is known as interim staircasing however if you staircase to 100% (either in one transaction or after one or two interim staircasings) the share taking you to 100% ownership is known as final staircasing. When this occurs you own the property outright and are no longer a shared owner. In this case you will not pay rent to Family Mosaic but you will pay the service charge and may have to pay an annual ground rent.

You don't have to staircase - it is entirely up to you however having requested this guide we assume you are considering buying a greater share of your home and naturally you want to find out more about staircasing.

There are no restrictions in the majority of cases however we would recommend in the first instance that you refer to your lease. This may require assistance from your legal representative.





What provisions are there for staircasing?

The general provisions associated with staircasing will depend on the lease and the time the original lease of the property was issued. The key date effecting your provisions is April 2006.

For leases drawn up before April 2006:

Leaseholders of a New Build Homebuy (shared ownership) property may acquire the entire interest in their property in a maximum of four steps, including the purchase of the original equity share. This means that there can be a maximum of three staircasing transactions after the initial purchase to reach full equity.

Staircasing cannot take place in the first twelve months after the initial purchase.

For subsequent owners, (as in the case of a resale) staircasing can only take place after three months.

The leaseholder is required to buy a further share of at least 20% and in multiples of at least 5% above this percentage except in the third and final share which would take the shared owner's equity up to 100%.

For leases drawn up after April 2006:

Leaseholders of a New Build Homebuy (shared ownership) property have no limit on the number of staircasing transactions.

Staircasing can take place any time after the initial purchase.

For subsequent owners, (as in the case of a resale) there is no three month restriction. The leaseholder is required to buy a further share of a minimum of 10% and in multiples of at least 5% above this percentage except in the third and final share which would take the shared owner's equity up to 100%.

All leases require:

The additional equity purchased will be based on the current market value of the property at the time of application to staircase.

The valuation must be carried out by an independent RICS qualified valuer with the valuation accompanied with at least two comparable property values.

The leaseholder is required to meet the valuation costs and any other costs incurred in connection with the staircasing transaction, i.e. legal fees, mortgage arrangement fees, additional valuations in the case of valuer disputes or expired valuation reports.

The leaseholder must pay any arrears of rent, service charge or other charges incurred prior to completion of the staircasing transaction.

In some cases your lease may restrict you from selling your property for three months following final staircasing.



What are the benefits of staircasing?

Most people aspire to own their own property and you made the step towards this when you bought your New Build Homebuy/Resale (formerly shared ownership) home on a part buy part rent scheme.

Buying a greater proportion of your home has a number of benefits:

- You reduce the amount of rent you are paying to Family Mosaic.
- When you decide to sell your home, the greater percentage you own, the more profit you will make if the value of your home has increased.
- If you own your property outright (become 100% owner) you can sell your property on the open market using an estate agent of your choice.
- If you staircase and own your property outright, you can sell your home to anyone interested in buying your home and not restricted to those registered and approved by Housing Options who meet the criteria within the lease ie. if you have a key worker lease, you must sell to a keyworker.
- Becoming the outright owner allows you to maximise the profit from any major home improvements. Once you own 100% you will get back the full profit for the current market value when you come to sell your home.

Is there any reason why I would not be able to staircase?

As a responsible Housing Association, Family Mosaic may in certain circumstances not allow a leaseholder to buy further shares in their property.

We do not allow staircasing:

- If you have arrears with your service charge and/or rent.
- If your income doesn't meet our guidelines for responsible lending and the increased share is not affordable for you.
- This will be after assessing your current financial situation with our Financial Advisors at the Financial Interview.
- If you cannot provide a valid mortgage offer or proof of savings for the additional share being purchased.
- If your property has restrictions on staircasing. Some of our properties have restrictions on staircasing, if this applies you will be limited to what you are able to staircase up to. Details of any restrictions can be found in your lease.
- If your request to staircase is not signed by all those who originally bought the property.

“The paperwork was simple to complete and everyone was so helpful.”

Mr C – Newham

What are the costs involved in staircasing?

Every time you staircase you will have expenses to pay therefore before deciding to staircase it is worth investigating the full costs involved and consider carefully the additional share you wish to buy. Some of the expenses you will have to pay are:

The valuation fee - required by Family Mosaic in accordance with your lease and the Homes and Communities Agency guidelines. We have negotiated very competitive fees with our panel of RICS qualified valuers to determine the current open market value of your home. Their fees range from £175 - £300 plus VAT* substantially less than many other valuers. You may select another valuer not on our lists providing they are RICS qualified, we will need to approve them and we must instruct them and receive a satisfactory valuation report.

Legal expenses - Staircasing will involve changes to your existing lease which will require the professional services of a solicitor. The solicitor will have disbursements and professional fees for acting for you.

Stamp Duty - In certain circumstances you may need to pay stamp duty. This will need to be discussed with your legal representative.

Mortgage fees - If you are applying to change lenders (re-mortgage) to buy the additional share, or to obtain a better interest rate you will be required to pay the lenders valuation fee and you maybe required to pay a mortgage arrangement fee. You may also have to pay penalty charges to your existing lender if you re-mortgage before the end of the product end date.

You must investigate this with your lender or financial advisor prior to applying to staircase.

*correct at time of going to print - subject to change

Rent and Service Charge arrears - If you have any arrears these must be cleared before completion of the staircasing transaction.

NOTE: The valuation fee is for a valuation report valid for a three month period. If your staircasing transaction doesn't complete within this period you will be require to pay an additional valuation fee. We will require this new report and if the price has changed an amended offer will be issued which could result in additional costs from your lender and solicitor.





How do I staircase?

Having received this brochure, you have made the first step towards buying further shares in your property.

Appoint a solicitor

Before instructing Family Mosaic to proceed it is best to select your solicitor, so that you are ready to act promptly when you receive the valuation report which is only valid for 3 months. We recommend using the solicitor who originally dealt with your purchase as they are most likely to have a lot of your details regarding your property available. If this is not possible we can assist you by providing you with a list of client recommended solicitors.

You require a solicitor to deal with your staircasing transaction as it involves changes to your existing lease and other legal work associated with your mortgage and home.

Remember that you pay for your solicitor's time, so the more often you write to or phone your solicitor, the higher the charge is likely to be.

We always recommend you select a solicitor who offers:

- A fixed fee for their services
- You obtain a quotation before instructing your solicitor
- Choose a solicitor with knowledge and experience of Shared Ownership leases.

Remember that you pay for your solicitor's time, so the more often you write to or phone your solicitor, the higher the charge is likely to be.

Instruct us to value your home

Having obtained this information you now need to know how much it will cost to buy the additional shares. To do this, complete the form which was sent to you with this brochure. The information you provide on the form will be passed on to the valuer you select. The form requires you to select a qualified independent valuer, who must be registered with the Royal Institute of Chartered Surveyors (RICS). A list will have been sent to you to help you select a suitable valuer.

Add the valuer's details to the form and indicate on the form if you wish to pay the valuer direct or alternatively send the valuation fee to us with the application form. The valuation cheque must be payable to the valuer and NOT Family Mosaic.

On receipt of the completed form and valuation cheque (if applicable) the valuer will be instructed to arrange an appointment with you to value your home. To ensure this is dealt with promptly please provide contact details and be as flexible as possible to ensure the valuer can deal with our instruction in an effective and timely manner.

After viewing your home, the valuer will research your area and produce two copies of their valuation report with comparables of similar properties in your area which have been sold or are being marketed. This report will be sent to the Resident Sales Team who will check the details and issue an offer letter to you along with a copy of your valuation report. Please note the valuers report is only valid for 3 months and therefore you must act quickly to complete the staircasing transaction before the valuation report expires. If the transaction doesn't complete by this date you will incur additional costs for a new valuation and your solicitor may charge additional charges as we will make you a new offer based on the current

“I would like to say how efficient I have found the service provided by yourselves - Thank you.”

Ms P - Harringey

valuation. This valuation could be lower or higher than the original valuation dependent upon the housing market at the time.

We send you the offer

When you applied to staircase you would have indicated the additional share in the property you were considering, based on this and the valuation we will make you an offer.

Financial Assessment Interview

When you originally purchased your New Build Homebuy (shared ownership) home you most probably had a financial assessment interview with one of our independent financial advisors. From the time you originally bought your home to now when you are considering buying more equity in your home, your personal circumstances may have changed considerably. As a responsible Housing Association, we require you to have another financial interview to ensure you meet our affordability requirements and that the additional share being purchased is not likely to cause you financial difficulties in the future.

You must attend this interview otherwise we may not offer you the opportunity to staircase.

So that we can help you buy further shares as quickly as possible, you must supply the following documents:

- your payslips for the last 3 months. (Please supply 3 months' worth even if you are paid weekly) or
- if you are self-employed, your audited accounts for the last two years from a certified accountant or last 2 years tax assessments from the Inland Revenue.

- Your latest P60
- Your passport
- Last 3 months bank statements

If you are bought your home with another person and you are buying further shares in joint names, both must supply the documents to the financial advisor. The maximum additional share you can buy will be confirmed by the Independent Financial Advisor (IFA) at the financial interview and will need to comply with the requirements of the lease.

After the financial interview

The financial advisor will be able to assist you with your mortgage arrangements to buy the additional share - if you want them to. If you want to arrange your own mortgage, you should talk to some banks and building societies and make sure that you tell them you are buying additional shares in your New Build Homebuy (shared ownership) home. You must act quickly and must stress to your lender and solicitor that the staircasing valuation offer is only valid for 3 months and therefore it is imperative they act quickly to achieve this completion deadline to prevent you additional costs.

Three months seems a long time but passes quickly and you certainly don't need an additional valuation fee to pay which potentially could mean a new offer as the housing market can rise or fall within a three month period.

Once you have the mortgage offer, contact your solicitor to arrange to complete the staircasing transaction. They may need to arrange an appointment to go through the legal paperwork with you. Once this has been completed, your solicitor will advise us of the



date you intend to complete the staircasing transaction. We will then send out a completion statement which will confirm the increase share in the property you will own along with the new rent payments if you are not staircasing to 100% ownership.

Finally - staircase completion date arrives.

Congratulations - You will now own either a greater share or the full 100% value of your home. Your solicitor should now register your transaction with the Land Registry.

We will adjust your account to show the increased share you own in your home. We will refund of any monies owed, send confirmation of your new charges and/or close your account if your staircasing transaction requires us to do so. If you own a Do It Yourself Shared Ownership (DIYSO) property then this will be the last correspondence you will receive from us.

Your service charge will remain unchanged if you have bought interim shares but if bought all the remaining shares in your property your service charge may change. If you live in a House or DIYSO property and become the 100% owner you will no longer be covered under our block buildings Insurance Policy from the date your staircasing transaction completed. You must ensure that you have a building Insurance policy in place at completion. You may have to continue to contribute towards any shared costs such as estate gardens and management fees. If however you become a 100% owner of an apartment you will still be covered under our block buildings insurance policy and you will continue to contribute to the service charge and pay the annual ground rent.

What happens when I become the outright owner (own the property 100%)?

Once you have staircased to 100% you will no longer pay Family Mosaic any rent however if you are the leaseholder of an apartment you are still required to pay your service charge and management charges including the ground rent as we remain the freeholder of the apartment block.

If you own a house, the freehold of your home can be transferred to you when you have staircased to 100%. Your solicitor will need to serve notice to Family Mosaic requesting the freehold of the property be transferred to you. There is no charge for this transfer, however you will have to pay your legal costs. Once this has taken place, you will no longer be charged for buildings insurance. In some case you may still have to pay a service charge or estate management charge to Family Mosaic if you live on an estate and are responsible for some of the communal costs. If you live in an apartment we will give you the head lease if we own it, or a superior lease if we are not the freeholder.

Regardless of whether you live in an apartment or a house, once you have staircased to 100%, you are free to sell the property on the open market usually with the professional services of an Estate agent. If you would prefer, Family Mosaic can also sell your property for you. We charge competitive fees compared to many high street Estate Agents.

Please note that some leases restrict you from selling your property for three months following final staircasing.

Stages to staircasing

1. Contact the Resident Sales team to request application to staircase.
2. Search for a solicitor to act for you.
3. Speak with your lender and /or financial advisor about purchasing a further share in your home to ensure you can obtain additional funds and the costs involved.
4. Complete the staircasing application form, selecting the surveyor and sending the valuation fee to the Sales and Marketing Team.
5. Family Mosaic instruct the surveyor (RICS or ISVA qualified) to obtain a current open market value of your home.
6. The valuer send Family Mosaic 2 copies of the valuation report on your home with comparables (This is valid for 3 months)
7. We check the valuation report and issue offer letter to you with an authorisation form (subject to a financial interview)
8. Financial Interview undertaken by our Financial Advisor to ensure affordable
9. You check the offer and complete the Staircasing Authorisation Form which requires the name and address of your solicitor, financial advisor and mortgage provider.
10. Instruct your solicitor
11. Contact your financial advisor or lender and apply for your mortgage
12. Return the Staircasing Authorisation form to Family Mosaic
13. Family Mosaic instructs our solicitors to send the legal packs to your solicitor
14. Your mortgage offer is issued. Send a copy to your solicitor to forward to Family Mosaic's solicitor for approval.
15. Your solicitor completes the legal work and sets the completion date with our solicitors.
16. Family Mosaic issue the completion statement which breaks down the staircasing transaction and confirms rent , service charges and ground rent applicable after completion.
17. You complete the staircasing transaction before the 3 month expiry of your valuation (Failure to achieve the 3 month deadline will result in you having to pay for a new survey and the application process will have to start again.)
18. Family Mosaic confirms your new rent and service charge payment.

**For further information
please contact:**

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