



Right to Invest

- in your home, family, and the community.

A tenant shared ownership scheme.

Providing an affordable way for you to buy a share of your council home.



Please keep this document safe for your records.



What is Right to Invest?

Right to Invest is a tenant shared ownership scheme for council tenants in Barking and Dagenham who are able to raise a mortgage but not for the full cost of their home (even after the Right to Buy discount).

This scheme allows you to buy a share of your home as an alternative to buying it outright under the Right to Buy.

If you choose tenant shared ownership and buy under this scheme you will lose your Right to Buy, but you can use a percentage of your discount entitlement based on the number of shares you purchase.

Is every council tenant eligible for tenant shared ownership?

No. To be eligible for the scheme you must:

- be a secure tenant of the council;
- have been a secure tenant for at least three years; and
- pass an affordability test.

There are also some council properties that are exempt from the scheme, such as sheltered accommodation and bungalows.

Why opt for tenant shared ownership?

- It's an affordable way to get on the property ladder, as you do not have to get a mortgage for the whole cost of your home.
- You can use your Right to Buy discount to help reduce the price of your home.
- Your monthly mortgage and rent can work out much cheaper than buying outright, and sometimes not much more than renting alone.



- You can buy more shares if you want to, when you can afford them; you only buy what you can afford so you don't overstretch yourself financially.
- You can pass your home onto your children, or anyone else that you chose.

What am I actually buying with tenant shared ownership?

Tenant shared ownership will help you get onto the property ladder by owning a share in your home, which you can increase when you can afford it.

This means you will no longer be a council tenant, and will instead be a leaseholder, giving you similar rights and responsibilities as a full owner-occupier. The standard lease term is for 125 years.

How is my discount calculated?

Your discount for this scheme is based on a percentage of your Right to Buy entitlement.

For example if your home is worth £200,000, and you want to buy a 25% share (worth £50,000) if you are entitled to the minimum Right to Buy discount of 35%, this would equate to a discount of £17,500, meaning your initial purchase price would be £32,500.

The amount of discount you are entitled to depends on whether you live in a house or a flat and how long you have lived there. This is set by central government.



How much will it cost to buy my tenant shared ownership lease?

This will depend on the market value of your property (minus any improvements that you have carried out), the number of shares you want to buy and the amount of Right to Buy discount you are entitled to.

Below is an example of the costs associated with three share options based on a house worth £270,000.

Estimated value of your house:	£270,000
Your current monthly rent:	£440
Discount entitlement:	£94,500

(Full minimum discount available based on the above valuation and a tenancy of three to five years).



Overall costs of the property*

Initial share purchase	25% share	35% share	50% share	RTB outright purchase
Value of share purchase	£67,500	£94,500	£135,000	£270,000
Discount	£23,625	£33,075	£47,250	£94,500
Mortgage required	£43,875	£61,425	£87,750	£175,500

Potential monthly expense*

Proportion of monthly rent payable	£330	£286	£220	£0
Buildings insurance	£20	£20	£20	£20 (You arrange and pay for this)
Estimated monthly mortgage (repayments based on a 25 year term and 5% interest)	£256	£359	£513	£1,026
Total estimated combined monthly costs	£606	£665	£753	£1,046

***Your home is at risk if you do not keep up repayments on both your mortgage and your rent.**

In addition to the overall cost of your home, you should also consider the costs incurred as a part of the buying process. We have listed some of these below.

- **Deposit** – to apply for a mortgage you will need a deposit of around 5% to 20% of the property share that you can afford to buy – the cost of your share will be calculated after your Right to Buy discount has been applied.
- **Mortgage arrangement fees** – for fixed rate mortgages there are usually ‘arrangement’ or ‘application fees’. These vary from lender to lender but you should allow up to £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.
- **Solicitors’ fees** – these can be around £1000 including Land Registry fees, local search fees and other expenses. You will pay these on the completion date.
- **Stamp Duty Land Tax (SDLT)** – this is a government tax on buying a home. You will need to check the stamp duty thresholds with your solicitor when buying a home as these can change. You can usually choose to pay SDLT on the share that you are purchasing or on the full market value of the property. SDLT rate depends on the value of the property.

What will 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 the council owns); and
- Your service charges.

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.

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 every April 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.

Your service charge

If you live in a house and buy it under this scheme, it is unlikely you will pay any service charges. However you will have to pay for buildings insurance and if your house is located on an unadopted estate you may have to pay some costs towards the upkeep of common areas such as roads, footpaths, street lighting and drainage.

If you are purchasing a flat under this scheme you will be responsible for your full share of the costs for day-to-day service provision and the maintenance of communal areas. The sharing of these costs will be split between other flats in the block and estate. You will be informed annually about how the service charges have been spent.

We will also notify you of any proposals to carry out major maintenance or improvement work as you would be required to pay a percentage of these costs. Contributions to any major works will be reduced to reflect your share in the property, for example if you own 25% of the property you will pay 25% of the apportioned contribution for the works.



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

If and when you are ready to buy more of your home, you can through a process called ‘staircasing’. But you do not have to do this; you can keep with your initial share purchase throughout your entire lease.

When can I staircase?

You can staircase at anytime you can afford it, after the first 12 months from the date that you purchased your initial share.

Is there a limit to how many shares I can buy?

Yes, there is a share ceiling of 70%. This means the council will always own at least 30% of the shares in the property; you cannot own 100% of the property and will always therefore be a leaseholder rather than a full owner-occupier.

Is there a minimum amount of shares I can buy?

Yes, when you staircase under this scheme the minimum about you can purchase each time is 10%.

How much will I have to pay to staircase?

The amount you pay is based on the percentage share you wish to buy less your Right to Buy discount entitlement.

The cost is calculated on the market value of your home at the time you wish to staircase. Minus any improvements you have made to the property. Any previous valuations do not count.

How much discount will I receive?

If you did not receive the maximum discount when you purchased your initial share you will be entitled to another discount when you staircase. This will be a proportion of the full amount you would have been entitled to if you had bought outright under the Right to Buy.

You can continue to do this, until you reach the maximum discount allowed. See the table below for an example of how discount is calculated when an additional share is purchased.

Initial share purchase		Second share purchase	
Market value of house at date of initial share purchase	£200,000	Market value of house at date of staircasing *	£240,000
Initial share purchase	25% share	Additional share purchase	25% share
Value of share purchase	£50,000	Value of share purchase	£60,000
Discount payable 35% (after five years tenancy - up to maximum of £103,900 **)	£17,500	Usable discount payable 40% (Increased by 1% per year up to maximum of £103,900 **)	£24,000
Purchase price for initial share	£32,500	Purchase price for second share	£36,000
Total amount paid for 50% share (initial purchase and second share)			£68,500

* Please be aware, property values can go down as well as up.

** This figure is set by central government and can change.



What happens to my rent when I staircase?

Your rent will go down each time you increase the share of the property that you own. The full rent amount will decrease by the additional percentage share that you buy. For example, if your full rent was £440 a month, and you buy an initial share of 25% your reduced rent would be £330, if you then buy an additional 25% (making a total of 50%) your new rent would be £220.

What is the procedure for staircasing?

Before you do anything formally, you can contact the Home Ownership Team who will be able to give you some basic calculations including a rough valuation of your home, the value of additional shares and the discount you will receive in order for you to understand the provisional costs involved.

This will help you decide if you can afford to staircase.

If you decide to proceed, you will need to pay for your home to be accurately valued, speak with your mortgage provider about lending you the funds and appoint a solicitor. There are also some administration costs that you will need to pay us.

We will then work with your solicitor to complete all the paperwork and complete the transaction.





What if I want to sell my property?

Under the terms of your lease you must obtain a market valuation from a qualified valuer and then offer it in the first instance to the council.

The council then has eight weeks to decide if we wish to buy the property back from you, at market value, or alternatively provide you with details of a council nominee who would like to buy it from you. This would save you the expense of going to an estate agent.

If we decide not to buy your property from you or nominate a buyer, then you are free to sell it on the open market.

Depending on when you wish to sell your property you may be required to pay back some or all of your Right to Buy discount.

What is the application process?

There are 13 stages to the application process and at each stage that we write or communicate with you we will make it clear how long you have to provide the information being requested.

A number of the time periods are legally fixed, and so if you miss any deadlines it may mean that you have to start the process again from the beginning – irrespective of what stage you are at.

If every stage of the application process is completed as quickly as possible the shortest timeframe to complete on the shared ownership of your property is 12 weeks. However, it can take up to six months.

1. You submit an expression of interest in taking up tenant shared ownership.
2. We send you indicative costs and an application form.
3. You complete the application form and return it to us.
4. We do a qualification check and affordability assessment, and write to you with the outcome.
5. If you meet the criteria – we request your permission to get a valuation of your property (if you do not qualify, this is the end of the process).
6. You return the permission form, and we get a valuation of your property and reassess your affordability based on the accurate figure.
7. If you pass the second affordability assessment we will send you an informal offer (if you do not qualify, this is the end of the process).
8. You then need to send us evidence of your income and finances.
9. Once we receive that and it's checked we will invite you to a meeting.
10. At the meeting we will give you a formal offer, and discuss the costs of your various share options.
11. Following the meeting you can seek independent advice and you must get a solicitor and arrange your mortgage.
12. You must send us a signed acceptance of the formal offer, confirming your share decision and provide details of your solicitor and mortgage company.
13. When we receive this we will complete all final paperwork, issue a memorandum of sale and liaise with your solicitor, which will complete the process.



How do I apply?

If, after reading the information provided in this leaflet you would like to apply for the scheme. You should contact the Home Ownership Team, who will send you the indicative costs of taking up shared ownership on your property, along with an application form.

Home Ownership Team
020 8227 2906
righttoinvest@lbbd.gov.uk



Frequently asked questions

Can I sub-let my home once I have bought it?

No. Your lease agreement with us does not allow you to do this. However, in exceptional circumstances the council may give temporary permission, but each case would be considered on its merits and the council's decision is final. You may also be in breach of your mortgage terms, if you sub-let without the lenders permission.

Who is responsible for repairs?

If you own a shared ownership lease for a house you will have responsibility for all repairs to the interior and exterior of the property.

If you own a shared ownership lease for a flat you are responsible for internal repairs, including replacement of fixtures and fittings. But the repairs and upkeep of the building's structure, exterior and communal parts and services remains the responsibility of the council. However, you may incur a cost for any such repairs and improvement works.

How is the overall Right to Buy discount entitlement calculated?

If you live in a house your minimum discount will be 35% (based on a tenancy of three to five years). This increases by 1% for each additional year, up to a maximum of 70% (reached after 40 years).

If you live in a flat or maisonette your minimum discount will be 50% (based on a tenancy of three to five years). This increases by 2% for each additional year up to a maximum of 70% (reached after 15 years).

The maximum discount in either property is capped at £103,900. Which is set by central government and increased annually in line with the Consumer Price Index rate of inflation.

Can Reside tenants apply for this scheme?

No. Tenants of Reside do not have the Right to Buy as a part of their lease, and they are therefore not eligible for this shared ownership scheme which is based on the Right to Buy eligibility criteria and discount.

Glossary

Affordability assessment

The method we use to assess your financial suitability to take part in the scheme. The minimum requirements are that your net annual income is at least 4.5 times the amount of your mortgage and that your monthly repayment is less than 45% of your net monthly salary.

Improvements

Such as double glazing, fitted kitchen, or a bathroom suite (as described in Part E of the Tenant Shared Ownership or Right to Buy Application).

Initial share

The first share of your home that you choose to purchase. This can be for 25%, 35% or 50% of the equity in the property.

Initial discount

The amount of discount payable under Tenant Shared Ownership scheme when buying the initial share, this refers to your Right to Buy discount.

Major works

Improvement or repair works costing more than £250 per unit.

Market value

The value of a property for sale on the open market by a willing vendor and a willing buyer.

Qualification check

These are the checks we carry out to make sure you meet the eligibility criteria for the scheme.

Service charge

Payments made by a leaseholder to meet the cost of management services such as communal cleaning and caretaking.

Share ceiling

The 70% percentage maximum share purchase that you can make under the tenant shared ownership scheme.

Staircasing

The process through which you can increase your percentage share of the a lease.

Succession of tenancy

This refers to passing on your tenancy to a family member living with you.

Unadopted estate land

A defined area of land within an estate boundary that has not been adopted under the Highways Act and is not therefore maintained at public expense.

Useable discount

The amount of discount that will be released with an additional share purchase.





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