



Zahrah Aullybocus
Consultant Solicitor

Zahrah.Aullybocus@nexa.law

Shared Ownership Staircasing

Purchasing Further Shares In Your Property - How It Works



This advice note is based on the Staircasing Schedule set out in the HCA's model form of Lease. The schedule sets out the procedure that you will need to follow when you wish to staircase. This note is intended to give you some practical guidance so that you can achieve purchasing further shares and reduce your rent and/or staircasing to 100%.

Where do I start?

Step 1 = Getting the Finance in Place

Think about how you are going to finance the staircase. Questions to ask about possible financing:



Are you re-mortgaging (with another lender)?

Are you going to be borrowing more monies?

Are you borrowing more money from the same lender?

Have you inherited monies that you will be using to purchase more shares?

Will someone be giving you a gift of monies?

If you are re-mortgaging it would be best to speak to your financial advisor first and run through obtaining a mortgage.

Expected Costs:

Make Enquiries with your Landlord as to whether or not they charge a 'staircasing fee' and if there are any other associated costs at their end that you are expected to pay. There may already be a set procedure that your Landlord has set out for staircasing. You will normally be expected to pay:

- £ Valuation fee (to determine price)
- £ Any costs associated with a mortgage
- £ Your solicitors fees (including Registration Fees)
- £ Housing Association's solicitors fees (depending on whether or not you purchase up to 100%)



Step 2: Notifying your Landlord



Get in touch with your Landlord – you will need to give them a formal letter confirming you wish to staircase so that they can guide you to the next stage.

Step 3: Valuation

Here's where the clock starts ticking and probably best to get finances (as much as possible) in order before getting to this stage.



A market valuation will need to be carried out to determine how much you need to pay for another share (or up to 100% of the property). A surveyor (not an estate agent) should be used to carry out a formal valuation to determine the amount payable for the staircasing. You will be responsible for paying the fee for the market valuation. If you need to find a surveyor in your area, details can be found on www.rics.org.uk. (Remember to ask for just a 'Valuation' rather than a full Home Buyer's survey!) Some Housing Associations may have contacts to assist you finding a suitable surveyor.

Once the valuation has been done, this needs to be sent to the Housing Association. They will confirm the amount or 'price' you need to pay to buy your next share.



You have 3 months from the date of the valuation to complete the staircasing! Please bear this in mind if you require time to obtain a mortgage and/or appoint a solicitor. This time scale also includes getting all the documents signed! If your valuation expires before you can complete the staircasing then you may need to another valuation or an extension to the valuation (at your cost) from the surveyor.

The minimum amount will be 10% of the market value on staircasing, but you can purchase more if you wish. However, you will need to ensure that there will be at least 10% payable on the final staircasing.



Step 4: Appointing your Solicitor



If you are borrowing money from a lender by way of a new mortgage or further monies from an existing lender, then you will definitely need a solicitor to deal with the mortgage side of it for you.

If you are purchasing a 10% share without borrowing money, you might not need a solicitor, though we recommend that you do appoint one so that (a) money laundering compliance has been dealt with (i.e. an appropriate professional has verified the source of your funds) and (b) registration of the memorandum of staircasing is done with the Land Registry. Registration of the document should cost around £20 - £80 depending on the price paid for the staircasing. If you are staircasing to 100% the fee will be different and depend on the price you are paying to acquire the whole. The Land Registry fee will also be different for houses and flats (as a flat would not acquire the freehold). The fee can be confirmed by your solicitor once you have a price for your share. If you are acquiring the freehold of a house, the fee will depend on whether there is an existing title solely for this property that you can acquire or whether a new one will need to be created by the Land Registry.

We recommend you have the Memorandum of Staircasing registered with the Land Registry to assist you either when you decide to re-mortgage or sell so that there is a formal public record on your title. Otherwise you will be asked to produce this document on every transaction you wish to undertake with your property. It will also confuse any buyer's solicitor who is not familiar with shared ownership if any incoming buyer is purchasing more than is stated in the lease and the document is not available at the Land Registry (delays are inevitable on re-sales where copies of the Memorandum need to be tracked down!)

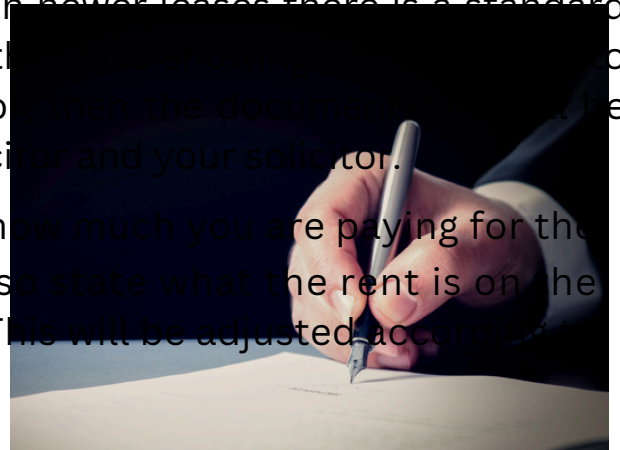
If you are purchasing the property to 100% there will be other considerations for your solicitor to take into account, including potential stamp duty.

Contact us for a tailored estimate taking into account the “Portioned Percentage” you are purchasing and your method of funding.

Step 5: Signing Documents

A Memorandum of Staircasing will be prepared (on newer leases there is a standard form of wording which you can see at the end of the lease which can be used on staircasing). If you are using a solicitor then the documents will be dealt with between the Housing Association’s solicitor and your solicitor.

The Memorandum of Staircasing will document how much you are paying for the share and the date that you bought it. It will also state what the rent is on the remaining share which has not been purchased. This will be adjusted according to how much you have purchased.



Once you have staircased to 100%, there will be no further rent payable.

If the property is a flat: when you staircase to 100% the lease will remain in place, though the shared ownership provisions in the lease will no longer apply – there is normally a list of “shared ownership” provisions set out in the schedule with a statement that they won’t apply once you own 100%.



If you are buying a house: When you staircase to 100% you will be required to take a transfer of the freehold (the format is normally set out in one of the Schedules in your shared ownership lease). The Transfer normally contains similar provisions to that set out in the lease (for example rights granted, covenants). Some transfers may specify payment to third party management companies for payment of service charges. Your solicitor should advise you of the appropriate arrangements before a completion takes place (as you may be required to continue paying service charges).

Please also allow time for these documents to be signed by your Landlord in addition to making sure any third party management company requirements are confirmed before completion in order to avoid any issues with registration following completion. Both your solicitor and the Housing Association's solicitors will need to be holding signed documents on the day of completion.

Step 6: Completion Day and afterwards

Monies are sent by same day transfer to the Housing Association or their solicitor and the documents are dated.

If there is any stamp duty payable, your solicitor will complete and submit the stamp duty forms and arrange for registration of the Memorandum of Staircasing and/or transfer deed (if you are purchasing the freehold). Registration can take some time to come through (as currently there are long delays with the Land Registry) but once completion takes place, this is the major part of it done!

If you have purchased another 'tranche' then your monthly payment will need to be adjusted directly with the Housing Association.

Kindly note that if you are only purchasing in smaller 'chunks' this process will need to be repeated every time you wish to purchase more shares (which may make it a little more expensive as the fees will need to be paid each time you purchase more shares).

Please feel free to call me on 07740775345 if you need any further assistance.

Zahrah Aullybocus
Consultant Solicitor