

## Shared Ownership and Affordable Homes Programme 2017-21

### Appendix 1 – information about shared ownership

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The following information was provided to residents as part of a consultation exercise and demonstrates how shared ownership can provide an affordable alternative to ‘full’ home ownership.

Shared ownership allows you to buy a proportion of the home, based on what you can afford. It’s just like owning a home in the normal way, except that on top of your mortgage payment, you also pay a monthly rent based on the portion of the property you don’t yet own. You can buy more of the home as and when you can afford to, which is known as ‘staircasing’.

**Eligibility:** Shared ownership is mainly available for first time buyers for their first and only home, with no age restriction, however some people who have formerly owned a home can access shared ownership if they are unable to buy on the open market.

**Example** (NB for indicative purposes only and other costs would apply if the property was an apartment rather than a house):

A new house is for sale, priced at £130,000 and you’re interested in buying a 50% share. You would get a mortgage for 50% of the price (£65,000) for which you need a deposit of at least 5% (which would be £3,250). Your mortgage amount would be £61,750, and based on a mortgage with an interest rate of 4%, you would have to pay £326 per month. The Council would own the other 50% of the house, and you would have to pay rent of approximately £149 per month (which is calculated as 2.75% of the value owned by the Council). So your total monthly costs would be £475.

By comparison, if you were renting a similar house or apartment privately, the costs would be around £500-550 per month, although you would not be investing in an asset that will grow in value.

If you were to buy 100% of the house, with a 5% deposit, your monthly mortgage payment would be in the region of £652.

Comparison of monthly costs:

<b>Option</b>	<b>5% deposit</b>	<b>Monthly cost</b>
Rent privately	No deposit	£500-£550
Buy 25% share	£1,625	£386
Buy 50% share	£3,250	£475
Starter home	£5,200	£521
Buy 100%	£6,500	£652