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## Shared Ownership Policy

**Policy Number: HM12**

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<b>Prepared By</b>	Customer Services		
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## **1. Introduction**

- 1.1. Shared Ownership was introduced to fulfil people's aspirations to home ownership by enabling a purchaser to buy share(s) (tranche(s)) in a property with the remaining share(s) owned by a housing association. The sharing owner pays the association an occupancy charge for the association's share of the property. Clyde Valley Housing Association (CVHA) is committed to providing a choice of tenures to residents in the neighbourhoods it works in.
- 1.2. This policy details the way in which CVHA will manage its Shared Ownership properties.

## **2. Definitions**

### **2.1. Exclusive Occupancy Agreement**

- 2.1.1. The exclusive Occupancy Agreement between the Sharing Owner and the Association sets out the obligations of each party. It includes the obligations of the Sharing Owner to pay an occupancy charge as well as to maintain and repair the property.

### **2.2. Co-operation Agreement**

- 2.2.1. Where the Sharing Owner is using a mortgage to finance the purchase of their tranche(s), the Association will enter into a Co-operation Agreement with the particular Bank/Building Society or other lender involved. This Co-operation Agreement between the Association and the lender binds both parties to act together where a Sharing Owner is in default on mortgage payments, occupancy charges or both.

### **2.3. Staircasing**

- 2.3.1. Sharing Owners may increase their share of the property after one year of occupancy by tranches of 25%, providing all Occupancy payments and other charges are paid to date (called "staircasing"). This involves a revaluation of the property, paid for by the Sharing Owner, with each party being responsible for its own legal fees. The Association will be entitled to retain 'Staircasing Sales Allowances' to reflect reasonable administration costs, including legal fees for the Association.
- 2.3.2. When a Sharing Owner has staircased to full ownership then they are free to dispose of the property without any further recourse to the Association. However, there is no obligation on the Sharing Owner to purchase further tranches.
- 2.3.3. The Sharing Owner can only staircase once in each 12 month period.
- 2.3.4. Where a Sharing Owner has staircased upwards, the Association will amend the occupancy payment according to the percentage owned.

## **3. Policy Objectives**

- 3.1. CVHA will ensure that all prospective Sharing Owners receive detailed advice on the service we can provide and on their obligations under Shared Ownership.

- 3.2. In delivering and monitoring services to Sharing Owners CVHA will aim to:
- Ensure that Sharing Owners and the Association fulfil their respective responsibilities as set out in the Exclusive Occupancy Agreement, title deeds, legislation and other relevant agreements.
  - Be proactive in identifying issues and ensure early action is taken to resolve common management problems.
  - Ensure that the environment in and around our properties is maintained to the highest standard to protect investment in CVHA's and Sharing Owners' homes.
  - Develop and implement effective and efficient systems for the apportionment of charges to Sharing Owners and monitoring payments.

#### **4. Setting the Occupancy Charge**

- 4.1. CVHA will set a charge on the Association's share of the property to be paid for by the Sharing Owner. This is called the Specified Occupancy Charge and comprises:
- A Basic rent calculated in accordance with the Association's approved rent policy less management and maintenance and major repairs allowances.
  - A Management Charge to cover CVHA's administration costs in managing shared ownership properties (including insurance)
  - A Service Charge in respect of whatever maintenance obligations are undertaken by the Association and other services provided by it.
- 4.2. Calculation of the Specified Occupancy Charge takes into account the fact that the Sharing Owner is responsible for meeting the cost of all repairs and maintenance to the property.
- 4.3. Review of Charges
- 4.3.1. The Association's Exclusive Occupancy Agreement provides that the occupancy charge will be reviewed on an annual basis in compliance with the Association's Rental Policy. Management and Service Charges will also be reviewed annually to ensure that the level of charges covers the Association's administration costs.

#### **5. Management and Maintenance of Property**

- 5.1. In the ordinary course, any works required will not be carried out without prior consultation with and the consent with the Sharing Owners.
- 5.2. Maintenance
- 5.2.1. The sharing owner is solely responsible for keeping the property in good tenable condition and repair.
- 5.2.2. Clause 7 of the Occupancy Agreement - provides for the recovery of costs by the Association for required repairs and maintenance, in the event that the sharing owner fails to maintain or repair the property.

- 5.2.3. Alterations - The sharing owner may not make any alteration or improvement to the property without first obtaining approval in writing from the Association. Failure to comply with this provision of the Occupancy Agreement will entitle the Association at its discretion to require the sharing owner to effect reinstatement of the property to its original condition at the sole expense of the sharing owner, failing which the Association will be entitled to effect such reinstatement and to hold the sharing owner liable for the costs thereof, including administrative costs.

## **6. Shared Owner Obligations**

- 6.1. The Occupancy Agreement outlines all obligations for the sharing owner.

## **7. Sales and Buy Backs**

### **7.1. Sales**

- 7.1.1. Where a Sharing Owner indicates their wish to sell their tranche, the property will be inspected with a view to providing a valuation and/or reporting on whether the sharing owner has met their maintenance obligations under the Occupancy Agreement.

- 7.1.2. Unless otherwise agreed, CVHA will not undertake responsibility for any legal or marketing costs incurred by the Sharing Owner.

- 7.1.3. CVHA will offer sellers the option of a 'Nomination Re-Sale' and/or 'Buy Back the Share of the Property'.

### **7.2. Buy Backs**

- 7.2.1. Under the terms of the Exclusive Occupancy Agreement, CVHA has "first option" to buy back a property.

- 7.2.2. In addition, CVHA will consider buying back a property when a Sharing Owner wishes to sell their share but remain in the property as a tenant due to financial difficulties.

- 7.2.3. CVHA will also consider buying back a property when a Sharing Owner wishes to sell and does not wish to consider tranching to full ownership. In this case CVHA will consider all the options, including re-selling the share, or using the property for Mid-Market Rent, dependent on the prevailing housing market condition at the time of resale.

- 7.2.4. In all cases the Finance Department will carry out a financial assessment on the viability of buying back the property.

- 7.2.5. Further, CVHA will comply with the requirements of the shared ownership guidance which impose the following conditions on buy back by CVHA where the property is then to form part of its rental stock:

- CVHA can purchase with vacant possession and make the property available for rent if:
  - a) the Local Housing Strategy demonstrates to the satisfaction of the current grant provider a clear shortage of rented housing relative to the need for shared

- ownership; and
    - b) no additional grant is required.
  - CVHA can purchase and offer the tenancy to the former sharing owner if:
    - a) CVHA has a policy setting out how it will assess and prioritise such cases (this policy); and
    - b) no additional grant is required
- 7.2.6. Based on an assessment, CVHA may decline the option to buy back the property where the sharing owner offers their share to CVHA. The Occupancy Agreement allows CVHA to instead opt to sell jointly with the sharing owner on the open market.
- 7.2.7. The Customer Service Director together with the Finance and Corporate Services Director will have delegated authority to approve or decline a buyback based on the assessment of and the principles set out above.

## **8. During Period of Occupancy Agreements**

- 8.1. In line with shared ownership guidance, CVHA will issue letters to sharing owners reminding them of their right to purchase additional tranches at 5, 10 and 15 years.
- 8.2. CVHA will also write to owners around 12 months prior to the expiry of their Occupancy Agreement setting out their options on expiry.

## **9. Expiry of Twenty Years**

- 9.1. The terms of the Exclusive Occupancy Agreement determine that the Occupancy Agreement will expire after twenty years and/or will terminate twenty years from the Date of Entry specified in the Agreement. In the first instance the Sharing Owner will have the option of buying the remainder of their share of the property. If the Sharing Owner does not wish to exercise the right, then the Association is entitled to purchase the Sharing Owner's share.
- 9.2. In terms of the Occupancy Agreement, if neither party wishes to purchase the other's shares, the property must be sold on the open market and the proceeds split in accordance with the respective shares.
- 9.3. As an alternative to selling on the open market, the Sharing Owner and the Association have the option to agree to enter into a fresh Agreement.

### Policy Change History

<b>Version No:</b>	<b>Substantive Change</b>	<b>Author of Change</b>	<b>Approval</b>	<b>Date</b>	<b>Website</b>
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