

House Sales

incorporating Equity Sharing

A Tenant's Guide



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Tenancies to be recognised for qualification and discount purposes

1. (a) The Northern Ireland Housing Executive.
- (b) A district council within the meaning of the Local Government Act (NI) 1972.
- (c) A registered housing association within the meaning of Chapter II of Part II of the Housing (NI) Order 1983.
2. One of the following bodies in England and Wales:-
 - A District Council
 - A County Council
 - A London Borough Council
 - The Common Council of the City of London
 - The Council of the Isles of Scilly

Any of the following bodies set up as a result of the abolition of the Greater London Council and the metropolitan county councils:

- A Metropolitan County Authority
- The Northumbria Police Authority
- A Metropolitan County Fire and Civil Defence Authority
- The London Fire and Civil Defence Authority
- A Metropolitan County Passenger Transport Authority
- The London Waste Regulation Authority
- The West London, North London, East London and Western Riverside Waste Disposal Authorities
- The Merseyside and Greater Manchester Waste Disposal Authorities
- The London Residuary Body
- A Metropolitan County Residuary Body
- A New Town or Urban Development Corporation
- The Commission for the New Towns
- The Development Board for Rural Wales
- A Housing Action Trust

A Housing Association registered with the Housing Corporation or Housing for Wales and if it is not:

- A charity
- An association which has not received public subsidy
- A co-operative association

The Housing Corporation
Housing for Wales

3. Corresponding authorities and bodies in Scotland are:-
 - (a) A Regional Island or District Council.
 - (b) A joint board or joint committee of such a council.
 - (c) The common good of such a council or a trust under its control.
 - (d) A development corporation (including an Urban Development Corporation).
 - (e) Scottish Homes.
 - (f) A housing association which falls within paragraph (a) of section 61 (2) of the Housing (Scotland) Act 1987.
4. Additional tenancies to be recognised for qualification and discount purposes:

Regular Armed Forces of the Crown
Accommodation

An Education and Library Board established under the Education and Libraries (NI) Order 1986.

The Fire Authority for Northern Ireland established under the Fire Services (NI) Order 1984.

The Northern Ireland Electricity Service established under the Electricity Supply (NI) Order 1972.

The Northern Ireland Transport Holding Company established under the Transport Act (NI) 1967.

The Police Authority for Northern Ireland
The Sports Council for Northern Ireland
An Area Board established by section 1 (2) of the Electricity Act 1947

A Community Council
A Fire Authority for the purposes of the Fire Services Acts 1947 to 1959

A government (including National Health Service Properties)

An Internal Drainage Board within the meaning of Section 6 of the Land Drainage Act 1976

A Minister of the Crown
A parish council and the trustees of a parish under Part II of the Transport Act 1968

A Water Authority established in accordance with Section 2 of the Water Act 1973, and a water authority in Scotland as constituted under Section 3 of the Water (Scotland) Act 1980.

The Agricultural and Food Research Council
The AFRC Institute for Grassland and Animal Production

The British Broadcasting Corporation
The British Coal Corporation
The British Gas Corporation
The British Railways Board
The British Waterways Board
The Central Electricity Generating Board

The Church Commissioners
The Civil Aviation Authority
The Commissioners of Northern Lighthouses
The Countryside Commission for Scotland
The Electricity Council
The Highlands and Islands Development Board
The Historic Buildings and Monuments Commission for England.
The Lake District Special Planning Board
The Lee Valley Regional Park Authority
London Regional Transport
Inner London Education Authority
The Medical Research Council
The National Bus Company
The National Library of Wales
The National Museum of Wales
The Natural Environment Research Council
The Nature Conservancy Council
The North of Scotland Hydro-Electric Board
The Peak Park Joint Planning Board
Police Authorities
The Post Office
The Prison Service
The Science and Engineering Research Council

The Secretary of State, where the dwelling-house was at the material time used for the purposes of Her Majesty's Coastguard

The Secretary of State, where the dwelling-house was at the material time used for the purposes of any function transferred to him under Section 1 (2) of the Defence (Transfer of Functions) Act 1964 or any function relating to defence conferred on him by or under any subsequent enactment.

The South of Scotland Electricity Board
The Sports Council
The Scottish Sports Council
The Sports Council for Wales
The Trinity House
The United Kingdom Atomic Energy Authority
The Welsh Development Agency
Community Councils in Wales

Tenancy periods with former Public Sector bodies which have now been privatised will be eligible for discount only in respect of the period up till date of Privatisation.

5. The landlord condition is not satisfied if the interest of the landlord belonged to the Trinity House, where the dwelling-house was held otherwise than in connection with its functions as a general lighthouse authority within the meaning of section 634 of the Merchant Shipping Act 1894.

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Buying your home or a share in your home

This booklet provides tenants with a guide to buying all or part of their Housing Executive property. Further information regarding this scheme can be obtained from Land and Property or local District Offices.

Can I still buy my home?

Most tenants can still buy their home. The House Sales Scheme has been expanded so tenants can buy a portion of their home under equity sharing. The scheme is flexible enough to allow tenants to decide whether they want to buy all or a part of their home right up to the 'Offer Stage'.

Who can apply?

Housing Executive tenants must have a minimum of five years tenancy with the Housing Executive or a qualifying landlord (for example a registered Housing Association). A full list of qualifying landlords is opposite this page. If a former tenancy is not with the Housing Executive, proof of the tenancy is required for eligibility and discount purposes.

Tenants without the five years qualifying tenancy may still be eligible to apply if they succeeded or were assigned their tenancy from a spouse or parent.

Introductory tenants are not eligible to apply, but the time as an introductory tenant will count towards eligibility and discount.

Can tenants of flats and maisonettes buy?

Tenants of flats and maisonettes can apply under the scheme. Tenants who buy their flat or maisonette will have to pay an annual service charge and ground rent in addition to the normal purchase price. The service charge

is an estimate of the annual costs incurred by the Housing Executive. These costs include improvements, repairs, caretaking if applicable, and administration costs. The estimated service charge for the first five years will be supplied to all applicants. The service charge is reviewed annually.

Who cannot buy?

The following is a list of the circumstances where tenants cannot take advantage of this scheme.

Dwelling Types

- Tenants of sheltered dwellings
- There are restrictions on the sale of the majority of 1 and 2 bed bungalows. You should contact your local Land and Property Office for more information.

Squatters

Squatters will not be able to apply if they were not originally allocated the dwelling by the Housing Executive. If a squatter is granted the legal tenancy, the discount entitlement and eligibility is calculated from the date the tenancy was granted.

Rent and other Arrears

Tenants with arrears can apply, but the applications will not be completed until any arrears for rent or other payments owed to the Housing Executive have been paid.

Anti Social Behaviour

Tenants will not be eligible under the scheme if the Housing Executive is actively considering taking legal action for possession of the dwelling due to anti social behaviour.

Can I buy my home with other people under the scheme?

Up to four people (including the secure tenant) can apply under the scheme. A joint purchaser **must** be one of the following:

- The spouse of the tenant, **or**
- A person who has resided with the tenant for 12 months prior to the application under the scheme.

If the tenant is in receipt of Housing Benefit at the time of the application, any joint applicants and/or joint purchasers **must** be included within the Housing Benefit Claim.

Where the tenant is not in receipt of Housing Benefit, two items of proof are required – one for the 12 month period prior to the application and one to confirm the current occupancy. The following are the required documents:

- Benefit notifications
- Wages / Salary Slips (where they indicate the employee's address)
- Bank / Building Society Statement
- Utility Bills

National Insurance Numbers **must** be provided for **all** joint purchasers. Incomplete applications will be returned to the applicant.

Joint Tenants

Where there is a joint tenancy, all parties named in the tenancy agreement must apply together.

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How is the property price assessed?

The property price is based upon the following factors:

The Market Value of the dwelling as at the date of the completed application

- Less the eligible **Discount**
- Subject to the **Historic Cost**
- Improvements made by the applicant will be disregarded when the market value of the dwelling is being assessed.

The Market Value

The **Market Value** is the price of the dwelling as assessed by an Independent Professional Valuer as at the date of application. Tenants can challenge the Market Value if they feel it is not accurate. The Market Value will be then assessed by Land and Property Services. The revised Market Value may increase or decrease, but it is final and binding upon the tenant and the Housing Executive.

Discount

Tenants are entitled to **Discount** which is assessed as follows:

- 20% of the market value after five completed years with the Housing Executive or qualifying landlord tenancy plus the following:
- An increase of 2% of the market value for each additional year's tenancy up to a maximum of 60%.
- **The maximum discount an applicant can receive is £24,000**
- Discount received under the scheme must be repaid if the dwelling or equity in the dwelling is sold within 5 years from the date of purchase.

- If you already purchased a dwelling under the House Sales Scheme previous discount received and not repaid will be added to the market value.

Historic Cost

Historic Cost relates to the Housing Executive's costs to build, improve or purchase a dwelling. The Housing Executive cannot sell a dwelling for less than the Historic Cost unless the Market Value is less. In such circumstances Discounts do not apply.

Historic Costs do not include repair costs and cover the present year and the previous 10 financial years.

Equity Sharing

What is Equity Sharing?

Equity Sharing is a part ownership, part rental scheme. Equity sharing allows tenants to buy as little as 25% of their home. Whatever percentage of the home is bought, the remaining portion is rented from the Housing Executive.

Are there different eligibility rules for Equity Sharing?

No, the rules and criteria are the same.

What is the minimum equity tenants can purchase?

Tenants can buy any percentage of equity above the 25% minimum in multiples of 5%. Buying additional equity is known as staircasing. After buying the initial equity, the smallest amount of equity that can be purchased is 5%.

How much discount can I receive under Equity Sharing?

The maximum discount is £24,000. Under Equity Sharing discount is related to the level of equity purchased (see table below). As discount can only be accrued by tenants, it is calculated at the time the initial equity is purchased. For example, an applicant with no entitlement to discount at the purchase of initial equity as a result of historic cost will not have an entitlement to discount whenever additional equity is purchased.

| Equity Purchased | % Discount | *Maximum Possible Discount |
|------------------|------------|----------------------------|
| 25% | 35% | £8,400 |
| 30% | 42% | £10,080 |
| 35% | 49% | £11,760 |
| 40% | 56% | £13,440 |
| 45% | 63% | £15,120 |
| 50% | 70% | £16,800 |
| 55% | 73% | £17,520 |
| 60% | 76% | £18,240 |
| 65% | 79% | £18,960 |
| 70% | 82% | £19,680 |
| 75% | 85% | £20,400 |
| 80% | 88% | £21,120 |
| 85% | 91% | £21,840 |
| 90% | 94% | £22,560 |
| 95% | 97% | £23,280 |
| 100% | 100% | £24,000 |

* Only where the tenant is entitled to receive the maximum discount.

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For a dwelling with a Market Value of £70,000 the equity sharing prices are set out in the table below

| Equity Purchased | Dwelling Market Value | Market Value of Equity | *Maximum Possible Discount | Equity Sharing Price |
|------------------|-----------------------|------------------------|----------------------------|----------------------|
| 25% | £70,000 | £17,500 | £8,400 | £9,100 |
| 30% | £70,000 | £21,000 | £10,080 | £10,920 |
| 35% | £70,000 | £24,500 | £11,760 | £12,740 |
| 40% | £70,000 | £28,000 | £13,440 | £14,560 |
| 45% | £70,000 | £31,500 | £15,120 | £16,380 |
| 50% | £70,000 | £35,000 | £16,800 | £18,200 |
| 55% | £70,000 | £38,500 | £17,520 | £22,980 |
| 60% | £70,000 | £42,000 | £18,240 | £23,760 |
| 65% | £70,000 | £45,500 | £18,960 | £26,540 |
| 70% | £70,000 | £49,000 | £19,680 | £29,320 |
| 75% | £70,000 | £52,500 | £20,400 | £32,100 |
| 80% | £70,000 | £56,000 | £21,120 | £34,880 |
| 85% | £70,000 | £59,500 | £21,840 | £37,660 |
| 90% | £70,000 | £63,000 | £22,560 | £40,440 |
| 95% | £70,000 | £66,500 | £23,280 | £43,220 |
| 100% | £70,000 | £70,000 | £24,000 | £46,000 |

* Only where the tenant is entitled to receive the maximum discount.

If I buy equity in my home how much rent will I be expected to pay?

Under equity sharing the rent will be reduced by:

- The average maintenance costs (currently around £1,000-£1,200 per year) and
- The % level of equity purchased by the tenant.

The Equity Rent will be increased annually in accordance with the Housing Executive Rent Scheme. The maintenance costs calculated when you initially buy equity in the property will remain the same in following years. Applicants paying rent can still apply for Housing Benefit

If I buy equity in my home what will I have responsibility for?

Once you have bought an equity share, you will be responsible for **ALL** of the following costs:

- **All maintenance and repairs and their associated costs**
- **Payment of Rates through the Rates Collection Agency**
- **Service charges - in flats**
- **Insurance charges**
- Solicitor and building society valuation fees
- The independent valuer in the purchase of second and subsequent equity at a rate set by the Housing Executive
- The payment of Land and Property Services fees where the applicant challenges the valuation of the dwelling in the purchase of second and subsequent equity

If I buy equity in my home can I sell it?

If you choose to sell the house within ten years of your first equity purchase, the Housing Executive must be given the option to buy back the property. Where the Housing Executive is not prepared to buy, the property can be sold on the open market. The Housing Executive will then recover the equity owed at that time. For example if a tenant buys 50% equity in a dwelling with a market value of £70,000 in year 1. In year 10 they decide to sell the property, and the Housing Executive is not prepared to buy it back. The Housing Executive will then have the market value assessed. The table below shows how much would have to be paid. Estate agents fees and other costs will also have to be paid.

Year 1

| | |
|------------------------|---------|
| Market Value | £70,000 |
| Tenant buys 50% equity | £35,000 |

Year 10

| | |
|-------------------|----------|
| Market Value | £120,000 |
| Tenant Owes | |
| Housing Executive | £ 60,000 |

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A step by step guide to buying under the scheme

Step 1

Once we receive a completed application, the Housing Executive will check its eligibility.

Step 2

An independent valuer will be sent out to value the property. They will try to complete the valuation within three weeks.

Step 3

Once the property has been valued, you will be sent an 'Offer' to buy your home. The Offer will contain:

- The market value of the property
- Any discount you are entitled to
- The Historic Cost (where appropriate)
- An estimate* of what your future costs might be, to help you decide whether Equity Sharing is right for you.

**The estimate is based on the full rent, before any Housing Benefit deductions. Mortgages will be calculated at a rate of a typical High Street Mortgage Provider, based on a 25 year repayment mortgage. Banks and Building Societies may offer different rates.*

You now have 3 options before you go to the next step

If you want to have the Market Value of the property reassessed by Land and Property Services.

Applicants can challenge the Market Value as assessed by the Independent Valuer by writing to the Housing Executive within one month of

receiving the Offer. The Market Value will be then assessed by the Land and Property Services. The reassessed valuation is final, and may increase or decrease. After the Market Value has been reassessed, you will be sent a 'Redetermined Offer'.

If you want to go ahead with the application and buy the property outright, you must write to the Housing Executive within six weeks from the date of the offer letter

Where the application to buy the property goes ahead, the Housing Executive will draw up a 'Contract for Sale'. The contract will need to be signed by the applicant and the Housing Executive, and will constitute a binding legal contract. You will need to tell us who your solicitor is when accepting the offer as the contract is sent to your solicitor for signing.

If you want to buy equity in your home, and you have decided on the amount you want to buy. You can still change your mind on the amount at a later date if your circumstances change.

When you agree to buy equity, the Housing Executive will send you an **Equity Sharing Offer**. You have **6 weeks** to respond. If you accept the Offer the Housing Executive will draw up a contract of sale. You will need to tell us who your solicitor is when accepting the offer as the contract is sent to your solicitor for signing.

At any time in this process, you can tell if you want to increase or decrease the amount of equity you want to buy. If you change the equity amount you will be sent an 'Amended Offer'. You then have **3 weeks** to respond to this. At this point you must decide to either go ahead with the purchase, or cancel the application.

Step 4

Once you accept an 'Offer', we will draw up a Contract of Sale. The contract will need to be signed by the applicant(s) and the Housing Executive, and will constitute a binding legal contract. You will need to tell us who your solicitor is when accepting the offer as the contract is sent to your solicitor for signing.

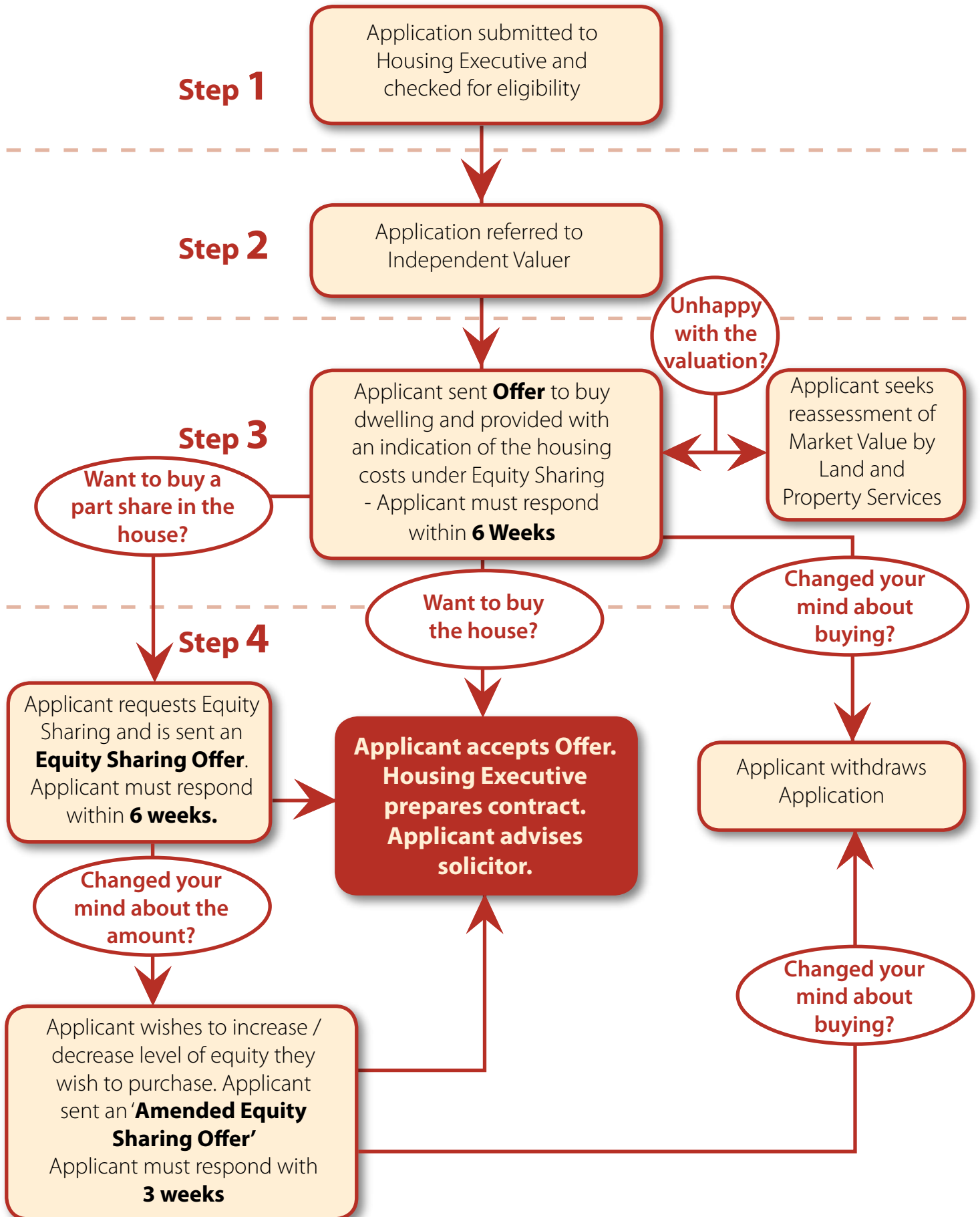
The following diagram illustrates the main steps involved under the House Sales incorporating equity sharing:

Mortgages

If you require loan finance you can normally obtain it from a Building Society or other recognised lending institute. You are not required to enter into any financial commitment before you sign the contract to buy all or equity within your home.

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House Sales incorporating Equity Sharing Process Main Steps





**Housing
Executive**

DPS/58/02/09
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