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**This document is also available in Large print, braille or audio format**

### Peabody

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London SE1 7JB

Tel: 020 7021 4444 or 0800 022 4040 (free from landlines)

Email: [peabody.direct@peabody.org.uk](mailto:peabody.direct@peabody.org.uk)

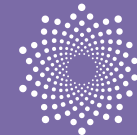
[www.peabody.org.uk](http://www.peabody.org.uk)

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## A step by step guide to buying a property through NewBuild HomeBuy

Previously called Shared Ownership



**PEABODY**



# NewBuild HomeBuy

If you would like to buy a home of your own, but can't quite afford to, NewBuild HomeBuy (NBHB) may be what you are looking for.

Schemes such as NBHB (which is also known as Shared Ownership) were introduced to help people who cannot afford to buy a home outright because they cannot afford the full mortgage repayments, the deposit, or both.

Through these schemes you can buy a share in the property and pay a subsidised rent on the remainder. Gradually you may buy further shares and eventually own your home in full.

## How does NBHB work?

You buy a share of a property at a price based on a qualified valuer's valuation. Your share may be as small as 25% or as much as 75%. The minimum share you are expected to buy will depend upon the type of shared ownership being offered; your salary and savings will also be taken into account.

Peabody charges you rent for the remaining share together with a service charge. You can buy further shares in the property later if you wish (known as Staircasing).

If you do buy the whole of your home, you will pay no rent at all, but may still have to pay a service charge and ground rent.

# Allocating properties

## Access to NBHB homes

The Housing Options Service has been designed so that anyone looking for an affordable home in London will only need to fill in one application form to gain access to all the different Housing Associations. There are two HomeBuy Agents in London, Metropolitan Home Ownership and L&Q.

The HomeBuy Agents maintain waiting lists (a prospective purchasers' register) for all London boroughs. Anyone can apply to join those waiting lists and it is the Homebuy Agent's decision whether you are eligible or not.



When offering a property Peabody will prioritise applications as follows:

- A To public sector tenants (Council and Housing Association tenants wholly releasing their accommodation who live within the borough in which the scheme is being developed).
- B Key workers in the borough.
- C Applicants registered on the Council's housing waiting list (Council pointing priorities).
- D Key workers working out of the borough but living in the borough.
- E Applicants renting privately, living in the borough who are not registered on the Council's waiting list.
- F Other applicants on Housing Options' waiting list.

## How do I qualify?

You must be approved by Housing Options for NBHB.

Size of accommodation will generally be offered as follows:

<b>Single applicants</b>	studio/one bed
<b>Joint applicants</b>	one or two beds
<b>Couples/single parent families with one child</b>	two beds
<b>Couples/single parent families with two children</b>	three beds

## Current housing situation

Applicants are usually first-time buyers and/or live in rented accommodation. Current shared owners requiring larger accommodation will also be considered.

## Income

The household income should be sufficient to meet the costs of NBHB, but not enough to enable you to purchase outright on the open market. Minimum and maximum income levels will be determined by Housing Options. Peabody will set limits for individual schemes we are selling taking account of total housing costs (i.e. rent, mortgage and service charge) and other financial commitments. If applicants are able to put down a cash deposit to reduce the cost of their mortgage they may be considered with a lower income. You can discuss this further with the Sales and Marketing team.

## Mortgage Deposit

Lenders' mortgage offers vary, but you will require at least 10% of the share you are buying.

## Savings

Applicants must have savings, or show Peabody that they have access to funds to cover the cost of buying a property. The total cost may vary.

## What will I own ?

You will initially own your share of the property as a leaseholder on the basis of a long lease. If you are the first owner, this will normally be a 125-year lease. If you buy a house and eventually go on to full ownership, you would generally be granted the freehold of the property. If you buy a flat and go on to full ownership, you will remain a leaseholder, but the lease will be amended.

## What does the lease entitle me to?

The lease entitles you to live in your home until the lease ends. It states the responsibilities for both you and Peabody, how rent (if applicable) and service charges are calculated, when they must be paid, how you can buy further shares (if applicable) and all the things you and Peabody can and cannot do. Although you have not bought the property outright, you will have the rights and responsibilities of a full owner-occupier, including maintenance to your home.

## Survey and valuation

If the property is not new, Peabody will almost certainly have had it valued, although we do not test any equipment, fixtures and fittings. However, if you are applying for a new mortgage your lender will insist on carrying out their own independent valuation which you must pay for.

## Legal fees

You are advised to get a solicitor to help you with buying your share. (Also see section on costs you may need to budget for.)

## Exchange

A minimum of £500 to be paid at exchange of contracts. We will accept your reservation fee as your deposit.

## Stamp duty

Please check with your solicitor whether stamp duty is payable at the time of purchase. You can either pay duty on the full value of the property or on the value of the share you are buying. Your solicitor should be able to advise you on which option to take.



# NewBuild HomeBuy: an overview

This section of the booklet has been designed to guide you through the process of buying a property with Peabody.

We aim to explain and simplify the four main stages to buying a shared ownership property:

**Viewing and allocations;**  
**Accepting the offer;**  
**Conveyancing;** and  
**Completing the purchase.**

We hope you find this guide useful, however, our sales team can be contacted via email or phone to discuss any questions you may have.



# 1

## Viewing and allocations

- View the property.
- Let us know which property you prefer.
- If you are not offered a property, you will be put on the reserve list.
- If you are offered a property we will request proofs.
- If you reject the property, you will be placed back on the Housing Options waiting list.

# 2

## Accepting the offer

- Once you have accepted the property, inform your financial advisor or lender that you have been offered a property.
- Send the acceptance form, proofs and £500 reservation fee back to us.
- Instruct your solicitor to act on your behalf.
- Your lender will carry out a valuation of the property and offer you a mortgage.

# 3

## Conveyancing

We are sent a copy of the mortgage offer to approve.

# 4

## Completing the purchase

- Contracts are exchanged.
- The property purchase is completed.
- You move into the property.

# The buying process in detail

## You view the property or properties

After you have been accepted onto the Housing Options NBHB waiting list, we will contact you when a suitable property is available.

## You let us know which property you prefer

When you have viewed the property or properties, you should let us know your preferred property on the day or by fax or email within two days.

## We allocate you a property according to your housing status

We will request your application form from the HomeBuy Agent. Please make sure you have given them your correct housing status.

- Housing Association or Council
- Tenant (public sector tenants).
- Key worker (for example NHS staff, teacher, police officer).
- Council housing waiting list.
- Living in the borough but key worker outside borough.
- Living in borough.
- Others on the Housing Options' waiting list.

## We offer you a property

You need to send us £500 reservation cheque, and choose a solicitor and financial advisor or lender.

# 1

## You send your acceptance form back to us

Please complete the Acceptance of Offer form sent with our offer letter and return it to us together with your reservation cheque. Let us know who your solicitor and lender (or financial advisor) are.

## You send us the required proofs

**We cannot proceed without proof of:**

- your bank account;
- your savings account;
- your salary slips;
- your P60 (or accounts if you are self-employed);
- your passport;
- your utility bills;
- your key worker status (if required);
- and
- your tenancy agreement or housing waiting list number.

## You receive a Memorandum of Sale (MOS)

This document contains details about the sale and is sent to you, your solicitor, your financial advisor and Peabody's solicitor.

**Please check that all the information in the document is correct. From this point on your £500 is non-refundable.**

# 2

## Timings

The following will give you an idea of how long the process takes:

Offer to MOS: **two weeks**

MOS to valuation booking: **two weeks**

Mortgage offer to exchange of contracts: **four weeks**

*(based on the assumption that the lease is in place when solicitors are instructed)*

## The conveyance process begins

The legal process of transferring ownership of the property to you involves your solicitor checking all the legal documents such as the title deeds and lease. They will also check with the local authority to make sure there are no planning applications that will adversely affect the value of your property (this is known as a local search). Your solicitor will work on your behalf and on behalf of your lender.

## Contracts are exchanged

When your solicitor has completed the legal work you will be presented with a report detailing the conveyancing findings. You will be required to sign a contract, and we will sign an identical contract. These contracts will then be exchanged, and once this has been done, you will be committed to purchasing the property. In order to exchange, your solicitor will need a copy of your mortgage offer.

**Important - if you are paying a deposit on the property, your solicitor will need this in their account as cleared funds prior to completion. Please allow plenty of time for transferring funds or notice period for savings accounts.**

## Completion day

Completion will take place on a date agreed by your solicitors and our solicitors in consultation with you and Peabody. This could take anything from one day to one week from exchange of contracts. Sometimes it can take place on the same day as exchange. This is known as simultaneous exchange and completion.

Your solicitors will call you when your mortgage money has been transferred to our solicitors. We will then call you to let you know when you can pick your keys up from us.

# 3

# 4

# Costs you may need to budget for

We suggest that you should allow approximately £3000 for expenses incurred when buying your property. Some costs you need to be aware of are listed below.

Reserving the property	£500
Solicitors fees	£500 - £600+VAT
Solicitors disbursements	
Searches <i>(cost depends on the local authority)</i>	£100 - £300
Land Registry fees <i>(on properties between £70k - £50k)</i>	£100 - £300
Telegraphic transfers	£25 - £30
Stamp Duty Land Tax (SDLT)	1% of the value of properties costing between £125,000 and £250,000.  3% of the value of properties costing £250,000 and above.
You can choose to pay SDLT on the whole value at the outset or just the value of the share you are buying. Your solicitor will be able to advise you on this. Further information can be found at <a href="http://www.hmrc.gov.uk">www.hmrc.gov.uk</a>	
Lender's fees	variable (average £400, Jan 2010)
Valuation fee	variable (average £200, Jan 2010)
Removal costs	variable

Below is a table to help you check your outgoings:

Item	Estimate cost	Actual cost
Reservation fee	£500	£500
Solicitors fees	£500 - £600 +VAT	
Solicitors disbursements	£150	
Stamp Duty	£600 - £2,500	
Land Registry fee	£100 - £300	
Lender's fee		
Valuation fee		
Removal costs		
First month's rent and service charge in advance		
<b>Total cost</b>		

Notes

# Running costs



## Mortgage payments

You may need to borrow all or part of the costs of your share from a building society or bank. Payments will vary as interest rates change, unless you choose a fixed rate mortgage.

## Rent

You will pay a monthly rent for the part of the property you do not own. Peabody uses this rent to pay for part of the cost of the development of these properties. The rent will be reviewed every year. Further information is available in the Resident's Handbook and will be detailed in your lease.

## Council tax

You will have to pay Council Tax to the Local Authority. All owners/occupiers over the age of 18 are liable for the tax.

There are reductions which may be applicable (for example, single occupancy or disabled owners/ occupiers). It is recommended that you contact the Local Authority in which you intend to buy for further information.

## Repair, insurance and service charges

If your home is a house, you will be responsible for all repairs and redecoration both internally and externally. Peabody will insure the structure of your home and you will have to pay a service charge to cover this and help to meet the costs for rent collection. If your home is a flat, you will be responsible for all repairs and redecoration internally. Peabody will undertake to keep the building in which your flat is situated in good structural repair, to keep the structure insured and to keep any common parts, such as the staircase and corridors, decorated, cleaned and lit. You will have to pay a share of these costs. This is called a service charge. Peabody will tell you how the service charge is spent and you will be consulted before any major repair or maintenance work is started.

## Fittings and furniture

You are responsible for supplying your own fittings and furniture and for the cost of insurance for the contents of your home.

## Mortgage protection/endowment policy

If you have taken out mortgage protection or an endowment policy you will usually have to pay the insurance premiums separately to the insurance company. These are generally paid by monthly direct debit.

## How do I buy further shares in my home?

Once you have moved into your home you may purchase further shares in your property. This process is known as 'staircasing'. Should you wish to proceed with this process you will need to inform Peabody formally in writing. Once in receipt of this, Peabody will arrange for your home to be revalued by an independent valuer. You are required to pay the valuer's fee, the cost of which starts from £160. Should you wish to proceed with staircasing you will need to instruct a solicitor to undertake this work on your behalf. You will be given three months to buy a further share at the new price. The additional share that can be purchased must be in multiples of 5%. The minimum purchase is 20% up to a maximum of the available remaining share.

## Can I make improvements or alterations to my home?

If you wish to improve your home or make alterations to it, you must request Peabody's written agreement before you start. You will be expected to supply details of the proposed work, which Peabody will review. Most non-structural

work is usually agreed. For further information, refer to the lease and the Residents' Handbook.

## What if I fall behind with my mortgage repayments?

The mortgage contract is between you and your mortgage lender. If you begin to have financial problems, which may mean that you cannot pay your mortgage, you should let them know as soon as possible. If you do fall behind on your payments and cannot agree on a solution with your mortgage lender, there is a risk that they will take possession of your home and sell it. You would be entitled to your share of the money received, after all your debts have been paid.

## What if I fall behind with my rent or service charges?

Under the lease you will be obliged to pay the rent and service charge. If you find you have financial problems, get in touch with Peabody, who will look to help and advise you. If the payments cannot be made your lease may be forfeited. For further information, see the Residents' Handbook.

## What do I do when I want to sell?

You may sell at any time, but you must inform Peabody in writing that you want to sell. This process is known as a 'resale' or 'assignment'. You can either sell the part that you own, or you can buy the remaining share, through the process of staircasing, then sell the property



outright. Please refer to the lease, as there may be a clause that restricts you selling on the open market for 3 months after staircasing. You will benefit from any increase in the value of the property according to the share you own. We will arrange for your property to be valued, for which you will need to pay the valuer's fee in advance.

Unless you own the property outright, clauses in the lease may mean Peabody can nominate prospective buyers and restrict the sale price to the valuation given by the District or Independent Valuer. The reason for this is that we wish the property to remain available to the people for whom LCHO is intended.

A fee (either 1% or 1.5% of the cost of the share sold) will be charged by Peabody if our nominee buys your home. Please refer

to your lease to check these clauses, or ask the Sales and Marketing team. Should you sell on the open market you may still be liable to pay the Peabody's legal fees.

Peabody may restrict your ability to buy further shares in your home or reserve the right to buy back the property (at full market value). These arrangements are limited to certain developments and are intended to provide a means of keeping low cost housing. Peabody will tell you if the home you want to buy is one to which these restrictions apply.

You will need to have a Home Information Pack (HIP) on your property before we can market it to prospective purchasers. The Sales and Marketing team will be able to give you more information on this at the time.



# Directory

## Useful contacts

Telephone number

Peabody

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Your solicitor

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Your financial advisor/lender

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## Who will need to know your new address?

Telephone number      Contacted

Bank

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Building society

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Insurance companies

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Credit card companies

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Charge card companies

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Store cards

---

Family

---

Friends

---

Employer

---

Inland Revenue

---

HP companies

---

Telephone number

---

Contacted Loan providers

---

Telephone number

Contacted

Council Tax office

---

Gas company

---

Electricity company

---

Royal Mail

---

Telephone company

---

Doctor

---

Dentist

---

Optician

---

DVLA

---

Internet Service Provider

---

Gyms, sports clubs

---

Trades unions

---

Professional bodies

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Passport office

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# Glossary

## **APR**

Annual Percentage Rate. This is a way of comparing the cost of credit. It takes into account most of the upfront and ongoing costs involved in taking out a mortgage.

However, you cannot always rely on the APR because lenders calculate it in different ways.

## **Capital and interest mortgage (repayment mortgage)**

Your monthly payments are partly to pay the interest on the amount you borrowed and partly to repay the outstanding mortgage.

## **Capped rate**

A mortgage arranged for a set period of months or years, which can go up and down with the variable rate, but there is a maximum (capped) interest rate which it cannot go above.

## **Conveyancing**

The legal process involved in buying and selling property.

## **Discounted rate**

A guaranteed reduction in the standard variable mortgage rate. This often lasts for an agreed period.

## **Endowment**

A life assurance investment policy that is designed to produce a lump sum to pay off an interest-only mortgage.

There are different types of endowments, for example: 'with profits', 'unit-linked', and 'unitised with profits'. There is no guarantee that an endowment will generate enough to pay off the mortgage at the end of the term.

## **Freeholder**

The owner of the land that the property is built on.

## **FMV**

Full market value of the property rather than the share you are purchasing.

## **HIP**

Home Information Pack. This needs to be in place when any property is being marketed for sale on the open market.

## **Homebuy**

Receive an equity loan to buy a property on the open market.

## **Home equity**

Purchase a share but pay no rent on the unsold share.

## **Interest-only**

Interest-only Your monthly payments to your lender are simply made up of interest. You do not pay off any of the capital debt during the term of the mortgage.

You finally pay off the mortgage using the proceeds of a separate investment plan, for example, an ISA, endowment or personal pension.

## **Leasehold**

This is when you own the property for a set number of years after which it goes back to the freeholder. Most flats in England are leasehold.

## **LCHO**

Low cost home ownership. A phrase to describe the HomeBuy schemes including Open Market HomeBuy, New Build HomeBuy and Social HomeBuy (also known as shared ownership).

## **LTV**

LTV Loan to value. This is the size of the mortgage as a percentage of the value of the property or the price you are paying for the property. For example, a £90,000 mortgage on a property valued at £100,000 would be a LTV of 90%.

## **MIG**

Mortgage indemnity guarantee. This is a type of insurance that covers the lender in the event of you defaulting on your mortgage.

## **Mortgage**

A loan to buy a home where you put up the property as security against you paying back the loan.

## **MOS**

Memorandum of Sale. This details all the relevant parties in the sale

## **New Build HomeBuy**

Another term for shared ownership

## **Negative equity**

This is where the money you owe on the mortgage is greater than the value of the property.

## **Repayment**

Your monthly payments are partly to pay the interest on the amount you borrowed and partly to repay the outstanding mortgage. Also known as a capital and interest mortgage.

## **Shared ownership**

Purchase a share and pay rent on the unsold share.

## **Stamp Duty Land Tax**

A tax you pay on properties which cost over £125,000.

## **Variable rate**

The interest rate the lender charges goes up and down, with your interest payments changing accordingly.

## **Valuation**

A simple check of the property for the lender in order to find out how much it is worth and whether it is suitable to lend a mortgage on. You usually pay the bill and you usually get a copy of the report.

# Contact us

For more information, please contact the Peabody Sales and Marketing team.

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Email: [sales@peabody.org.uk](mailto:sales@peabody.org.uk)

Web: [www.peabody.org.uk/sales](http://www.peabody.org.uk/sales)

