

# Capital Funding Guide Shared Ownership

## Guidance for shared ownership providers when completing 'Summary of costs'

The information in this document is for an **Older Persons Shared Ownership (OPSO)** home on the **standard shared ownership model**. These homes will conform to the requirements of the Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021.

This document is intended for initial sales and resales.

It's for prospective homebuyers:

- after they have gone through a financial assessment
- before they pay the reservation fee to secure a shared ownership home

Use it to give the homebuyer a personalised summary of all the costs involved in buying, owning and selling a shared ownership home. Providers may brand the document but must not alter the content or order of information.

The document should be explained to the customer and they should be given the opportunity to ask questions.

This document should be provided to the homebuyer at the same time as the 'Key information about shared ownership'.

To complete the document:

- 1 Follow the instructions highlighted in yellow.
- 1 Enter the costs and fees in the highlighted fields.
- 2 Delete the statements that do not apply to the home.
- 3 Delete the instructions about how to complete the document.

### Feedback

If you have any feedback about this document, contact:

Affordable Housing Products team  
Homes England  
Email: [sharedownership@homesengland.gov.uk](mailto:sharedownership@homesengland.gov.uk)

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**Capital funding guide shared ownership** is a vital resource for individuals and organizations looking to navigate the complex landscape of shared ownership property purchases. Shared ownership schemes offer a unique opportunity for buyers to purchase a portion of a home while renting the remainder, making home ownership more accessible, particularly for first-time buyers or those with limited financial resources. This article aims to provide a comprehensive overview of the capital funding available for shared ownership, including the benefits, challenges, and key considerations for potential buyers.

# Understanding Shared Ownership

Shared ownership is a government-backed scheme that allows individuals to buy a share of a property (typically between 25% and 75%) while paying rent on the remaining share owned by a housing association or a private developer. This arrangement provides a stepping stone towards full home ownership, making it an attractive option for many.

## Benefits of Shared Ownership

1. **Lower Initial Investment:** Since buyers only need to purchase a percentage of the property, the initial financial outlay is significantly reduced compared to traditional home buying.
2. **Reduced Financial Risk:** Shared ownership can reduce the risk associated with property investment, as buyers are not responsible for the entire market value of the property.
3. **Flexible Ownership Options:** Buyers have the option to increase their share of the property over time, which is known as "staircasing." This allows them to gradually gain complete ownership.
4. **Access to Assistance:** Many shared ownership schemes come with government-backed assistance, such as Help to Buy, which can make the process easier and more affordable.

## Challenges of Shared Ownership

1. **Ongoing Costs:** While the initial purchase cost is lower, shared ownership properties come with ongoing costs, including rent, service charges, and maintenance fees.
2. **Limited Availability:** Shared ownership properties may not be as widely available as traditional homes, and there may be waiting lists or specific eligibility criteria.
3. **Market Fluctuations:** Buyers may be affected by changes in the property market, which can impact the value of their share and the costs associated with staircasing.
4. **Complexity of Financing:** Navigating the financing options for shared ownership can be complicated, and buyers may need to seek professional advice.

# Capital Funding Options for Shared Ownership

When considering shared ownership, it is essential to understand the various capital funding options available. These can include traditional mortgages, government grants, and other financial assistance programs designed to help buyers secure their share of a property.

## 1. Shared Ownership Mortgage

A shared ownership mortgage is specifically designed for individuals purchasing a share of a property. These mortgages typically have certain requirements, such as:

- **Deposit Requirements:** Buyers usually need to provide a deposit, which is based on the share they are purchasing, rather than the full market value of the property.
- **Affordability Checks:** Lenders will conduct affordability assessments to ensure that buyers can manage both the mortgage payments and the rent on the remaining share.
- **Specialized Lenders:** Some lenders specialize in shared ownership mortgages, offering products tailored to the unique circumstances of shared ownership buyers.

## 2. Help to Buy Schemes

The UK government offers various Help to Buy schemes that can assist buyers in securing capital funding for shared ownership. These include:

- **Help to Buy Equity Loan:** This scheme allows buyers to borrow up to 20% (or 40% in London) of the property's value to help with the deposit, reducing the amount needed for a mortgage.
- **Help to Buy ISA:** This savings account enables first-time buyers to save for a deposit, with the government providing a bonus of up to £3,000, helping to boost the initial capital.
- **Lifetime ISA:** Similar to the Help to Buy ISA, the Lifetime ISA offers a government bonus to help individuals save for their first home, but can also be used for retirement savings.

## 3. Local Authority Assistance

Many local authorities have their own schemes to assist buyers in shared ownership purchases. These may include:

- Subsidized Loans: Some councils provide low-interest loans to help cover the deposit or initial purchase costs.
- Affordable Home Ownership Programs: Local authorities may have specific initiatives aimed at increasing affordable homeownership options in their areas.

## **4. Other Financial Assistance Programs**

In addition to government schemes and local authority support, there are various non-profit organizations and charities that may provide assistance:

- Charitable Grants: Some charities offer grants to assist with the costs of home ownership, including shared ownership.
- Credit Unions: Local credit unions may provide affordable loans or savings programs tailored to individuals looking to enter the housing market through shared ownership.

## **Key Considerations Before Entering Shared Ownership**

Before committing to a shared ownership agreement, potential buyers should consider several key factors to ensure they are making an informed decision.

### **1. Eligibility Criteria**

Shared ownership schemes often have specific eligibility criteria, including:

- Income Limits: Many schemes require that buyers have a maximum household income, often set at £80,000 per year outside London and £90,000 within the capital.
- First-Time Buyer Status: In most cases, shared ownership is primarily aimed at first-time buyers or individuals who have previously owned a home but cannot afford to buy one now.

### **2. Property Type and Location**

The type and location of the shared ownership property can significantly impact affordability and accessibility:

- New Builds vs. Resales: Some schemes may only offer new build properties, while others provide options for resale homes.
- Geographical Restrictions: Availability may vary by region, and buyers should research the local market to understand what is on offer.

### **3. Long-Term Financial Planning**

Buyers should also consider their long-term financial plans:

- Future Income Changes: Consider how changes in income (such as job loss or career advancement) may affect the ability to pay mortgage and rent.
- Staircasing Plans: Understand the implications of staircasing and how it will affect overall mortgage costs and property value.

### **4. Professional Advice**

Seeking professional advice is crucial when navigating shared ownership:

- Mortgage Brokers: A mortgage broker with experience in shared ownership can help identify the best financing options.
- Solicitors: Engaging a solicitor familiar with shared ownership agreements can help ensure all legal aspects are understood and properly managed.

## **Conclusion**

The **capital funding guide shared ownership** serves as an essential resource for individuals looking to enter the housing market through shared ownership. By understanding the benefits and challenges of shared ownership, as well as the various capital funding options available, potential buyers can make informed decisions that align with their financial goals. With careful planning, professional guidance, and an awareness of the local market, shared ownership can be a viable pathway to home ownership for many individuals and families.

## **Frequently Asked Questions**

## **What is shared ownership in the context of capital funding?**

Shared ownership is a scheme that allows individuals to purchase a share of a property, typically between 25% to 75%, and pay rent on the remaining share. It provides a more affordable entry point into home ownership, supported by capital funding options.

## **How can capital funding assist in shared ownership schemes?**

Capital funding can provide financial resources to developers and housing associations to build affordable homes. This funding helps lower the costs of shared ownership properties, making them more accessible to first-time buyers.

## **What are the eligibility requirements for obtaining capital funding for shared ownership?**

Eligibility for capital funding in shared ownership typically includes factors such as income level, local authority guidelines, and whether the applicant is a first-time buyer. Specific requirements may vary by region and funding source.

## **What role do housing associations play in shared ownership and capital funding?**

Housing associations are crucial in the shared ownership process as they manage the properties, provide the necessary funding, and help facilitate the purchase process for buyers, ensuring that the properties remain affordable.

## **What are the benefits of shared ownership for buyers seeking capital funding?**

Shared ownership offers several benefits, including lower initial investment, the ability to gradually increase ownership, and access to properties that may otherwise be unaffordable. This model allows buyers to leverage capital funding effectively while building equity over time.

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