

# A step-by-step guide to buying more shares in your home





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## An introduction to staircasing

This guide is designed to assist you as a Shared Owner in understanding how you can increase the share you own in your property.

### ▶ What is staircasing?

Staircasing is the term used for buying further shares in your home. You can acquire further shares in increments, or in one transaction. The greater the share you buy, the less rent you pay to Octavia, and if you staircase to 100% ownership you become an outright owner and will no longer pay rent on the un-owned share but you may need to pay ground rent - your lease will give details on this.

### ▶ How does it work?

When you buy more shares, you will pay a price assessed on the current open market value of your home.

#### **For example:**

If your home is currently valued at £500,000 and you want to buy an additional 10% share, the cost to buy additional shares will be £50,000 (i.e. £500,000 x 10%).

### ▶ How much can I own?

Most of our leases allow staircasing to full 100% ownership. However, if you bought your home under the scheme called 'Older People's Shared Ownership', the maximum share you are allowed to buy is 75%.

### ▶ What share should I buy?

You should buy a share that is affordable for you. We recommend that you speak to your current lender or an Independent Financial Advisor (IFA) as early as possible to review your affordability.

If possible, you should aim to staircase in larger percentage chunks to avoid paying administration and solicitor costs more than once. A full breakdown of the costs associated with staircasing is provided further down in this guide.



#### **Please remember:**

As part of the staircasing application process, you will be required to complete a satisfactory financial assessment with our nominated financial advisor. This is not compulsory if you are staircasing to full 100% ownership.

### ▶ What does my lease say about staircasing?

Before doing anything, we recommend you check your lease. It contains important information and conditions relating to the staircasing provisions. For example, it will tell you if there are any restrictions with regards to the share you can eventually own, and the percentage increments you are able to purchase.

You would have been given a copy of your lease by your solicitor when you bought your home. If you can't locate your lease, you can obtain a copy from the Land Registry:

[www.gov.uk/guidance/land-registry-information-services-fees](http://www.gov.uk/guidance/land-registry-information-services-fees)

For your general information, leases drawn up from April 2006 specify:

- ▶ That staircasing can take place any time after your initial purchase including if you are buying a resale shared ownership property
- ▶ You have no limit on the number of times you can staircase
- ▶ Each purchase must be a minimum of 10% and in multiples of at least 5% above this percentage

However, we recommend that you read through your individual lease to understand the exact requirements before applying to staircase.

### ▶ **What happens to my rent when I staircase?**

This will depend on the share you are buying, i.e. whether you're interim staircasing or buying the full 100% share.

**Interim Staircasing** is when you buy additional shares in increments (i.e. less than 100% ownership). When you interim staircase, your rent will reduce in proportion to the share you own after completion. Any other Service charge or management costs you currently pay will be unaffected.

#### **For example:**

If you currently own 25% share in a property and pay £345 per month in rent. After buying an additional 25% share your rent will go down to £230 per month.

**Final Staircasing** occurs when the share you're buying takes you to full ownership of the property. When this occurs, you own the property outright and are no longer a shared owner. In this case you will pay no rent to Octavia, but you will continue to pay the service charge (if your home is a leasehold flat or house) and may also need to pay for an annual ground rent charge in line with requirements of your lease.

### ▶ **Is there any reason why I would not be able to staircase?**

In certain circumstances, Octavia may restrict you from buying further shares in your property.

We do not allow staircasing:

- ▶ If your income does not meet our guidelines for responsible lending and increased share is not affordable for you. This will be after assessing your current financial situation with an Independent Financial Advisor (IFA) on our panel
- ▶ If you cannot confirm the source of funds or savings with an audited flow of where the money has come from to buy the additional share
- ▶ If you have rent and/or service charge arrears
- ▶ If your property has restrictions on staircasing. If this applies, you will be limited to what you are able to staircase up to. Details of any restrictions can be found in your lease
- ▶ If all parties who originally bought the property do not agree to staircase and the instruction forms are not signed by all owners

### ▶ **How long will the process take?**

Your staircasing will usually take around 6-8 weeks, however this is just an estimate. Three months is usually plenty of time to complete but be sure to send us the instruction documents and your financial assessment as soon as your valuation is received.

This will maximise your chances of completing within the valuation expiry date of 3 months. Delays in completing the purchase are normally due to problems arranging the finance. Any amendments to the initial staircasing instruction that you send will also increase the chance of needing an updated valuation.



**Helpful tip:** The formula for calculating estimated rent after staircasing is:

**New un-owned % share**  $\div$  **Previous un-owned % share**  $\times$  **£current Rent**

Try the above calculation and see you how much you can save in rent!




**What are the costs involved in staircasing?**

When staircasing, you will incur a number of expenses. Therefore, it is worth investigating the full costs involved before deciding to buy. As a general guide, these expenses are:

**• Valuation fee**

Before you can buy further shares, you need to know the current market value of your home. The value of your home is determined by an independent RICS qualified valuer. Under the terms of your lease, the cost of this valuation is met by you.

 The valuation fee varies between **£300 - £400 + VAT**, dependent on your property value and location.

(Please note: The fees quoted above are subject to change – please use this a guide only)



**Don't forget!**

The valuation is only valid for 3 months and if your staircasing purchase is not completed within this period, you will be required to get an update on the valuation, and there may be an additional fee payable.


**• Mortgage arrangement/IFA fees**

When considering to staircase, you will need to assess the best way forward to finance the additional share. There will be a number of important things to consider so we recommended that you speak to an IFA as early as possible in the process to review your available options.

Depending on your current mortgage arrangements, there may be an opportunity to change lenders


(i.e. re-mortgage) enabling you to secure a better interest rate and apply for additional borrowing at the same time to cover the extra share purchase. As part of your mortgage application, you will be required to pay the lenders valuation fee and you may need to pay a mortgage arrangement fee.

If you are tied into your existing mortgage for a fixed period of time, you may also have to pay any penalty or Early Repayment Charges (ERC) for ending the product early. You are advised to investigate this with your lender or IFA prior to applying to staircase.

 As a rough guide, if you are staircasing to 100% the mortgage fees could be in between **£1,000 - £2,000** excluding stamp duty. Although, some of these costs may be added onto the mortgage if required and allowed by the lender.

**• Legal expenses**

Staircasing involves changes to your existing lease, which requires the professional services of a solicitor. The solicitor will charge disbursements and professional fees for acting for you.


 Fees can vary from one solicitor to another, although as a rough guide you should expect your overall legal fees to be **around £750.00** excluding stamp duty.

**• Stamp Duty**

If you did not choose to pay the stamp duty on the full value of your home when you purchased it, you may need to pay additional stamp duty. However, we cannot advise regarding stamp duty owing on staircasing and suggest you discuss this with your solicitor.

**• Ground Rent**

If you staircase to 100% ownership of a flat, you may be responsible for paying ground rent. You should refer to your lease to know exactly how much ground rent is payable.

 As a general guide, Ground Rent is typically in the region of **£250.00 per annum**.

**• Staircasing costs summarised**

Staircasing application fee	£200
Independent RICS valuation fee	£300 - £400
Mortgage arrangement costs/ Financial advisor fees	£1000 - £2000
Legal expenses	£750
Stamp duty <small>(dependent on the value of your property and percentage share purchase)</small>	To be advised by your solicitor
Ground rent <small>(initial estimated cost per annum at full ownership, refer to your lease for full details on costs payable)</small>	£250

Note: Figures provided are subject to change and should only be used as a general guide. Some fees may be subject to VAT.

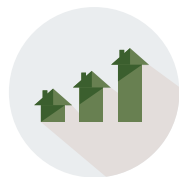
## ▶ What are benefits of staircasing?

Everyone's situation is different, but regardless of where you stand financially, or how much equity you already own, if and when you are able to staircase the benefits can be substantial.



### Reduce your rent

As a shared owner, you can buy further shares in your home. The greater the share you buy, the less rent you will pay to Octavia. If you staircase to 100%, you become an outright owner and pay no rent.



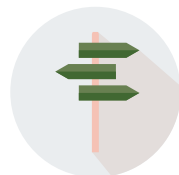
### Higher return

As you buy more equity, you will retain a higher share of the sale price and a greater percentage of profit from any increase in the value of your home.



### Faster upward progress

Staircasing will enable you to climb the property ladder faster, whether to help you own your current home outright, or as a stepping stone to the next stage of your home ownership journey.

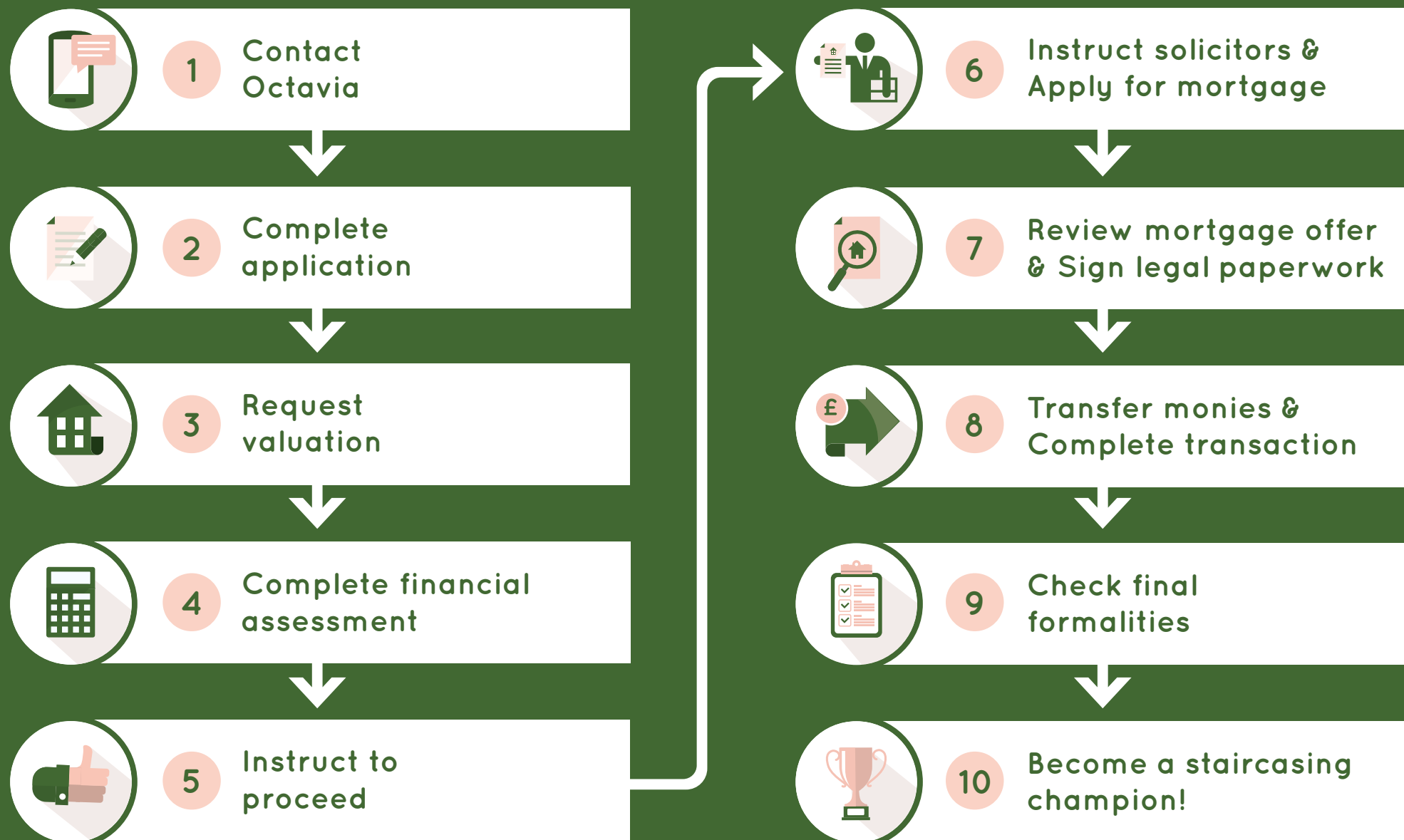


### Greater control

When you reach 100% ownership of your home, you can sell your property to anyone on the open market through an estate agent of choice. With full ownership you can also sublet if you wish.



## Stages to staircasing: A step by step process



## 1 Contact Octavia

You will need to let us know that you intend to staircase, by emailing us on [sales.services@octavia.org.uk](mailto:sales.services@octavia.org.uk) or calling us on **0208 354 5500**. We will then carry out a basic eligibility check on your property and you will receive an acknowledgement email within 5 working days confirming whether or not you are eligible to proceed.



### **Dont forget!**

When you apply to us to increase your ownership, your rent and service charge account must be up to date and must remain so throughout the staircasing process.

## 2 Complete application

If you are eligible, we will send you an application form known as 'Notice to Staircase' to complete and ask you to pay the valuation fee. Within this application, you will be asked to confirm:

a. details of any home improvements you have carried out

Only home improvements carried out with Octavia's written consent can be considered. In cases, where Octavia's permission was not sought, retrospective consent for improvements will only be considered under exceptional circumstances and remains at Octavia's discretion.

## 3 Request valuation

After you have completed the application, we will arrange for an independent qualified RICS valuer to assess the open market value of your home. We will share your details with the valuer who will contact you directly to arrange an appointment with you.

Please note valuers can only attend between 9-5, Monday-Friday and we ask you to be as flexible as possible to ensure the valuer can produce the valuation report in an effective and timely manner.

The valuation report will be sent to the Sales & Progression Executive who will assess the report and check for any errors. We will then issue an offer letter to you along with the copy of the valuation report.

Please note, the offer to purchase additional shares is made subject to you meeting the necessary financial affordability checks and we will ask for this financial information before proceeding to the next stage of the application process.

In respect of the valuation, there are some other important things you need to bear in my mind, including:

### **Valuation expiry period and costs for subsequent updates**

The valuer's report is only valid for three months and therefore you must act quickly to complete the staircasing transaction before the valuation report expires.

If your staircasing purchase is not completed within this period, you will be required to get an update on the valuation, and there may be an additional fee payable. Before the original valuation expires, you should contact us and we will instruct the valuer to provide the updated report which will be at a cost to yourself. The cost of an update is around £100 depending on the valuer\* and the updated figure will be based on current market conditions – therefore it may differ from the figure in the original report.

\*Correct at time of going to print – subject to change

In exceptional circumstances, where the delay is outside of your or Octavia's control, we do have the discretion to extend the valuation for a further 3 months. After this time, if you have still not completed the staircasing process your application will be cancelled and you'll need to re-apply.





### ▶ Home improvements

If you have declared any home improvements on your application form, we will write to you to confirm which improvements are permitted and will be taken into consideration when the property valuation is carried out.

Where necessary, we will ask the valuer to provide two valuations - one that takes improvements into account and one that does not. The valuation without improvements will then determine the cost of additional shares. This in turn means you will not pay for the improvements in the percentage that you buy from Octavia.

#### As a general rule:

- ▶ Only significant improvements such as new double glazing, fitted kitchen or bathroom, loft conversions and any structural upgrades e.g. an extension or a conservatory (where permissible) will be accepted and discounted from the valuation
- ▶ General home maintenance, repairs and decoration including any replacement flooring, or a new boiler for example are **not** regarded as improvements and cannot not be considered

Please note the amount you spent on improvements will not necessarily result in the proportional increase in the value of your home. For instance, fitted kitchens and bathrooms will depreciate over time and so may not impact on the valuation where the work has been completed over three years ago. The exact effect of improvements will be determined by the valuer.

**Remember:** If you did not obtain Octavia's written consent to carry out these improvements, we will not be able to discount the improvements from the final valuation figure.

Furthermore, if the valuation report shows that the value of your home has gone down due to lack of maintenance or repair, Octavia will require a valuation that assumes your home is in good condition for its age on which to base the cost of additional shares.

### ▶ Challenging the valuation

The terms of your lease state that the valuation report is binding on all parties unless the report includes a 'manifest error' for example, if the report lists the property with incorrect number of bedrooms or parking detail etc.

However, if you have a query over the valuation or do not agree with it, we can:

- ▶ Put you directly in touch with the valuer who will require comparable evidence before re-assessing your valuation. The comparable evidence will need to include sales of at least 3 similar local homes within a radius of quarter of a mile from your property that have occurred in the last 3 months.

There is no guarantee of any changes and the decision to amend any valuation remains solely at the discretion of the valuer.

If following this review, you're still not happy with the final value, we can:

- ▶ Instruct a further valuation through a different surveyor. You will, however, be responsible for paying an additional valuation fee.

**Caution:** Octavia will accept the most up to date valuation but there is no guarantee the new instruction will result in a different outcome. Please think carefully before applying for a new valuation. We cannot accept any valuation that has not been undertaken by an Octavia approved Valuer.



## 4 Complete financial assessment

Your personal circumstances may have changed considerably from when you originally purchased your shared ownership home. As a responsible Housing Association, we require you to have another financial assessment interview with a nominated mortgage advisor on our panel to ensure you meet our affordability requirements and that the additional share being purchased is not likely to cause you financial difficulties in the future.

**Remember:** If you did not obtain Octavia's written consent to carry out these improvements, we will not be able to discount the improvements from the final valuation figure.

**Caution:** Octavia will accept the most up to date valuation but there is no guarantee the new instruction will result in a different outcome. Please think carefully before applying for a new valuation. We cannot accept any valuation that has not been undertaken by an Octavia approved Valuer.

If you are final staircasing (i.e. buying the full 100% share) financial assessment is not compulsory. However, you are encouraged to complete this and you're still welcome to contact our panel of financial advisors to discuss your affordability.

If you are interim staircasing you must undergo assessment, or you will not be able to staircase. Financial assessments do not require an in-person appointment and can be conducted by phone and email. The IFA will require the following documents:

- ▶ Your payslips for the last 3 months or if you're self employed your audited accounts for the last two years
- ▶ Or if you are self-employed, your audited accounts for the last two years (SA32) from a certified accountant or last two years tax assessments from the Inland Revenue

- ▶ Your latest P60
- ▶ Last 3 months bank statements
- ▶ Proof of savings
- ▶ Source of funds

If your buying shares in joint names, both applicants must supply the above documents to the financial advisor. The financial advisor will then carry out an affordability assessment and confirm the additional share you can buy.

In the event you fail the financial assessment, but you can secure the additional funding via your current lender to buy the additional share, we may support your application. You will be asked to sign a disclaimer confirming that you can comfortably sustain the ongoing mortgage costs.

If you are re-mortgaging to finance the staircasing, we must give consent and will need to see a copy of your mortgage offer. We won't give consent if the lender is not a member of the Council of Mortgage Lenders, or terms are considered unreasonable.



### Don't forget!

All nominated financial advisors on our panel offer free financial assessments. They are specialists in the shared ownership market and are able to assist you with your mortgage arrangements – but only if you want them to. If you choose to use them, we ask that you liaise directly with them in respect of their fees and charges for sourcing the mortgage for you.

A full list of the financial advisors is included within the information pack proceed.

## 5 Instruct to proceed

After completing your financial assessment, you will need to:

a) complete and return the 'Instruction to Proceed' form, confirming the percentage share you are buying as well as the name and address of the solicitors that will be acting on your behalf.

No further action will be taken until your return this form which needs to be signed by all named leaseholders. To help with choosing solicitors, we have included a list of conveyancing solicitors on our panel who are able to assist with staircasing transactions.

There is no obligation for you to choose the solicitors from this list, so the decision is entirely yours.

When choosing solicitors, we always recommend:

- ▶ you obtain a quotation before instructing your solicitor
- ▶ select a solicitor who can offer a fixed fee for their services
- ▶ you choose a solicitor with knowledge and experience of Shared Ownership leases

## 6 Instruct solicitors and apply for mortgage

Once we receive your 'Instruction to Proceed' we will send out written confirmation by email to all parties confirming the details of your additional share purchase. This instruction will be sent to you, your solicitor and Octavia solicitor. Please ensure you have formally appointed your solicitor to act for you.

From this point, the solicitors will be mainly responsible for managing the legal proceedings of your staircasing and for any queries you should liaise primarily with your solicitor who, in turn, will liaise with ours.

At this stage, if you are borrowing additional funds or re-mortgaging, it is imperative that you submit your mortgage application as soon as possible. This is to ensure that mortgage funds can be approved within the required timeframe and that your staircasing transaction is completed before the valuation deadline date.

## 7 Review mortgage offer and sign legal paperwork

Once your mortgage offer is issued, you should review it and check all terms and charges are in line with your expectations. A copy of your mortgage offer should also be sent to your solicitor for Octavia's approval.

Once the mortgage offer is approved by Octavia, you should check with your solicitor to see if any other legal paperwork that needs signing by you including the Memorandum of Staircasing.

At this stage, if all formalities are nearing completion, you should set a date with your solicitor for completion. This will enable our solicitors to send you solicitor the final completion statement detailing the total sums payable by you in respect of purchasing the additional shares.

## 8 Transfer monies and complete transaction

After receiving the completion statement, you should arrange to transfer any monies payable by you to your solicitor by the set completion date. Your solicitor will also arrange for your mortgage monies to be sent directly to them by your lender.

Once the monies are transferred to our solicitors on the day of completion, all legal formalities are concluded. This means you now own a larger share of your home.

### Typical stages of the legal process

- ▶ Octavia solicitors receives the advice from us to commence staircasing
- ▶ Our solicitor sends out the initial letter to your solicitor requesting the documents required to draft the 'Memorandum of Staircasing'
- ▶ Your solicitor provides the requested documents
- ▶ Our solicitor drafts the Memorandum of Staircasing
- ▶ Your solicitor approves the Memorandum of Staircasing and passes a copy to you for signatures
- ▶ Our solicitor provides the approved Memorandum of Staircasing to Octavia for signature
- ▶ If you are Interim staircasing your mortgage offer must be approved by our solicitors and Octavia must consent to the re-mortgage
- ▶ Your solicitor proposes a completion date on your behalf
- ▶ Our solicitor then checks that Octavia can agree to completion on the proposed date and will send your solicitor a completion statement covering the total amount you need to pay including any outstanding rent, service charge and any ground rent applicable after completion
- ▶ Your solicitor will collect all the monies from you and/or the mortgage advance and transfer to Octavia on the agreed completion date
- ▶ After you completed your solicitor will register the Memorandum of Staircasing with the Land Registry and confirm this with you



## 9 Check final formalities

Upon completion of your staircasing transaction, Octavia will:

- ▶ Adjust your account to show the increased share you own in your home
- ▶ Refund any monies owed, send confirmation of your new charges and/or close your rent account if applicable
- ▶ You are still required to pay service charge and management charges and you may need to start paying ground rent, if this is case you will have been previously advised
- ▶ After final staircasing, in certain circumstances (where an individual head lease or superior lease exists, and Octavia are not freeholders or managing agent) Octavia may transfer the head lease or superior lease to you. If this is the case your solicitor will deal with the transfer, which will take place alongside the staircasing.
- ▶ If you now own 100% share, we ask you to double check arrangements in respect of the buildings insurance cover (especially if you own a shared ownership house), i.e. whether you need to arrange a separate cover yourself or whether this is covered under the current block policy

Your solicitor should:

- ▶ Provide you with the copy of the Memorandum of Staircasing signed by Octavia
- ▶ Register the Memorandum of Staircasing with the Land Registry and confirm this with you

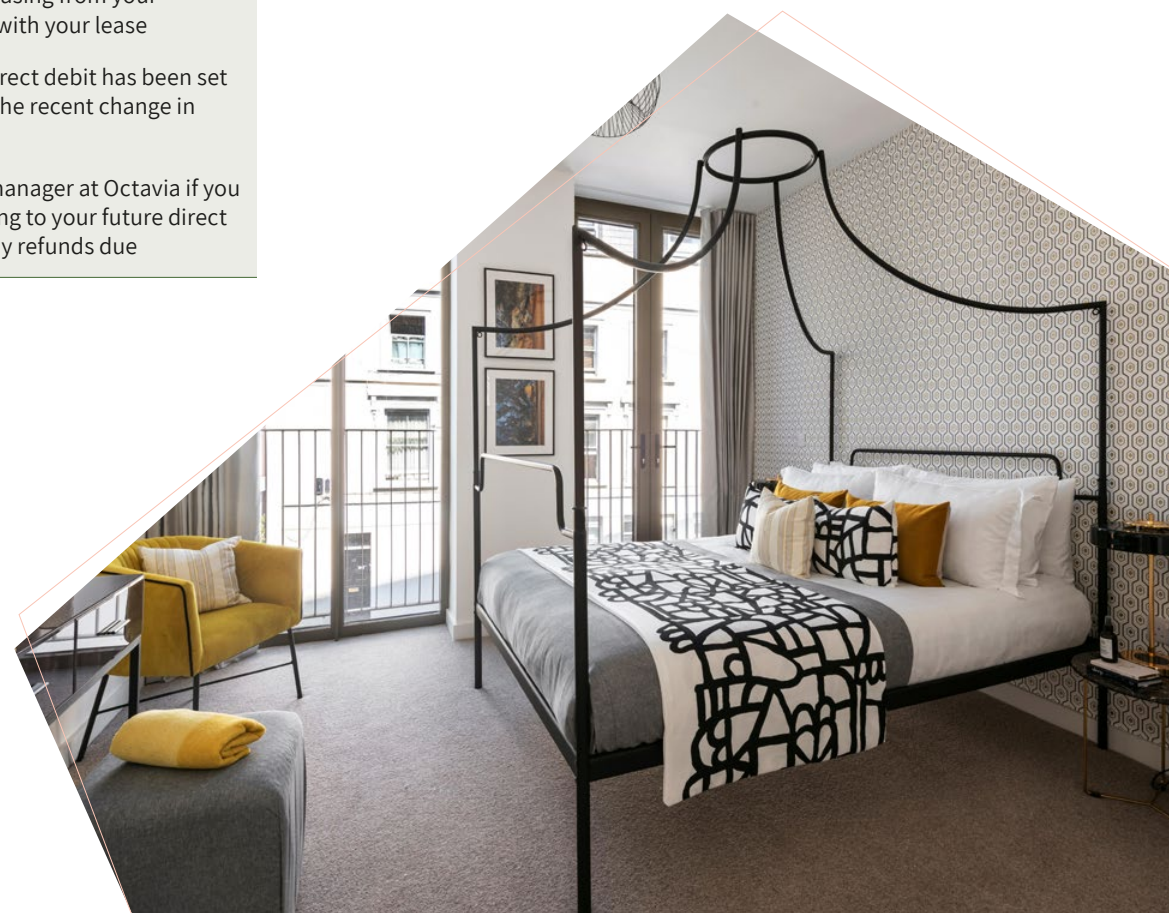
You should:

- ▶ Make sure you have received the signed Memorandum of Staircasing from your solicitor and keep this with your lease
- ▶ Check that your new direct debit has been set up correctly to reflect the recent change in your share ownership
- ▶ Contact your income manager at Octavia if you have any queries relating to your future direct debit payments and any refunds due

## 10 Become a staircasing champion

We hope that your staircasing experience with Octavia is smooth and as stress free as possible. Why not drop us a line or send a message by email at [sales.services@octavia.org.uk](mailto:sales.services@octavia.org.uk), with your comments or suggestions to help us do things better.

Become a staircasing champion and help us spread the word about staircasing. If you are willing to take part in a case study or a short survey, we would love to hear from you!



OCTAVIA 



If you have any questions or need anything clarified call our Homeowner Sales Services Team on **020 8354 5500**, email [info@octavia.org.uk](mailto:info@octavia.org.uk) or write to us: **Octavia, Emily House, 202-208 Kensal Road, London, W10 5BN.**

[WWW.OCTAVIA.ORG.UK](http://WWW.OCTAVIA.ORG.UK)