


Your guide to: Staircasing

Oct 18



Great homes,
positive people,
strong communities

origin  HOUSING

Next page 



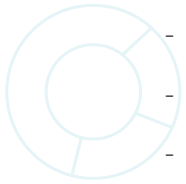
Contents:



What is staircasing?

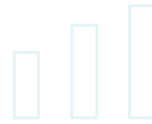
How can I begin staircasing?

- For leases drawn up before 1 April 2006
- For leases drawn up after 1 April 2006
- Requirements
- What are the benefits?
- Is there any reason I would not be able to staircase?
- What are the costs involved?



How do I staircase?

- Appoint a solicitor
- Instruct a valuation
- We send you the offer
- Financial assessment
- After the financial interview
- Staircase completion
- What happens if I own 100%?



Stages of staircasing



What is staircasing?

As a leaseholder of a Shared Ownership property bought either new, or as a resale, you can buy further shares in your property. This process is known as staircasing, enabling you to own a greater proportion of your home. The greater the share you buy in your home, the less rent you will pay to us. You must purchase the additional shares at a price that is equivalent to the current market value, so you will need to instruct a surveyor to value your property.

If you staircase to 100% you become an outright owner and pay no rent! However, you will still have to pay service charge and may have to pay an annual ground rent.

You don't have to staircase - it is entirely up to you. There are no restrictions in the majority of cases; however, we would recommend in the first instance that you refer to your lease and you may need to consult a solicitor.

“Buying additional shares in the property is known as interim staircasing. If you staircase to 100%, the share taking you to 100% ownership is known as final staircasing”



How can I begin staircasing?

The general requirements associated with staircasing will depend on your lease and the time it was issued.

For leases drawn up before 1 April 2006:

- There can be a maximum of three staircasing transactions after the initial purchase to reach full equity
- Staircasing cannot take place in the first twelve months after the initial purchase
- Staircasing can only take place after three months of buying the property
- You must buy a minimum of 20% each time
- The third and final staircase should take your equity to the full 100%

For leases drawn up after 1 April 2006:

- There is no limit on the number of staircasing transactions
- Staircasing can take place any time after the initial purchase
- You must buy a minimum of 10% each staircasing transaction
- Transactions should be completed in multiples of 5
- The final share should take your equity up to 100%

“The general requirements associated with staircasing will depend on your lease and the time it was issued”

All leases require:

- The additional equity purchased must be based on the current market value of the property at the time.
- The valuation must be carried out by an independent RICS qualified surveyor
- You are required to meet the valuation costs and any other costs incurred in connection with the staircasing transaction, i.e. legal fees, mortgage arrangement fees, additional valuations in the case of valuer disputes or expired valuation reports.
- You must pay any arrears of rent, service charge or other charges incurred prior to completion of the staircasing transaction.
- In some cases your lease may restrict you from selling your property for three months following final staircasing

What are the benefits of staircasing?

Buying a greater proportion of your home has a number of benefits:

- You reduce the amount of rent you are paying to us
- If you decide to sell your home, the greater percentage you own, the more profit you will make if the value of your home has increased
- If you own your property outright (own 100%) you can sell your property on the open market
- If you own your property outright, you will won't be bound by some restrictions on the lease such as subletting
- Becoming the outright owner allows you to maximise the profit from any major home improvements

Is there any reason I would not be able to staircase?

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

We do not allow staircasing:

- If you have arrears with your service charge and/or rent.
- If your income does not meet our guidelines for responsible lending and the increased share is not affordable for you. This will be after assessing your current financial situation with an Independent Financial Adviser (IFA)
- If you cannot provide a valid mortgage offer or proof of savings with an audited flow of where the money has come from
- If your property has restrictions on staircasing; details of any restrictions can be found in your lease.
- If your request to staircase is not signed by all those who originally bought the property.

What are the costs involved in staircasing?

Every time you staircase you will have expenses to pay. Therefore, before deciding to staircase it is worth investigating the full costs involved and carefully considering the additional share you wish to buy.

Some of the expenses you will have to pay are:

- **The valuation fee** - required by us in accordance with your lease and the HCA guidelines. Fees range from £150 - £250 plus VAT*
- **Legal expenses** - Staircasing will involve changes to your existing lease, which will require the professional services of a solicitor.

- **Stamp Duty** - In certain circumstances, you may need to pay stamp duty. This will need to be discussed with your legal representative.
- **Mortgage fees** - If you are applying to change lenders (re-mortgage) to buy the additional share, or to obtain a better interest rate, you will be required to pay the lender's valuation fee and you may be required to pay a mortgage arrangement fee. You may also have to pay penalty charges to your existing lender if you re-mortgage before the product end date. You must investigate this with your lender or mortgage advisor prior to applying to staircase.
- **Rent and service charge arrears** - If you have any arrears these must be cleared before completion of the staircasing transaction. Staircasing; details of any restrictions can be found in your lease.

**Note: The valuation fee is for a valuation report valid for a three month period. If your staircasing transaction doesn't complete within this period you will be required to pay an additional valuation fee. We will require this new report and, if the price has changed, an amended offer will be issued which could result in additional costs from your lender and solicitor. If you are unhappy with the valuation report you may request a final valuation via the District Valuation Office whose decision, be it higher or lower, will be final. You will have to pay for the District Valuers report.*



How do I staircase?

You will need to let us know that you intend to staircase, by emailing or calling us. Alternatively, you can fill in the staircasing application on our website.

Appoint a solicitor

Before telling us that you intend to staircase, it is best to select your solicitor so that you are ready to act promptly when you receive the valuation report, which is only valid for three months. We recommend using the solicitor who originally dealt with your purchase as they are most likely to have the details regarding your property available. If this is not possible, we can assist you by providing you with a list of our recommended solicitors.

You require a solicitor to deal with your staircasing transaction as it involves changes to your existing lease and other legal work associated with your mortgage and home. Remember that you pay for your solicitor's time, so the more often you write to or phone your solicitor, the higher the charge is likely to be.

“It is best to select your solicitor so that you are ready to act promptly when you receive the valuation report”



We always recommend:

- You use the solicitor who initially dealt with your purchase
- You select a solicitor who offers fixed fee for their services
- You obtain a quotation before instructing your solicitor
- You choose a solicitor with knowledge and experience of shared ownership leases.

Instruct a valuation

We will send you a form to complete which will select your chosen valuer. The information you provide on the form will be passed on to the valuer you select. The form requires you to select a qualified independent valuer, who must be registered with the Royal Institute of Chartered Surveyors (RICS).

We will provide you with a list, to help you select a suitable valuer. Once we receive this form, we will instruct the valuer to arrange an appointment with you to value your home. To ensure this is dealt with promptly please provide contact details and be as flexible as possible to ensure the valuer can deal with our instruction in an effective and timely manner. After viewing your home, the valuer will research your area and produce two copies of their valuation report with comparatives of similar properties in your area which have been sold or are being marketed.

This report will be sent to us and we will issue a valuation agreement form to so you can approve the valuation. The valuation is valid for three months and therefore you must act quickly to complete the staircasing transaction before the valuation report expires. If the transaction doesn't

complete by this date you may incur additional costs for a new valuation, and your solicitor may charge additional fees as we will make you a new offer based on the current valuation. This valuation could be lower or higher than the original valuation, dependent on the housing market at the time.

We send you the offer When you applied to staircase you would have indicated the additional share in the property you were considering; based on this and the valuation we will make you an offer. Financial Assessment Interview When you originally purchased your Shared Ownership home you most probably had a financial assessment interview with one of our mortgage advisors. From the time you originally bought your home to now, when you are considering buying more equity in your home, your personal circumstances may have changed considerably. As a responsible Housing Association, we require you to have another financial assessment interview 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.

“we will instruct the valuer to arrange an appointment with you to value your home. To ensure this is dealt with promptly please provide contact details and be as flexible as possible”





“it is best to select your solicitor so that you are ready to act promptly when you receive the valuation report”

We send you the offer

When you applied to staircase you would have indicated the additional share in the property you were considering; based on this and the valuation we will make you an offer.

Financial assessment

When you originally purchased your home you will have had a financial assessment with one of our IFA's. We require you to have another financial assessment interview 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. The maximum additional share you can buy will be confirmed by the IFA at the financial interview and will need to comply with the requirements of the lease.

So that we can help you buy further shares as quickly as possible, you must supply the following documents during your assessment:

- Your payslips for the last three months
- If you are self-employed, your audited accounts for the last two years from a certified accountant or last two years tax assessments from the Inland Revenue.
- Your latest P60.
- Your passport.
- Last three months bank statements. If you bought your home with another person and you are buying further shares in joint names, both must supply the documents to the mortgage advisor.

After the financial interview

The IFA will be able to assist you with your mortgage arrangements to buy the additional share - if you want them to. If you want to arrange your own mortgage, you should talk to some banks and building societies, and make sure that you tell them you are buying additional shares in a shared ownership home. You must act quickly and stress to your lender and solicitor that the staircasing valuation offer is only valid for three months, therefore it is imperative they act quickly to achieve this completion deadline to prevent you incurring additional costs.

Once you have the mortgage offer, contact your solicitor to arrange to complete the staircasing transaction. They may need to arrange an appointment to go through the legal paperwork with you. Once this has been completed, your solicitor will advise us of the date you intend to complete the staircasing transaction. We will then send out a completion statement, which will confirm the increased share in the property you will own along with the adjusted payments.

Staircase completion

You will now own either a greater share or the full 100% value of your home. Your solicitor should now register your transaction with the Land Registry. We will adjust your account to show the increased share you own in your home. We will send confirmation of your new charges and/or close your account if your staircasing transaction requires us to do so.

If you own a Do It Yourself Shared Ownership (DIYSO) property then this will be the last correspondence you will receive from us. Your service charge will remain unchanged if you have bought further shares, but if you have bought all the remaining shares in your property your service charge may change. If you live in a house or DIYSO property and become the 100% owner, you will no longer be covered under our block buildings insurance policy from the date your staircasing transaction completed.

You must ensure that you have a building insurance policy in place at completion. If you become a 100% owner of an apartment, you will still be covered under our block buildings insurance policy and you will continue to contribute to the service charge and pay the annual ground rent.



“Once you have the mortgage offer, contact your solicitor to arrange to complete the staircasing transaction. They may need to arrange an appointment to go through the legal paperwork with you.”

What happens if I own 100%?

Once you have staircased to 100%, you will no longer pay us any rent. However, if you are the leaseholder of an apartment you are still required to pay your service charge and management charges including the ground rent, as we remain the freeholder of the apartment block. However, if you own a house, the freehold of your home can be transferred to you when you have staircased to 100%.

Your solicitor will need to serve notice to us, requesting the freehold of the property is transferred to you. There is no charge for this transfer; however, you will have to pay your legal costs. Once this has taken place, you will no longer be charged for buildings insurance. In some cases, you may still have to pay a service charge or estate management charge to us if you live on an estate and are responsible for some of the communal costs. If you live in an apartment, we will give you the head lease if we own it or a superior lease if we are not the freeholder.

Regardless of whether you live in an apartment or a house, once you have staircased to 100%, you are free to sell the property on the open market, with the professional services of an estate agent if you choose to do so. If you would prefer, we can also sell your property for you. We charge competitive fees compared with many high street estate agents.

Please note that some leases restrict you from selling your property for three months following final staircasing.



“Regardless of whether you live in an apartment or a house, once you have staircased to 100%, you are free to sell the property on the open market.”



Stages to staircasing

Contact the Sales and Marketing team to request application to staircase or to do this online visit: <https://originsales.co.uk/staircasing>

This has a staircasing calculator and gives you an estimate of new mortgage costs and rent

Search for a solicitor to act for you

Speak with your lender and/or mortgage advisor about purchasing a further share in your home to ensure you can obtain additional funds and the costs involved

Complete the staircasing enquiry form online, select the surveyor and send the valuation fee to the Sales and Marketing Team

We instruct the surveyor (RICS or ISVA qualified) to obtain the current open market value of your home

The valuer sends us two copies of the valuation report on your home with comparatives (this is valid for three months)

We check the valuation report and issue the offer letter back to you with an authorisation form (subject to a financial interview)

Financial interview undertaken by our mortgage advisor to ensure affordability

You check the offer and complete the staircasing authorisation form which requires the name and address of your solicitor, mortgage advisor and mortgage provider

Instruct your solicitor



We confirm your new rent and service charge payment

You complete the staircasing transaction before the three month expiry date of your valuation (failure to achieve the three month deadline will result in you having to pay for a new survey and the application process will have to start again)

We issue the completion statement which breaks down the staircasing transaction and confirms rent, service charges and ground rent applicable after completion.

Your solicitor completes the legal work and sets the completion date with our solicitors

Your mortgage offer is issued. Send a copy to your solicitor to forward to our solicitors for approval

We instruct our solicitors to send the legal packs to your solicitor

Return the staircasing authorisation form to us

Contact your mortgage advisor or lender and apply for your mortgage



For more information call 0300 3230325
or email sales@originhousing.org.uk

www.originsales.co.uk