Anthony Collins solicitors

Key Information on the Shared Equity Mortgage

This note is intended as a brief guide for Leaseholders of the key provisions of the Shared Equity Mortgage proposed by Richmond Housing Partnership.

WHAT IS A SHARED EQUITY MORTGAGE?

- The Shared Equity Mortgage has been proposed by Richmond Housing Partnership (RHP) to enable you to purchase a new home on the Ham Close redevelopment if the value of the new home is worth more than your existing property.

- The Shared Equity Mortgage will enable you to own your new home without having to pay more. If the new home is worth more than your existing property, you will not need to seek a larger mortgage or take out a new mortgage where you do not have one currently.

- Shared equity means that you will own the title to your new home outright, with RHP having a charge registered against it. Your proportion of the equity in your new home will be equivalent to the value of your existing home and RHP will own a percentage (equivalent to the difference in value of the new home).

- The Shared Equity Mortgage is the legal charge which will be registered against the property title for your new home. The legal charge gives RHP the right to receive a share in the proceeds of sale of your new home if you sell it in the future, limited to the amount of RHP's equity percentage.

- You will not pay any interest or rental charge on the Shared Equity Mortgage.

HOW WILL THIS WORK?

- You will enter into a standard leasehold agreement for your new home together with a Shared Equity Mortgage for RHP's equity percentage. For example,

    - Your current property is valued at £300,000.00
    - Your new home is valued at £400,000.00
    - The difference between the value of your current home and your new home is £100,000.00
    - The Shared Equity Mortgage would be for 25% of the value of your new home
    - Richmond Housing Partnership would have a charge over your property equivalent to 25% of its value

- The current value of your existing property will be converted into a percentage equity share of your new property. In the above example this would be 75%.

- If you are eligible to receive a 'home-loss payment' (as described in the guide for RHP tenants & homeowners Autumn – 2016), you will be required to put the home-loss payment towards your equity in the new property, giving you a higher portion of the share in the property and RHP's equity would be less.

THE LEASE

- Your current home is held on a leasehold basis, where you are the leaseholder and RHP is the freeholder.

- You will enter into a new lease with RHP at no additional cost.

- You will still be obliged to pay 100% of the 'service charge' and any other outgoings (for example, utilities, rates and taxes) in respect of the property. The service charge is a contribution towards the costs incurred by Richmond Housing Partnership in providing services, such as repair and maintenance to the common parts of the property and any communal facilities on the wider development.

THE SHARED EQUITY MORTGAGE

- You will enter into the Shared Equity Mortgage for the equity 'share' in the property to be owned by Richmond Housing Partnership. There are two types of Shared Equity Mortgage Agreement depending on your circumstances:

    - One is where you have an existing mortgage and/or intend to take out a mortgage to purchase your 'share' in the property; and
    - The second is where you own 100% of your property and no mortgage is required other than the Shared Equity Mortgage for the additional value of your new home.

- Upon entering into the Shared Equity Mortgage a legal charge will be registered against the property title with the Land Registry to protect Richmond Housing Partnership's interest in the property.

- If you have an existing mortgage on your current property and/or intend to take out a mortgage to purchase your 'share' in the property, the Richmond Housing Partnership legal charge will rank second in priority. This should not cause any problems with your existing lender as their legal charge will rank first in priority over the property.

- If you would like to dispose (sell or lease your property for a term exceeding 21 years), upon obtaining a buyer or a tenant, you or your solicitor will need to send a copy of a RICS valuation report to Richmond Housing Partnership. This is so that Richmond Housing Partnership can receive their relevant share of the sale proceeds to redeem the legal charge.

- You will only pay back to Richmond Housing Partnership the percentage of the sale price which is the same as their equity percentage in the property. For example,

    - Your property is valued on the open market for the value of £500,000.00
    - RHP have a 25% equity share in the property
    - You will pay £125,000.000 back to RHP as the 25% equity share

THE SHARED EQUITY MORTGAGE OBLIGATIONS

The Shared Equity Mortgage contains a number of obligations, which are not dissimilar to those contained in a standard mortgage from a high street lender including:

- You will be required to keep the property and all fixtures fittings in a good and substantial repair and in accordance with your new lease, no matter what share you own in the property.

- You will not be able to mortgage/charge or let the property without the consent of the Richmond Housing Partnership.

- You may only use the property as a single private dwelling house and residence.