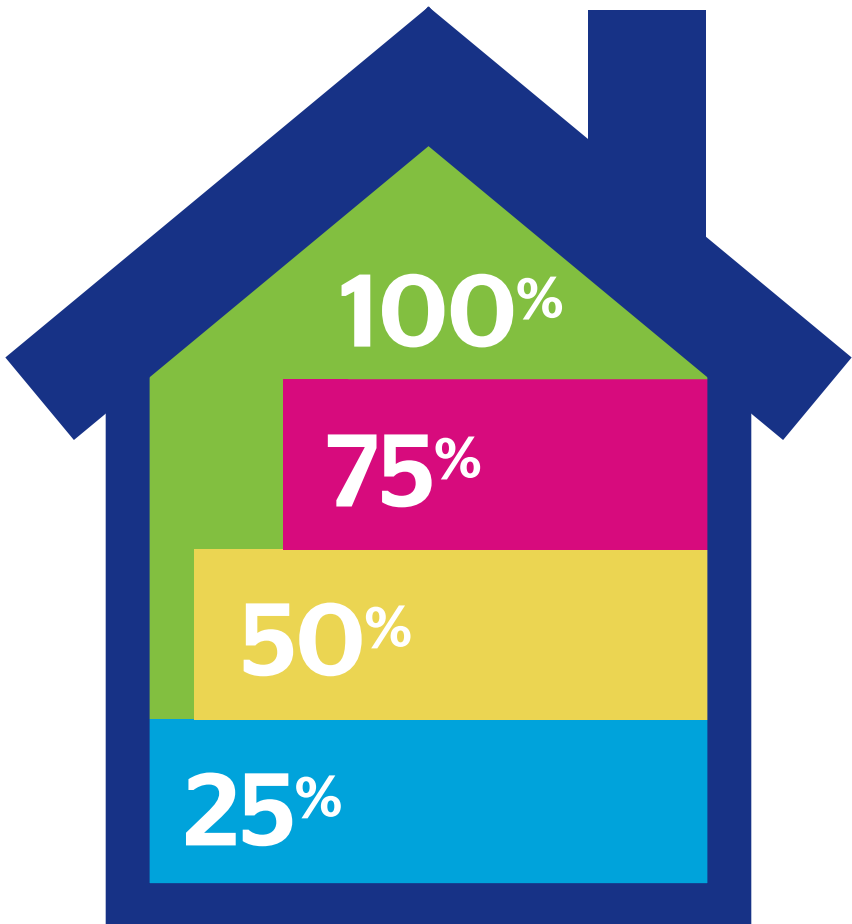


Staircasing

A guide to **buying additional shares** for Leaseholders



What is staircasing?

Buying a Shared Ownership property is a great way of getting your foot on the property ladder, it allows you to purchase a share of your home and pay rent on the remaining equity. If you would like to buy more shares in your home this is known as 'staircasing'. The greater the share you buy in your home, the less rent you will pay. If you staircase to 100% you will pay no rent and own your home outright. You may still have to pay service charges depending on the type of property you own and the services provided to you.

Interim staircasing

Buying additional shares in your home to a total of less than 100% is known as 'interim staircasing'. Your rent will reduce in proportion to the share you own on completion and will remain unchanged but subject to a yearly review.

Final staircasing

Buying additional shares in your home to a total of 100% is known as final staircasing.

When this occurs you own the property outright and will no longer pay rent, but you will still pay service charges and may have to pay an annual ground rent.

Can I staircase?

The decision to staircase is entirely up to you. The majority of our leases will allow staircasing up to 100%. However, we recommend in the first instance that you check your lease.

You will also need to check with your current mortgage lender whether you can borrow additional funds on your existing mortgage to purchase further shares, or explore other lenders to find out if you can take out a new mortgage to achieve a better interest rate.

You can usually staircase up to a maximum of three times in addition to the initial share you purchase. Please remember to check the terms of your lease before staircasing as this can vary from scheme to scheme.

The minimum additional share you can purchase when you staircase is 10%. When you make your final allowed staircasing transaction you can only purchase the remaining share to ensure you own 100% of your home. For example, if you initially buy a 40% share and then staircase two further times, buying an additional 20% the first time and 10% the second time (so you own 70% of your home), you must purchase 30% when you staircase a third and final time.

Each time you staircase you will be liable for costs, such as valuation fees, your legal fees, stamp duty and mortgage fees. There can be new arrangement fees or penalty charges if you change mortgage lenders.

How do I request to staircase?

If you wish to staircase you will need to complete our 'staircasing instruction form'. Please note that if the lease is currently in joint names, all parties must sign the form.

Please email staircasing@newlon.org.uk to request a 'staircasing instruction form' and 'list of valuers'.

The staircasing process starts once we have received your completed form and you have chosen an independent qualified surveyor from the list provided and paid the correct fee.

We will instruct your chosen surveyor to contact you to arrange for a valuation within three working days of receiving your completed application form. The valuation determines the price you will pay for the additional equity you wish to purchase.

If you want to include someone on the title document and mortgage, you must provide details as requested on the instruction form.

Valuing your property

The value of your home will fluctuate depending on housing market conditions. So the value of your home at the time you want to staircase is likely to be different to when you bought your initial share. The additional equity you wish to purchase will be sold at the current market value.

An open market valuation will be provided by a surveyor (accredited by the Royal Institute of Chartered Surveyors) which you will choose from a list of Independent RICS valuers. You will be responsible for paying their fee.

What if I have made improvements to my property?

Improvements will be disregarded for staircasing purposes. When you apply to staircase, please tell us about any improvements you have carried out and provide a copy of Newlon's approval/consent. Any improvements you have completed which have not been approved by Newlon will not be considered or disregarded. It is important to note that improvements will depreciate over time and may not impact on the value if the work was completed a few years ago.

Major improvements such as hard flooring (wooden/tiled), double-glazing, new fitted kitchens or bathrooms and conversions, as allowed under the terms of your lease, may add value to your home. General home maintenance, repairs, new carpets and redecoration are not regarded as improvements and generally will not increase the value of your home.

How long is the valuation valid for?

The valuation is valid for a period of three months, so you should aim to complete your staircasing transaction before the expiry date. If your staircasing transaction does not complete within this period, you may be required to pay for an updated valuation and incur additional costs. The new valuation could be lower or higher than the original valuation, dependent on the housing market at the time.

We will only extend your valuation for a period of one month to allow you complete if we have instructed solicitors prior to your request for an extension. If we have not instructed solicitors and your valuation expires, you may have to start the process again.

What if I am not happy with the valuation?

The valuer is able to respond informally to queries you may have regarding your report. If you are unhappy with the valuation, you can send your queries to staircasing@newlon.org.uk along with any supporting documentation or comparable evidence and we will pass them to the surveyor for their comments. We regret that we will be unable to ask the valuer for their comments if you do not supply any supporting evidence. We do not accept estate agents' valuations as they are not RICS qualified.

If you are still not happy with their response, you can request for a second opinion from the District Valuer (government valuer) whose valuation will be final. Please be aware that there is a risk that the valuation may increase or decrease and we will be obligated to use this. You will be responsible for paying their fee.

What do I do once I have received the valuation?

If you decide to proceed you will need to complete the 'notice to proceed' form sent with your report which must include your solicitor's contact details. We must receive this form within a month from the date we sent you the valuation report. Once we receive your form we will instruct our solicitors who will be responsible for all legal proceedings. At this stage you should also instruct your solicitor as we will not be liable for any delays at this stage.

If we do not receive your notice to proceed form and your valuation expires, you will have to start the process again.

What happens if I want to remortgage and add or remove someone to or from the property title?

When you originally bought a share in your home, you would have financed the purchase with a mortgage. You may need to follow a similar process when you want to staircase and this is called 'remortgaging'.

You can remortgage and staircase at the same time for the following reasons:

- To stay with your existing lenders but borrow more money to purchase additional shares.
- To change lenders and borrow more money to staircase and achieve a better interest rate.
- To add/remove someone to/from the mortgage to make it easier to borrow more money to staircase.

If you want to add someone to the property title and mortgage, you must complete the relevant section on the 'notice to proceed' form and send us a copy of their passport identification page before we can instruct our solicitors.

If you want to remove someone from the property title and mortgage, we must receive the following before we instruct our solicitors:

- A formal letter addressed to us from the person whose name is to be removed. The letter must state that he or she wishes to remove their name from the title document.
- A formal letter signed by both parties agreeing to the transfer or the removal of a name.

What happens after solicitors have been instructed?

Staircasing is a legal process and therefore our solicitors will liaise with your solicitors to ensure all legal documentation is completed before agreeing a completion date. Once you have arranged funding or have a mortgage offer in place, contact your solicitor to arrange completing the staircasing transaction. Our solicitors will then arrange for the payment of your staircasing premium to be paid to us along with any arrears that are outstanding on your rent and service charge account at the time.

Because your solicitor will undertake the legal work on your behalf, we advise you contact them first if you have any queries about your application.

If you and your solicitor believe the transaction is unlikely to complete before the valuation expires, you must act quickly to request an extension. We will consider an extension once for a further month after which we will require an updated report for which you will have to pay. You can request an extension by emailing staircasing@newlon.org.uk.

What happens to my rent and service charge payments?

You will continue to pay rent until you have fully staircased to 100% ownership.

If you staircase to less than 100%, the rent will be recalculated and you will pay a reduced amount. You will receive the revised rent amount on completion of the staircasing transaction.

Service charges are unaffected by staircasing and are reviewed annually even if you own your home outright.

What happens after I complete my staircasing?

You will now own either a greater share or the full 100% interest in your home. We will adjust your rent account to show the increased share you own in your home and send confirmation of your new charges. In certain circumstances (an individual head lease or superior lease) where Newlon is not the freeholder, we may transfer the head lease or superior lease to you. Your solicitors will deal with the transfer, which will take place alongside the staircasing. The process of transferring you to the freeholder may take a while to allow us reconcile service charge accounts.

It is the responsibility of your solicitors to register the staircasing document – Memorandum of Staircasing – with the Land Registry. Please ensure you keep a copy along with your lease. You may need it when you want to sell your property.

If we do not own the freehold of your property and have merged your underlease and the individual headlease of your property following final staircasing to 100%, we will revert you and your property to the freeholder/managing agents from the date of completion. Your account with Newlon will then be closed.

Would I have to pay ground rent?

If you staircase to 100%, you will no longer pay rent and may start to pay annual ground rent from the date of final staircasing in accordance with the terms of your lease. Please refer to your lease if you would like to know how much ground rent is payable. This may be collected pro rata from completion.

The Leasehold Reform (Ground Rent) Act 2022 was brought into law on 30 June 2022. This Act abolished ground rents on all new leases in England and Wales. If your lease was granted before this date, this does not apply to you.

Do I have to pay Stamp Duty Land Tax (SDLT)

SDLT is a form of tax that you have to pay when you purchase a property over a certain value. It is a percentage paid on the purchase of a home or non-residential property. In certain circumstances you may need to pay SDLT. Please discuss this with your legal representative as we are not able to confirm SDLT owing on staircasing, or SDLT paid at initial purchase.

If you buy further shares in your property you may be liable to pay SDLT and be required to notify HM Revenue and Customs (HMRC) if the purchase takes you over 80% equity. This is the case whether or not you paid any SDLT on the initial equity you purchased.

For further information on SDLT please visit www.gov.uk/stamp-duty-land-tax.

What will you do if I can't staircase/remortgage my property?

We know that this issue is having a devastating impact on residents who have had their plans to move, staircase or remortgage their homes disrupted.

We would like to reassure you that your safety is our number one priority and we want to do everything we can to offer support including following government guidance.

If you are thinking of selling, staircasing, re-mortgaging or extending your lease please always contact our Resident Sales Team before committing to any costs or making any long-term plans. You should also seek advice directly from your lender or mortgage broker before beginning any of the above processes.

Please visit the 'Safety' page on our website which covers our approach to building safety and keeping residents safe in their homes: www.newlon.org.uk/safety/

Costs associated with buying additional shares

When you staircase, you will be required to clear any rent and service charge arrears prior to completion.

The costs involved for staircasing are:

- Property valuation.
- Our administrative charges.
- Cost of the share.
- Cost of adding or removing someone from the lease/mortgage.
- Cost of requesting a deed of variation.
- Mortgage arrangement fees to your lender if applicable.
- Penalty fees (if applicable when changing lenders).
- Your solicitor's fees. (You are not responsible for Newlon's legal fee for staircasing.)
- Notice of charge.
- Notice of transfer (if any).

For further enquiries please call Resident Sales on **020 7613 7480** or email staircasing@newlon.org.uk

Newlon Housing Trust
Newlon House, 4 Daneland Walk,
Hale Village, London, N17 9FE.
Tel: 020 7613 8080

Phone calls may be recorded for training and quality purposes.

Newlon Housing Trust is a charitable housing association.

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