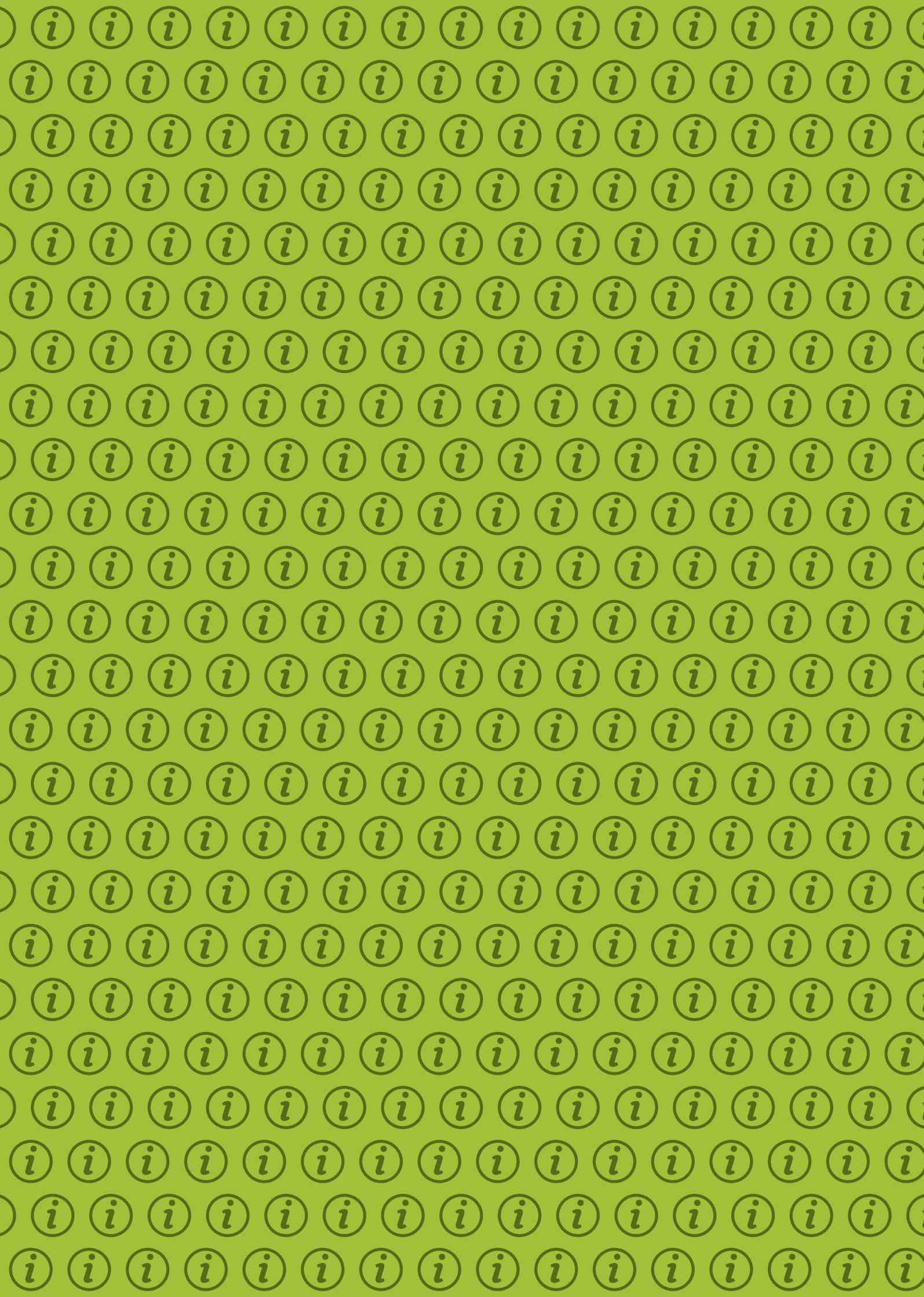


We can help with



STAIRCASING





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What is staircasing?

As a leaseholder of a Shared Ownership property, you can buy further shares in your property. This process is known as staircasing. The greater the share you buy in your home, the less rent you will pay to Family Mosaic, and if you staircase to 100% you become an outright owner and pay no rent.

Staircasing is limited to those who have purchased their home through a Shared Ownership product such as New Build, Resale, or Social Homebuy.

The Homes and Communities Agency (the governing body for Housing Associations) requires that leaseholders acquire additional shares in their property at a price equal to the relevant proportion of the current full open market value of their property.

Whether or not you staircase is entirely up to you, and there are no restrictions on staircasing in the majority of cases. However, we would recommend in the first instance that you refer to your lease*. This may require assistance from your legal representative.

Discount Schemes

There are not currently any schemes in place offering discounts on staircasing.

Interim Staircasing

Buying additional shares in the property to a total of less than 100% is known as interim staircasing. When you interim staircase, your rent will reduce in proportion to the share you own after completion. Service charge will be unaffected.

Final Staircasing

If you staircase to 100% (either in one transaction or after one or two interim staircasings) the share taking you to 100% ownership is known as final staircasing. When this occurs, you own the property outright and are no longer a shared owner. In this case you will not pay rent to Family Mosaic but you will still pay the service charge and may have to pay an annual ground rent.

*You can obtain a copy of your lease from the Land Registry:

<https://www.gov.uk/guidance/land-registry-information-services-fees>



What are the benefits of staircasing?

Most people aspire to own their own property outright, and you took the first step towards this when you bought the initial share in your property.

Staircasing has a number of benefits:

- ◆ You reduce the amount of rent you are paying to Family Mosaic
- ◆ If you decide to sell your home, the greater the percentage you own the more profit you will make if the value of your home has increased.
- ◆ If you own your property outright (100%) you can sell your property on the open market using an estate agent of your choice.
- ◆ If you staircase to 100%, you can sell your home to anyone interested in buying it and will not be restricted to those applying for affordable homes who meet the criteria within the lease.
- ◆ Once you own 100% you will get back the full amount of any profit on the current market value when you come to sell your home.

What does my lease say about staircasing?

Provisions for staircasing will depend on your lease and the time the original lease of the property was issued. The key date affecting your provisions is 1st April 2006.

For leases drawn up before 1st April 2006:

- ◆ Leaseholders of a New Build HomeBuy (Shared Ownership) property may acquire the entire interest in their property in a maximum of four steps, including the purchase of the original equity share. This means that 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.
- ◆ For subsequent owners, (as in the case of a resale) staircasing can only take place three months after the sale.
- ◆ The leaseholder is required to buy a further share of at least 20% and in multiples of at least 5% above this percentage except in the third and final share which would take the shared owner's equity up to 100%

For leases drawn up after April 2006:

- ◆ Leaseholders of a New Build HomeBuy (Shared Ownership) property have no limit on the number of staircasing transactions.
- ◆ Staircasing can take place any time after the initial purchase
- ◆ For subsequent owners, (as in the case of a resale) staircasing can only take place three months after the sale.
- ◆ For subsequent owners, (as in the case of a resale) there is no three month restriction. The leaseholder is required to buy a further share of a minimum of 10% and in multiples of at least 5% above this percentage except in the third and final share which would take the shared owner's equity up to 100%.

All leases require:

- ◆ The value of the additional equity purchased to be based on the current market value of the property at the time of application to staircase.
- ◆ The valuation must be carried out by an independent RICS qualified valuer with the valuation accompanied by at least two comparable property values.
- ◆ The leaseholder is 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.
- ◆ The leaseholder 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.



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

As a responsible Housing Association, Family Mosaic may in certain circumstances not allow a leaseholder to buy further shares in their property.

We do not allow staircasing:

- ◆ If you have arrears with your service charge and/or rent.
- ◆ If you are interim staircasing and wish to add or remove someone from the lease (transfer of equity), you must undergo financial assessment in order to ensure your income meets HCA guidelines for responsible lending. One of our panel financial advisers will be able to undertake assessment over email after the valuation has been carried out.
- ◆ If you cannot provide a valid mortgage offer or proof of savings for the additional share being purchased.
- ◆ 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 your request to staircase is not signed by all those who originally bought the property. If you are staircasing and removing someone from the lease (a transfer of equity), all current leaseholders must still sign the form.



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 Family Mosaic in accordance with your lease and the Homes and Communities Agency guidelines. We have negotiated very competitive fees with our panel of RICS qualified valuers to determine the current open market value of your home. Their fees range from £200 plus VAT*- substantially less than many other valuers.

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 for an update report at current market value. If the price has changed an amended offer will be issued, which could result in additional costs from your lender and solicitor.

Once the valuer has been instructed, according to the terms of your lease their decision is binding on all parties for the duration of the validity of the valuation.

*Correct at time of going to print - subject to change

Rent and Service Charge after staircasing

The formula for calculating estimated rent after staircasing is:

$$\begin{array}{ccccccc} \text{New \%} & & \text{Old \%} & & & & \text{£} \\ \text{of property you} & / & \text{of property you} & \times & & & \text{current} \\ \text{do not own} & & \text{do not own} & & & & \text{rent} \end{array}$$

Service charges are not affected by staircasing unless you are staircasing to 100% ownership of a house and the freehold is transferred to you. Please refer to your lease for details of any estate charges which may continue to be payable on transfer of the freehold.

Ground rent

If you staircase to 100% ownership of a flat you will be responsible for paying ground rent. Please refer to your lease if you would like to know how much ground rent may be payable. Ground rent is usually in the region of £250 per annum, paid in January.

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 on your behalf. You are not responsible for Family Mosaic's legal fees.

Stamp duty

In certain circumstances you may need to pay stamp duty. Please discuss this with your legal representative. Family Mosaic are not able to confirm regarding stamp duty owing on staircasing, or stamp duty paid at initial purchase.

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.



Stages to staircasing; an overview

1. Request a staircasing valuation

◆ Visit our sales website www.familymosaic.co.uk and fill out the online form to receive the staircasing enquiry pack by email.



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



◆ Complete and sign the staircasing application form, and send by post or email to the Resident Sales Team.



◆ Family Mosaic instruct the RICS-qualified valuer to obtain the current open market value of your home.

◆ The valuer sends Family Mosaic a copy of the valuation report on your home (this is valid for three months).



2. Offer letter

◆ Family Mosaic checks the valuation report and issues the offer letter to you with an intention to proceed form (subject to a financial interview if applicable).



◆ You check the offer and complete the intention to proceed form which requires the name and address of your solicitor (mandatory), mortgage advisor and mortgage provider (if applicable).





3. Financial assessment

- ◆ Financial interview undertaken by our mortgage advisor to ensure affordability (if applicable).
-



4. Instructing solicitors

- ◆ Instruct your solicitor.
 - ◆ Contact your mortgage advisor or lender and apply for your mortgage.
-



- ◆ Return the staircasing intention to proceed form to Family Mosaic.
-

- ◆ Family Mosaic instruct our solicitor.
-



- ◆ Your mortgage offer is issued. Send a copy to your solicitor to forward to Family Mosaic's solicitor for approval (if applicable).
-

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



5. Completion

- ◆ 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).
-



- ◆ Family Mosaic confirm your new rent and service charge payment.
-

Step 1 - Requesting a staircasing valuation

Instructing a valuation is the first step towards buying further shares in your home.

Instruct us to value your home

To formally begin the staircasing process, you need to complete a Request for Valuation form from our sales website (www.familymosaic.co.uk). Once you have submitted your details on our website, you will receive an email with further information and a link to the Request for Valuation form. Please complete, sign and return the form to resident.sales@familymosaic.co.uk for processing.

The percentage you enter on the Request for Valuation form is the percentage we will base your offer letter on, but this is not binding and you will be able to amend it later.

You must select a qualified independent valuer from our panel. All of our panel surveyors are registered with the Royal Institute of Chartered Surveyors (RICS) and offer reduced fees to Family Mosaic leaseholders undertaking staircasing. The information you provide on the form will be passed on to the valuer you select.

Please note, 'free market valuations' provided by estate agents are not sufficient under the terms of your Shared Ownership lease and neither are mortgage valuations.

On receipt of the instruction from Family Mosaic the valuer will contact you directly to arrange an appointment with you to value your home. Please note that valuer appointments take place between 9-5, Monday-Friday and you must be as flexible as possible to ensure the valuer can produce the valuation report in an effective and timely manner.

Remember to check the list of panel valuers carefully to ensure you select a valuer who covers your postcode. If you are unsure, you can contact the valuer directly to ask about postcode coverage and appointment availability before confirming your request with Family Mosaic.

After viewing your home, the valuer will research your area and produce a valuation report with comparables of similar properties in your area which have been sold or are being marketed. This report will be sent to the Resident Sales Team who will check the details and issue an offer letter to you along with a copy of your valuation report.

Please note 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 the transaction doesn't complete by this date you will incur additional costs for a new valuation and your solicitor may charge additional fees. The new valuation could be lower or higher than the original valuation, dependent on the housing market at the time.

Home Improvements

If you have undertaken any home improvements on the property, please include these on the Request for Valuation form along with evidence of approval by Family Mosaic. If you did not obtain approval from Family Mosaic we will not be able to ask the valuer to disregard the improvements from the final valuation figure.

To request consent for home improvements, please contact our Customer Care Line on 0300 123 3456 or CustomerCareLine@familymosaic.co.uk.

Valuers will deduct the increase in the value of your home due to improvements, not the actual cost.

As a general rule, only structural improvements will affect the market value of your home. This includes extensions and conversions but not replacement bathrooms, kitchens, or flooring unless structural works have also been undertaken e.g. extending the property to add an extra bathroom.

Challenging the valuation

According to the terms of your lease, the valuation report is binding on all parties. The only exception is if the report includes 'manifest error'. Manifest error is a legal definition and means an error which cannot admit any difference of opinion e.g. if the report lists the property with the incorrect number of bedrooms.

However, our valuers are able to respond informally to queries you may have regarding your report. If you receive your offer letter and have any questions, you can write these out and send them (along with any supporting documentation) to resident.sales@familymosaic.co.uk and we will pass them on to the valuer for comment.



Valuation updates and extensions

There is no flexibility to complete after the expiry of the valuation, as the validity of the valuation is solely at the discretion of the valuer. If you and your solicitor believe the transaction is unlikely to complete before the valuation expires, you must move quickly to obtain an updated report.

Depending on the valuer, a valuation update will be valid for up to three months from expiry of the original valuation. Before the original valuation expires, you should contact Family Mosaic and we will instruct the valuer to provide the updated report, which will be at a cost to yourself. The cost of an update ranges from £0-100 depending on the valuer* and the updated valuation 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



Step 2 - Offer letter

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.

Your offer letter

After visiting your home for the valuation appointment, the valuer will produce a valuation report. This can take up to five working days. They then send the report to Family Mosaic, and Family Mosaic will carry out our internal checks before issuing the offer letter, which can take up to five more working days. You should receive your offer letter within ten working days of the valuer visiting your home.

Family Mosaic will issue your offer letter by email, with the valuation report and Intention to Proceed form attached. The offer letter will include the valuation figure, the percentage values, estimated rent and service charge should you choose to staircase, as well as the expiry date of the valuation.

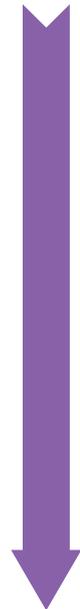
Intention to proceed

Now is the time to contact your mortgage provider or lender and apply for your mortgage. If you require any assistance from a financial adviser, you can contact one of our panel advisers. If you choose not to use a financial advisor, or if you do not require a mortgage, you can leave these sections of the form blank.

You should also begin the process of selecting a solicitor, as you must have a solicitor instructed when you submit your Intention to Proceed form (see Step 4). You must include your solicitor details, including a contact email, on the Intention to Proceed form or we will not be able to instruct our own solicitors.

You can submit your Intention to Proceed form at any time after receiving your offer letter, provided there is enough time remaining for the legal work to be carried out and completion to take place before the expiry of the valuation.

Once you have submitted your Intention to Proceed form, provided you have also undergone financial assessment (if applicable—see Step 3) you should receive confirmation from Family Mosaic within five working days that solicitors have been instructed.



Step 3 - Financial assessment

When you originally purchased your New Build HomeBuy (Shared Ownership) home you likely 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.

If you are final staircasing or interim staircasing without adding or removing someone from the lease, financial assessment is not compulsory. However, you are still welcome to contact our panel financial advisors to discuss affordability.

If you are interim staircasing and adding or removing someone from the lease 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 financial advisor will require the following documents:

◆ Your payslips for the last three months

or

◆ 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. The maximum additional share you can buy will be confirmed by the mortgage advisor at the financial

After the financial interview

The mortgage advisor 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 your New Build HomeBuy (Shared Ownership) home. It is imperative that your lender and solicitor act quickly to achieve completion prior to expiry of the valuation in order to prevent you incurring additional costs.

Three months seems a long time but passes quickly, and you certainly don't need an additional valuation fee to pay that potentially could mean a new offer as the housing market can rise or fall within a three month period.

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 new rent payments if you are not staircasing to 100% ownership.



Step 4 - Instructing solicitors

Before instructing Family Mosaic to proceed, 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 a lot of your details regarding your property available. If this is not possible we can assist you by providing you with a list of panel 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. If you speak to a potential solicitor before instructing them, they should be able to provide you with a quotation or cost estimate.

We always recommend:

- ◆ 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

What is the legal process?

Your solicitor will undertake the legal work on your behalf, but there are several steps the transaction will go through before completion. This is not a comprehensive list of every step, as each transaction may differ slightly. Please consult with your solicitor regarding the details of your own staircasing transaction.

- ◆ Family Mosaic send instructions to our solicitor
- ◆ Our solicitor sends 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 signature
- ◆ Our solicitor provides the approved memorandum to Family Mosaic for signature
- ◆ If you are interim staircasing your mortgage offer must be approved by our solicitor
- ◆ Your solicitor proposes a completion date on your behalf
- ◆ Our solicitor checks that Family Mosaic can agree to completion on the proposed date

Please ensure that your solicitor responds promptly to the initial letter and provides all requested documents in order for the paperwork to be drafted in timely manner.

Step 5 - Completion

Congratulations! You 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.

Family Mosaic 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 account if applicable.

Your service charge will remain unchanged if you have bought interim 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 the block buildings insurance policy from the date your staircasing transaction completed.

Your solicitor should...

- ◆ Provide you with the copy of the memorandum of staircasing signed by Family Mosaic.
- ◆ 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 solicitors and keep this with your lease.
- ◆ Contact our Credit Control team (creditcontrol@familymosaic.co.uk) if you have any questions regarding Direct Debits and refunds.

After final staircasing

Flat

Once you have staircased to 100% you will no longer pay Family Mosaic any rent. However, you are still required to pay your service charge and management charges including the ground rent. You will still be covered under the block buildings insurance policy.

In certain circumstances (an individual headlease or superior lease, Family Mosaic are not freeholders or managing agent) Family Mosaic may transfer the headlease or superior lease to you. Your solicitors will deal with the transfer, which will take place alongside the staircasing.

House

If you own a house, the freehold can be transferred to you when you have staircased to 100%. Your solicitor will need to serve notice to Family Mosaic requesting the freehold of the property be transferred to you. There is no charge for this transfer, but you will have to pay your legal costs.

On completion of the transfer, you will no longer be charged for buildings insurance by Family Mosaic and will need to have your own policy in place. In some cases you may still have to pay an estate management charge if you live on an estate and are responsible for some of the communal costs (refer to your lease).

Selling after final staircasing

Regardless of whether you live in a flat or a house, once you have staircased to 100% you are free to sell the property on the open market. Once you have found a buyer for your property, your solicitors will contact Family Mosaic with any enquiries from the buyer's solicitor.

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





For further information please contact:

Resident sales
020 7089 1315
resident.sales@familymosaic.co.uk

Family Mosaic
Albion House
20 Queen Elizabeth Street
London SE1 2RJ

Published December 2016

