

HELPING YOU TO  
BECOME A  
HOME OWNER



H O M E S T A K E

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THIS document can be made available on tape, in Braille, Moon, large print and community languages. For information, contact Janette Campbell on 0131 479 5162 or email: [janette.campbell@communitiescotland.gsi.gov.uk](mailto:janette.campbell@communitiescotland.gsi.gov.uk).

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# HELPING YOU TO BECOME A HOME OWNER



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## Helping you to become a home owner

This booklet gives some general information about Homestake and how it might help you to become a home owner.

### What is Homestake?

Homestake is a scheme to help people on low incomes who wish to own their home but who cannot afford to pay the full price for a house.

Homestake was launched by the Minister for Communities, Malcolm Chisholm, on 8 March 2005 and has been developed by Communities Scotland, the Scottish Executive's housing and regeneration agency. Homestake is administered by Communities Scotland, the City of Edinburgh Council and Glasgow City Council.

This booklet is about the main Homestake scheme which mostly relates to homes that are newly built by registered social landlords – normally a housing association or a housing co-operative. There is a separate scheme running in Edinburgh and the Lothians (in addition to the main Homestake scheme) that allows people to buy homes being sold on the open market. A separate booklet covers that scheme.

Registered social landlords will offer new Homestake properties for sale on a 'shared equity' basis. Shared equity means that the registered social landlord will keep a financial stake in the property so you do not have to fund all of it. You will pay for the majority share in the property (normally between 60 and 80 per cent) and will own the property outright. When you sell your house, both you and the registered social landlord will receive your share of the property value.

### Who is Homestake for?

Homestake mainly aims to help first-time buyers but it can help others too. For example,

Homestake may be able to help you if you are looking for a new home after a significant change in your household circumstances or if you are disabled and own a house which doesn't suit your needs.

In a small number of locations where you might own a home affected by demolition plans, Homestake may be able to help you buy a replacement house in the same area.

### How does Homestake operate?

Grants are given to registered social landlords to help them build or buy new homes specifically for Homestake. Registered social landlords fund part of the price of the house and the buyer funds the rest.

If you can afford a 75 per cent share of a property the registered social landlord will hold the remaining 25 per cent. You will own the property outright and will have a 75 per cent stake in its value, whatever changes there are to the property's value over time. The price that the Homestake property is worth on the open market is worked out by the District Valuer (a government valuer independent of the registered social landlord).

You will pay for your share of the purchase price in the usual way, along with legal costs, survey fees and any other costs associated with the purchase including (if applicable) stamp duty. You do not pay any form of rent to the registered social landlord.

Registered social landlords will advertise new Homestake properties locally. If you would like to apply for a Homestake home you need to apply directly to the registered social landlord. You can go to the Communities Scotland website at [www.communitiesscotland.gov.uk](http://www.communitiesscotland.gov.uk) or the Scottish Federation of Housing Associations

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website at [www.sfha.co.uk](http://www.sfha.co.uk) to find out about the registered social landlords operating in different areas.

## How do I know if I'm eligible for Homestake?

Homestake is aimed at low income households, so you will be assessed to see whether or not you qualify. The registered social landlord will want to be satisfied that you are able to afford to be a home owner. To allow this to happen, a form of 'means test' will be carried out. Because housing costs vary so much from area to area there are no national criteria for this test. Instead, the registered social landlord involved in the scheme will agree on a local set of criteria with Communities Scotland, or the City of Edinburgh Council or Glasgow City Council if you live in those areas.

You will need to show that you cannot buy a house suitable for your needs without help from Homestake.

If you currently own your home or part-own a property, you will have to show that you are in need of help. You will have to sell your interest in that home at the same time that you buy a home through Homestake.

The amount that you contribute must be the maximum mortgage that you are able to obtain plus any personal contributions that you are able to make. The overall amount must be enough to pay for your stake and cover all the costs of buying a home, such as survey and legal costs.

The stake that you will hold will normally be determined by the maximum mortgage that you can raise, plus any personal contribution that you are able to put towards the purchase. For example, if a Homestake property is valued

at £100,000 and you can afford to contribute £75,000 (the maximum mortgage that you can raise plus any personal contribution) you would hold a 75 per cent stake in your Homestake home.

When you apply for a Homestake house, you will have to state all your sources of finance. Your funds will be considered to be the total of:

- gross earnings, per single person or couple, as appropriate;
- any other income, comprising sickness benefit, unemployment benefit, bank interest, superannuation or pension from previous employment, welfare benefit, working families tax credit, widow's pension and shareholder's profits; and
- personal contributions.

Personal contributions may include, for example, savings and gifts. The definition of savings that we use includes: cash; premium bonds; stocks and shares; unit trusts; bank or building society accounts and fixed-term investments; the surrender value of any endowment policies; property; redundancy payments; and pension lump sum payments. It does not include: personal possessions; business assets; tax rebates; personal pension schemes; retirement annuity contracts and annuity surrender values; any capital sum awarded for the purpose of support or care costs; or essential transport costs.

While your personal savings will be taken into account, you may keep £5,000 of any savings you have. Above this amount, 90 per cent of the balance will be treated as a contribution towards your Homestake home.

## An example of how Homestake will work

IAN AND Susan are married with a six-year-old son. They have seen Homestake properties advertised in the area where they would like to live and think that they might be eligible for the scheme. The properties are valued at £103,000 each. Both work full-time and earn salaries of £11,000 and £13,000 respectively. The couple currently receive Working Families Tax Credit of £105 per week (this amounts to £5,460 a year).

Ian has savings of £3,000 and has recently received a payment of £5,000 when he was made redundant from his previous job. Susan has savings of £1,000.

The couple have a combined annual income of £29,460 which they will have to put towards the mortgage for the Homestake property. They also have personal savings of £9,000. They may retain £5,000 and must contribute 90 per cent of the £4,000 balance. Therefore they can make a further contribution of £3,600.

The maximum mortgage that the couple can secure is £73,650. This sum, together with their savings of £3,600, means that Ian and Susan can contribute £77,250 towards the purchase of the Homestake property. This will give the couple a 75 per cent equity stake in the property.

## What percentage of a Homestake home can I take?

The stake that you take will normally be between 60 and 80 per cent of the price of a property, according to the maximum mortgage you can obtain and the personal contribution you are able to make. In most circumstances you will have to take a stake of at least 60 per cent of the price of your property. The maximum stake that you can initially take is 80 per cent.

In exceptional circumstances you may be able to take a stake of less than 60 per cent but not less than 51 per cent. This will be at the discretion of the registered social landlord and is likely to apply, for example, where you have additional housing costs because of your particular housing needs, or in areas where

house prices are exceptionally high.

If you have been affected by a programme of demolition and are looking to buy a replacement house in the same area, there will be no fixed minimum percentage stake that must be taken. You will, however, be expected to invest the value of your existing house in the replacement house.

In all cases, the maximum initial stake that you can take will be 80 per cent of the price of a Homestake property.

In the majority of cases, you will have the option to increase your stake after your initial purchase to 100 per cent. However, in certain circumstances registered social landlords will be allowed to keep a 20 per cent stake in the property. This is known as a 'golden share' and is likely to happen in areas where there is only a small amount of affordable housing and few opportunities to build more affordable homes. Registered social landlords may also keep a golden share where a home has been adapted for particular housing needs and might otherwise be lost for this use in the future.

When Homestake properties are advertised it will be made clear if a registered social landlord will be allowed to keep a golden share.

After two years, if you have a stake of less than 80 per cent, you can increase this stake to 80 per cent (or more if there is no golden share). This first increase must take the stake to a minimum of 80 per cent.

At least one year after this first increase (and again assuming that there is no golden share held by the registered social landlord) you may increase your stake once more. This increase must take your stake to 100 per cent.

You can increase your stake in your home

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regardless of whether the market value of the property has increased or decreased. (The market valuation is made by the District Valuer.)

You will not be asked about your financial circumstances again after you have bought your Homestake home. Before you increase your stake in your property, you are advised to take independent financial advice.

## Can I reduce my stake?

It will not be possible for you to reduce the stake you own. This is important and means that you should be as confident as possible that you can meet your mortgage payments each time you increase your stake in your home.

### An example of when the registered social landlord has no golden share

MR AND Mrs Jones purchased 65 per cent of a Homestake house from a registered social landlord. After two years they look again at their financial position. Both of the couple have received increases in their salary and they feel that they would now like to own more of their property.

As there is no 'golden share' held by the registered social landlord, they can increase their stake up to 100 per cent, but they must raise it to at least 80 per cent. The couple seek independent financial advice and decide that they will raise their stake in the house to 85 per cent.

After a further few years Mr Jones receives another rise in his salary and the couple decide that they would like to have an even greater share in their home. If they choose to increase their stake again, they must now take it to 100 per cent. Again they receive advice from an independent financial adviser and decide to go ahead with the increase. They now hold 100 per cent of the stake and will receive the whole of any increase or depreciation on the sale price of the house.

### An example of when the registered social landlord keeps a golden share

MR HILLS bought a Homestake flat from a registered social landlord with a 60 per cent equity stake. The flat is in an area where house prices are high and there are few opportunities for building more affordable homes. Before he bought the property he was informed that the registered social landlord had the legal right to retain a 20 per cent 'golden share' in the property.

His financial situation has improved since he bought the flat and he would like to increase his stake in the property. As it is more than two years since he purchased his home he is able to increase the stake. He must increase his stake to 80 per cent but because of the golden share he cannot raise it above this level. After taking independent financial advice he decides to raise the stake to 80 per cent.

## What kind of property can I buy through Homestake?

Homestake houses will mainly be in areas where it is difficult for people on low incomes to afford to own their own home. The homes that are provided as part of the Homestake scheme are for a variety of household sizes. They are also designed to meet a range of housing needs.

The home that you purchase must be your sole residence. The property will be suitable for your housing needs, although you will be able to buy a Homestake home that is a little larger than your current requirements. You will be able to purchase a property two 'bed spaces' more than the number of people in your household. For example, a couple would be eligible to buy a house with two double bedrooms, or a double and two single bedrooms.

Because it takes time to plan and build new houses, the Homestake scheme will build up gradually. It is hoped that, within three years, around 1,000 Homestake houses will be provided each year throughout Scotland.

## What responsibilities does a Homestake owner have?

When you buy through Homestake you own the property outright – you will have full title to the property and you will not pay any form of rent to the registered social landlord.

Like other home owners you will be responsible for all maintenance, insurance and repair costs, as well as making your mortgage repayments and paying your Council Tax. You are responsible for keeping your property in a good state of repair. If the property has common and shared areas (flats, for example) you will be responsible for paying any common maintenance or service charges.

You will need to take these costs into account when assessing whether you can afford to buy a Homestake property.

You are only allowed to let or sub-let your property with the registered social landlord's prior written consent. If you let or sub-let your home, no rent will be due to the registered social landlord.

If the registered social landlord allows you to let your property you will only be able to do this for a limited period of time. This is because you are expected to occupy the property as your only home. You must therefore receive written consent from the registered social landlord agreeing the start and finish dates for the period of letting. If the registered social landlord does not provide written consent you must not let your home.

Further information on your obligations as a Homestake owner will be available from the registered social landlord developing the Homestake properties.

## What happens when I want to sell my Homestake property?

If you, for example, have an 80 per cent stake in your property when you want to move, then you will get 80 per cent of the selling price when it is sold. The registered social landlord will receive the remaining 20 per cent. The percentage you get is not affected by changes in the value of your property over time. In this example, if the value of your house increases, you will benefit from 80 per cent of the increase. The other 20 per cent of the increase will go to the registered social landlord. The registered social landlord does not itself make a profit. Any surpluses go towards providing more affordable housing.

### An example of when the value of your property increases

Initial property value	£100,000
Your stake (80%)	£80,000
Registered social landlord's stake (20%)	£20,000
Sale price	£140,000
You receive (80%)	£112,000
Registered social landlord receives (20%)	£28,000

In this example, the property value has increased by £40,000. You have an 80 per cent stake and make a profit of £32,000 (80 per cent of £40,000).

Similarly, if your property loses value, you will meet 80 per cent of the loss, and the registered social landlord will meet the other 20 per cent.

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## An example of when the value of your property decreases

Initial property value	£100,000
Your stake (80%)	£80,000
Registered social landlord's stake (20%)	£20,000
Sale price	£90,000
You receive (80%)	£72,000
Registered social landlord receives (20%)	£18,000

In this example, the property value has fallen by £10,000. You have an 80 per cent stake and make a loss of £8,000 (80 per cent of £10,000).

If you have made any improvements to your home, these will be reflected in the valuation. You will not be reimbursed for the cost of any improvements made at your own expense. The amount you sell your house for will be split in proportion to the stakes held by you and the registered social landlord.

## An example of when you improve your property

Initial property value	£100,000
Your stake (80%)	£80,000
Registered social landlord's stake (20%)	£20,000
Improvements funded by you	£10,000
Sale price	£150,000
You receive (80% of £150,000)	£120,000
Registered social landlord receives (20% of £150,000)	£30,000

You will be responsible for meeting the costs of marketing your house when you want to sell it.

## What else do I need to know about Homestake?

Registered social landlords will have more information on the legal requirements of Homestake. However, you are also strongly advised to take independent financial and legal advice before agreeing to participate in the scheme.

## How do I find out more about Homestake?

Homestake projects are developed and promoted by registered social landlords and may be advertised through a variety of local and national media and the internet.

The best place to find information on Homestake will be from the registered social landlords in your area. If you don't know who they are, check the Communities Scotland website at [www.communitiesscotland.gov.uk](http://www.communitiesscotland.gov.uk) or visit the Scottish Federation of Housing Associations website at [www.sfha.co.uk](http://www.sfha.co.uk). The Communities Scotland website can also give you some more general information about the Homestake scheme.

## How do I apply for a Homestake home?

If you see a Homestake property advertised which you think you might be eligible for, contact the registered social landlord responsible for the scheme. They will be able to give you further information on the scheme and how to apply.

The registered social landlord needs to know details of your income, the size of the mortgage and personal contribution you will be able to make, and information about your household and your current accommodation.

Once all the details needed are fully completed and submitted, the registered social landlord will write to you to tell you whether or not you are eligible to buy a Homestake property. If you are successful, the registered social landlord will tell you about the next steps in buying your new home.

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