



# The Scottish Government 'LIFT' Scheme

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# Scottish Government Assisted Shared Equity Initiative.



## NSSE with Developers - Applicant Information

### Introduction

The Scottish Government is committed to helping people on low to moderate incomes become homeowners where that is both affordable and sustainable for them. This note provides information about our New Supply Shared Equity with Developers Scheme ('NSSE with Developers') which is part of the Government's Low-cost Initiative for First Time Buyers (LIFT).

### How does NSSE with Developers operate?

NSSE with Developers operates much like our existing New Supply Shared Equity scheme, except buyers will purchase a home built by a developer rather than a Registered Social Landlord (RSL). Details of the developers and sites will be made available in due course.

When you buy a LIFT shared equity home from a developer you will pay for the majority share in the property - normally between 60 and 80 per cent of the price - with the Scottish Government and the developer jointly funding the balance of the house price through an interest free equity loan to you. You will own the property outright but the Scottish Government and the developer each hold a security over the proportion of your home they have funded.

For example, if you can afford a 70 per cent share of a property the Scottish Government and the developer's contribution will make up the remaining 30 per cent with them both taking a 15% share each. You will have a 70 per cent stake in its value, whatever changes there are to the property's value over time. You should be aware that property prices may decrease as well as increase.

**You should be aware that NSSE with Developers is a 10 year shared equity scheme and you are expected to repay the interest free equity loans to both the Scottish Government and the developer within 10 years. The legal documentation that you are required to enter into for NSSE with Developers contains a Hardship Clause whereby you could possibly be allowed an extension to your legal Agreement if you have not trached up to buy 100% within the 10 year period.**

A solicitor acting on behalf of the Scottish Government will deal with the Scottish Government's interest in the purchase and a solicitor acting on behalf of the developer will deal with the developer's interest in the purchase. You will pay for your share of the purchase price in the usual way, along with legal costs, and any other costs associated with the purchase such as registration dues and (if applicable) stamp duty. You do not pay any form of rent on the property.



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### How do I know if I am eligible?

The property that you buy must be your only home. Although it should be suitable for your current housing needs, you can buy a home that is a little larger than your current requirements. You can 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.

As NSSE with Developers is aimed at low to moderate income households, you will be assessed by an RSL administering the scheme on behalf of the Scottish Government and the developer to see whether or not you qualify. To allow this to happen, a form of 'means testing' will be carried out. As housing costs vary so much from area to area there are no national criteria for this test. Instead, the RSL involved in the scheme will agree on a local set of criteria with the local authority in your area.

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

The amount that you contribute must be the maximum mortgage you can reasonably obtain - the RSL will be able to give you information on the income multipliers it uses when considering the level of mortgage finance you can raise - plus any personal contribution 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 hold will normally be determined by the maximum mortgage that you can obtain and afford plus any personal contribution that you are able to make towards the purchase. For example, if a property is valued at £100,000 and you can afford to contribute £70,000 (the maximum mortgage that you can raise plus any personal contribution) you would hold a 70 per cent stake in your home.

Although no deposit is required by either the Scottish Ministers or the developer, you may be required to provide a deposit by your lender. Please discuss this in more detail with your independent financial advisor.

When you apply to buy a 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, 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.

You may keep £5,000 of any personal contribution you can make. Above this amount, 90 per cent of the balance will be treated as a contribution towards the cost of buying your home.



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An example of how NSSE with Developers works

Jane is single and has seen NSSE with Developers properties advertised in the local press for the area where she would like to live and thinks that she might be eligible for the scheme. The properties are valued at £100,000 each. She works full-time and earns a salary of £21,000.

Jane has £8,000 saved towards the cost of buying a property. She may keep £5,000 and must contribute 90 per cent of the £3,000 balance. Therefore she can make a contribution of £2,700.

The maximum mortgage that Jane can secure is £63,000. This sum, together with her savings of £2,700, means that Jane can contribute £65,700 towards the purchase of a property.

After the property has been bought, Jane has a 65.70 per cent equity stake in it. The Scottish Government and the developer each hold a 17.15 per cent equity stake.

### What percentage of a home can I have?

The initial stake that you take will normally be between a minimum of 60 per cent and a maximum of 80 per cent of the price of a property, according to the maximum mortgage that you can obtain and the personal contribution that 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.

You will have the option to increase your stake at any time after the initial purchase to 100 per cent, subject to payment of all valuation and other legal costs and expenses. The first increase must take your stake to a minimum of 80 per cent. Further information on how you can go about doing this will be available from the RSL administering the scheme in your area.

You can increase your stake in your home regardless of whether the market value of the property has increased or decreased. (The market value is set by the District Valuer or another professionally qualified valuer).

### What responsibilities does a shared equity owner have?

When you buy through NSSE with Developers you own the property outright - you will have full title to the property.

Like other home owners you will be responsible for all maintenance, insurance and repair costs, as well as making your mortgage repayments and paying tax to your local authority. 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 are strongly advised to discuss these costs with the developer before you buy a property.**

You will need to take these costs into account when assessing whether you can afford to buy a property. You should seek independent financial and legal advice on the responsibilities that come with being a home owner both generally and in relation to any particular property you select.



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You are only allowed to let or sub-let your property with prior written consent of the Scottish Government and the developer. If you are given permission 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 live in the property as your only home. You must therefore receive written consent agreeing the start and finish dates for the period of letting. If the Scottish Government and the developer do not provide written consent you must not let your home.

Further information on your obligations as a shared equity owner will be available from the administering RSL and also from your own legal adviser.

### What happens when I want to sell my shared equity property?

If, for example, you 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 Scottish Government and the developer will each receive 10 per cent of the selling price. 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 Scottish Government and the developer will each receive 10 per cent of the increase:

An example of when the value of your property increases

Initial property value	£100,000
Your stake - 80 per cent	£80,000
Scottish Government's stake - 10 per cent	£10,000
Developer's stake - 10 per cent	£10,000
Sale price	£140,000
You receive 80 per cent	£112,000
Scottish Government receives 10 per cent	£14,000
Developer receives 10 per cent	£14,000

In this example, the value of your stake has increased from £80,000 to £112,000. Any surplus received by the Scottish Government goes towards providing more affordable housing.



## Scottish Government Assisted Shared Equity Initiative.



An example of when the value of your property decreases

Initial property value	£100,000
Your stake - 80 per cent	£80,000
Scottish Government's stake - 10 per cent	£10,000
Developer's stake - 10 per cent	£10,000
Sale price	£90,000
You receive 80 per cent	£72,000
Scottish Government receives 10 per cent	£9,000
Developer receives 10 per cent	£9,000

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, the Scottish Government, and the Developer.

You will be responsible for meeting the costs of marketing your house if you sell it on the open market.

In the first instance, you are advised to contact the administering RSL who will provide you with advice on what to do should you wish to sell your property. You should also contact the RSL when you are seeking to re-mortgage the property in the future.

### What else do I need to know?

In the first instance you are advised to contact the developer to obtain further information about the property you are interested in buying. Each administering RSL can also provide you with more information on the requirements of NSSE with Developer. However, **you are also strongly advised to take independent financial and legal advice before agreeing to take part in the scheme.**

YOU SHOULD ALSO ENSURE THAT YOUR SOLICITOR ADVISES YOU ON THE TERMS OF ALL DOCUMENTATION AND THAT YOU ARE SATISFIED WITH THOSE TERMS BEFORE AGREEING TO ENTER INTO ANY LEGAL COMMITMENTS.

The shared equity arrangements will include the granting of a mortgage (or 'standard security' as it is known in Scotland) to secure the rights of the Scottish Government and the developer. **YOU SHOULD CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME, OR IF YOU WANT YOUR FAMILY TO INHERIT IT.**

<http://www.scotland.gov.uk/Topics/Built-Environment/Housing/BuyingSelling/lift/NSSEappinfo>