



MORTGAGES



A GUIDE TO: SHARED OWNERSHIP MORTGAGES  
OWNING A SLICE OF THE PIE

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# Shared Ownership Mortgages: Owning a Slice of the Pie

Shared ownership mortgages are a stepping stone for many first-time buyers or those struggling with the hefty down payments of traditional mortgages. They offer a unique path to homeownership, allowing you to purchase a portion of a property (usually between 25% and 75%) and pay rent on the remaining share to a housing association or developer. This translates to a smaller deposit and lower monthly payments.

## How it Works:

1. **Choose Your Dream Brick:** Explore shared ownership properties through housing associations, developers, or estate agents. You'll find them primarily in new build developments, but the market also holds some resale options.
2. **Decide Your Ownership Stake:** You can typically buy between 25% and 75% of the property initially. Remember, the more you buy, the higher your deposit but the lower your rent will be.
3. **Mortgage Time:** Secure a mortgage for the share you're purchasing. Similar to traditional mortgages, good credit scores and affordability are crucial factors.
4. **Rent Pays for the Rest:** You'll pay rent on the unowned portion to the housing association or developer, usually at a rate lower than the market value.
5. **Climb the Ownership Ladder:** At any time, you can increase your ownership by buying additional shares, a process known as "staircasing." The price will be based on the current market value of the property.

## Things to Consider:

- **Shared, Not Sole Ownership:** You don't own the entire property, potentially leading to restrictions on renovations or decorations.
- **Rent on Top:** Remember, you'll have rent payments alongside your mortgage, adding to your overall cost.
- **Selling Shared Slices:** Finding buyers for shared ownership properties can be more challenging than selling a fully owned one.

## Shared Ownership Overview:

- **Deposit required:** Between 25% and 75%
- **Ownership:** A leasehold interest worth between 10%-75% of the home's value (local conditions may apply)
- **Headline benefits:** Allows for home purchases if unable to provide a full deposit
- **Headline requirements:** Household income is less than £80,000 per year (90,000 in London)

Overall, shared ownership mortgages present a valuable opportunity to enter the housing market with a lighter financial burden. However, carefully weigh the pros and cons before taking the plunge.

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## Pros:

- **Smaller deposit:** Shared ownership requires a significantly smaller deposit compared to buying a whole property. This makes it easier to enter the housing market and avoid years of saving.
- **Lower monthly payments:** Combining a smaller mortgage with rental payments can result in lower monthly outgoings compared to a full mortgage. This frees up some budget for other expenses.
- **Greater stability:** Owning a portion of the property offers stability compared to renting, with more control over your living environment and a sense of investment.
- **Staircase potential:** Over time, you can increase your ownership by buying additional shares ("staircasing"). This allows you to gradually build equity and eventually own the entire property.
- **Government support:** Shared ownership schemes often receive government backing, making them more affordable and potentially offering additional incentives.

## Cons:

- **Sharing the pie:** You don't own the entire property, which means restrictions on renovations and decorations as per the housing association or developer's guidelines.
- **Rent on top:** Rent adds to your total monthly costs, and while usually below market value, it's an additional expense compared to solely owning a property.
- **Selling limitations:** Finding buyers for a shared ownership property can be more challenging than selling a fully owned one, potentially impacting resale value.
- **Market fluctuations:** If the property value decreases while renting the remainder, the cost to purchase additional shares (staircase) might increase significantly.
- **Service charges:** You'll likely be responsible for service charges covering maintenance and upkeep, similar to renting an apartment.

Ultimately, the decision of whether a shared ownership mortgage is right for you depends on your individual circumstances and financial goals.

## Additional Resources:

- Government's Shared Ownership Guide: <https://www.ownyourhome.gov.uk/scheme/shared-ownership/>
- National Housing Federation's Shared Ownership Info: <https://www.housing.org.uk/our-work/affordable-home-ownership/shared-ownership/>
- Money Advice Service's Shared Ownership Insights: <https://www.sharetobuy.com/guides-and-faqs/shared-ownership-pros-and-cons/>

If you have any questions please don't hesitate to call us on 01603 750001 and speak to an adviser who will be able to answer your questions.

**PLEASE NOTE: YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE**

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