NEW SUPPLY SHARED EQUITY SCHEME CASE STUDIES

Case study 1

Jill and Ian currently rent a one-bedroom flat in the south side of Edinburgh from a private landlord. They have been married for three years and have decided that they would like to own their home. Both work in the city centre and travel to work by public transport. Ideally they would like to purchase a two bedroom flat in the local area.

Both work full-time – Ian earns a salary of £16,000 and Jill earns £14,000 a year. The couple do not have significant savings (not more than £5,000). They have been to see three mortgage lenders and have ascertained that the maximum mortgage they are likely to be given is £75,000. Typical market prices for two bedroom flats in the area are around £120,000 and they have not been able to find a suitable property that they can afford.

Ian has seen that a local authority has developed properties for sale through shared equity in the south west of the city. The local authority is advertising two bedroom flats at £115,000.

Their application is successful. On their combined salaries they are able to buy a 65.22 per cent stake in a flat.

Value of property	£115,000
Owners' equity stake	£ 75,000 (= 65.22 per cent stake)
Scottish Ministers' equity stake	£ 40,000 (= 34.78 per cent stake)

Case study 2

Mary and John are married and have two children below the age of 10. They currently live in a two-bedroom house in a small town in Argyll which they rent from an RSL. Both children attend the local primary school.

House prices in the town have been rising sharply in recent years. The couple would like to purchase a home and do not want to move their children away from the school they attend.

John earns a salary of £15,000. Mary works part-time and earns £10,000 a year. They do not have significant savings. A mortgage lender has given them a quote for a mortgage of £62,500. Typical market prices for a three bedroom house in the area range between £110,000 and £150,000.

An RSL has developed new supply shared equity homes in the local area. A three bedroom house is valued at £110,000 and under usual circumstances will cost a purchaser between £66,000 and £88,000.

The application is unsuccessful. The RSL does not feel that the applicants have an adequate income for home ownership at this time. They have not demonstrated sufficient need to justify lowering the equity stake below 60 per cent and feel that the household is appropriately housed in the social rented sector.

Case study 3

John, 23, lives in a two bedroom privately rented flat in Stirling and has regular paid support, including a worker who sleeps over. He has been given a valid notice to leave by his landlord and needs to move from the property in the coming months.

John has learning difficulties and is supported to live a full life in his community but it is unlikely that he will ever have an earned income. In the flat the bedrooms and bathroom are upstairs – and the kitchen and living room are downstairs. This suits John who has no problems accessing the property or its rooms.

John needs to remain in the town close to his family networks, to the community centre, and to other resources that he currently attends and with which he is familiar. He requires a similar property with two bedrooms. His family, support provider and care manager at the local authority confirm John's need to stay within the area.

John's income comprises (a) universal credit and relevant disability premiums of £146.75 per week and (b) a personal independence payment at high rates for care and mobility of £67.00 and £46.75 respectively. This gives him a total weekly income of £260.50 of which he has to contribute £77.00 a week towards his support costs. He has no significant savings.

Universal credit rules allow John to claim Support for Mortgage Interest payments in addition to his current benefits to repay the interest on a mortgage providing it is taken out in order to acquire alternative accommodation more suited to his needs as a disabled person. The termination of his tenancy is sufficient proof of the need for a more suitable property.

John has limited access to mortgage lenders, and to affordable mortgage finance. However he is able to raise a mortgage of £45,000 based on anticipated help through his universal credit claim.

An RSL has developed new supply shared equity flats in the local area. They accept John's application on the grounds that he is potentially homeless and in housing need; and they obtain supplementary evidence from his care manager confirming his need to live in the same area and from his welfare benefits advisors that the maximum mortgage he can raise and afford is £45,000.

This supports their decision to accept a 51.00 per cent stake on a property valued at £88,235.

Value of property	£88,235
Owner's equity stake	£45,000 (= 51.00 per cent stake)
Scottish Ministers' equity stake	£43,235 (= 49.00 per cent stake)

Case study 4

Sarah is in her thirties, lives with her young son and has serious mobility problems as a result of a car accident. She has difficulty with stairs although she is not a wheelchair user. She also has difficulty concentrating but believes she will be able to return to low paid work at some point.

She currently owns her home in the Scottish Borders outright without a mortgage. The house is on two storeys and has two bedrooms. The house is small and has not been adapted in any way. Sarah has been told that the house is not suitable for adaptation to meet her needs – for example, a stair lift will not be appropriate as the staircase is too narrow.

She needs a single storey house, preferably with an accessible garden to allow her to supervise her son, and three bedrooms to allow for family and other supporters to provide overnight care when Sarah is unwell. A bungalow would be most suitable if this can be found at an affordable price.

Sarah's current income is Universal Credit and includes personal independence payments. She does not have significant savings. She wants to stay in the town where she is living, where her son is at school and would prefer to buy a property. Properties identical to her current home have sold recently in the local area for £85,000. She has looked at property prices on the open market and does not think that she will be able to buy a suitable home in the town for less than £150,000. Her desire to return to work means it would be inadvisable for her to take out a mortgage based on benefits that are only payable while she is not working.

A local authority is developing a number of new supply shared equity properties, including a few bungalows which would be suitable for Sarah's needs. The bungalows are valued at £160,000, making the normal price somewhere between £96,000 and £128,000 (60 per cent – 80 per cent). Sarah would only be able to purchase a stake of 53.13 per cent by contributing the entire proceeds from the sale of her house ((£85,000 ÷ £160,000) × 100). She is aware that in particular circumstances the equity stake can be lowered and makes an application to the scheme.

The local authority receives evidence from an occupational therapist that Sarah's current home is not suitable for adaptation. The application is successful.

Value of property	£160,000
Owner's equity stake	£ 85,000 (= 53.13 per cent stake)
Scottish Ministers' equity stake	£ 75,000 (= 46.87 per cent stake)

Case study 5

Eric and Betty are in their 60s and are living in a three bedroom semi-detached property which they purchased from the Council under Right to Buy in the 1980s. The property is now too large for them and requires significant maintenance which they are finding difficult to manage. They decide to sell their home and look for something more suitable. They receive £70,000 equity from the sale of their home and also have £8,000 in savings.

They see a one bedroom apartment for sale through the new supply shared equity scheme at a purchase price of £110,000. They can keep £5,000 and must contribute 90% of the £3,000 balance. Therefore they can make a contribution of £2,700 to the purchase of their new home from their savings.

They can deduct '*eligible deductible costs*' from the sales proceeds of their previous property. Eligible deductible costs include expenses such as legal costs and removal costs to a maximum of £5,000.

Sales proceeds from existing house sale	£ 70,000
Owner's contribution from savings	£ 2,700
Less eligible deductible costs (max)	£ 5,000
Sum available to invest in new supply shared equity property	£ 67,700
Value of 1 bedroom new supply shared equity property	£110,000
Owner's equity stake	£ 67,700 (= 61.5%)
Scottish Ministers' equity stake	£ 42,300 (= 38.5%)