

Affordable Home Ownership terms and conditions

Affordable Home Ownership – Low Cost Market/ Discounted Market

Herefordshire is one of the most unaffordable counties in England for home ownership. 2023 saw the highest median income to median house price ratio which was 9:8. This is higher than the average for West Midlands and England as a whole (7:2 and 8:3 retrospectively). This is making house purchasing unaffordable for many.

To help local residents in affordable housing need achieve their home ownership goals, Herefordshire Council supports many affordable home ownership tenures. These tenures are outlined in the council's Provision of Affordable Housing, Technical Data to support the Affordable Housing Supplementary Planning Document (SPD).

Who can apply?

You do not have to be a first time buyer, or on the Herefordshire Council's housing waiting list (Home Point), to apply for these affordable home ownership schemes. Anyone can apply providing they meet the basic occupancy criteria. They must:

- Have a local connection
- Be in need of affordable housing
- Be able to purchase the property at the discounted price, but not at the open market price (subject to a financial assessment completed by the council)
- Have an annual household income of less than £80,000 as a couple, or £40,000 as a single applicant
- Use the property as their only/principle home throughout ownership - it cannot be sublet
- Not own any other property. If you currently own another property, you will have to provide evidence that you are in the process of selling it before you can purchase through this scheme

What size property can I purchase and who has priority?

Applicants can apply for a property, which has one bedroom more than they need. For example, a single person or a couple can apply for a two bedroom property. The number of bedrooms a household requires will be considered as described below plus one bedroom. One bedroom is needed for each:

- Single adult or couple - 1/2 bedrooms
- Single adult or couple with 1 child - 2/3 bedroom
- Single adult or couple with 2 children - 3/4 bedrooms

Priority will be given in the following order:

- People with a local connection.
 - Live
 - Work

- Family Association
- Care/ Support
- Social housing tenants
- Serving military personnel or veterans

Where applicants cannot be separated by the methods outlined above, priority will be given to the applicant who provides a fully completed application and all associated documentation for this affordable housing scheme first.

Do I need a mortgage?

You must be able to afford to purchase the property, either through a mortgage, or a lump sum. If purchasing with a mortgage you will need to appoint an independent financial advisor. Most developers will be able to help you locate an independent financial advisor who has a full understanding of the scheme and the Section 106 (s106) affordable housing. It is useful to know that some financial advisors charge a fee for their services and they should advise you of any potential costs at the outset.

What else do I need to consider?

You will need a deposit of at least 5% of the discounted purchase price - your independent financial advisor will be able to tell you exactly how much deposit you need. In addition, you will need to fund all other purchase costs including solicitor fees and stamp duty (if applicable).

You should ensure that you budget for regular outgoings including household bills and buildings insurance. In addition, some apartments and houses may have service and/or management charges. You should discuss all associated costs and ongoing charges with the sales team at each development and/or a solicitor before you agree to buy.

It is important that you keep up with your mortgage payments as your home may be at risk of repossession if you fall into arrears.

Can I sublet my home?

No - you must live in the property throughout your ownership.

What happens if I want to sell my property?

You can sell your property at any time, but you must notify Herefordshire Council of your intention to sell and the property must be sold with the same level of discount that was received when purchased. To enable you to sell your property you will need to obtain two current written valuations (less than one month old) from reputable local estate agents and send them to Hereford Council. The valuations will be assessed by Herefordshire Council, in order to establish the open market value of the property. In the event of a dispute, the open market value will be decided by an independent surveyor whose decision will be final. Please note, there may be a cost associated with this process.

Once the value has been agreed, your property can be advertised through your nominated estate agent at the market value less the level of discount obtained through the original sale. The property will be offered to the qualifying person or qualifying household identified as having the most priority.

What happens if I am in negative equity and I want to sell?

If you are in negative equity, you will still be required to sell the property at the discounted market value, even if it is at a loss to yourself.

Property prices vary according to market conditions and the value of your property may go down as well as up. This could mean that your mortgage exceeds its market value. This is called negative equity, a term commonly used to describe the situation of having a home that is worth less than your mortgage. Negative equity becomes a problem if you want to sell or are forced to sell your property, as you would still owe money on your mortgage.

If you are in negative equity and need to sell your property, contact your mortgage lender as soon as possible and ask if there are any schemes they run to help with negative equity. Some lenders may be able to help existing borrowers, but usually only if you have a good payment record. For example, there may be a maximum amount of debt on your old mortgage that can be included in your new mortgage. This is not necessarily a cheap option, as the interest rate may be higher and there may be a fee. You are also putting your new home at risk of repossession if you cannot keep up the total mortgage payments on the new home. Payments will be larger than normal because of the shortfall having been included.

Herefordshire Council cannot accept any liability if you find yourself in negative equity after you have purchased a property on this scheme.