

Grove Community Housing Association

HOUSE SALES POLICY

Guidance on Buying your Home

Introduction

This Guidance gives the main points of our House Sales policy, which is the same one that applies to the Housing Executive and other housing associations. We hope that it is helpful, but please contact us if you have any queries.

What property can be purchased?

All Grove's dwellings may be purchased, except its bungalows. Please note that flats are sold by way of a lease for up to 125 years. Where a flat is part of a group of flats and some are still owned by the Association, an annual service charge will be due to help pay for the maintenance of common areas and facilities. Further details about flats are included at the end of this leaflet.

Who is entitled to purchase?

Purchasers must have been tenants of a housing association, the Housing Executive or other public bodies for at least 5 years. Periods in different tenancies can be added together to make up the 5 years. Introductory tenants cannot apply to purchase until their one year Introductory tenancy has been completed, but this year does count towards the 5 year period and discount entitlement. Succession to a current tenancy from a spouse or parent may count towards the 5 year qualifying period. A tenant with rent arrears may apply to purchase, but the arrears have to be cleared before the sale is completed.

Squatters cannot apply to purchase. Tenants cannot apply if the Association is actively considering issuing a Notice Seeking Possession on the ground of nuisance within the next 3 months, if it has issued such a Notice in the past 3 months or if it has a Court Order relating to nuisance.

Joint purchase

A maximum of 4 purchasers is allowed, but the tenant's share must be at least 25%. If there is a joint tenancy, all tenants named in the Tenancy Agreement must join in the sale. A joint purchaser who is not a tenant must be one or both of the following:

- The spouse of the tenant, or
- Someone who has been living in the property as their principle home for at least 12 months before the application to purchase.

Proof of this residence will be required.

Valuation

On receipt of an application to purchase and a £140 fee to cover the cost of valuation, Grove will ask an independent qualified valuer to assess the current market value of the property. Tenant's improvements will not add to the price and the fee will be refunded if the sale goes through. Grove will also give the valuer some background information about the house and any defects it knows about.

If concerned about the valuation, a tenant may ask for a re-valuation within a month of receiving the original valuation. This will be carried out by the government Valuation & Lands Agency and their valuation is final, whether lower or higher than the original one. The Association has to charge an additional fee for this, which will also be refunded on completion of the sale. If the sale has not been progressed within 6 months of the date of the valuer's report, a new valuation will be required.

Discount

Tenants may be eligible for discount, but this can be affected by the “historic cost rule”, which is described in the next section. If entitled to discount, with the minimum 5 years tenancy discount is 20% of the market value, and this increases by 2% per additional year’s tenancy up to 60%. The maximum discount payable is £24,000.

In the case of joint tenants, discount is based on the tenant who is entitled to most. Where a husband or wife succeeds to the tenancy on the death of their spouse, the survivor can benefit from the discount rights of the deceased spouse provided that both lived in the dwelling as their principle home at the time of death.

Where the tenant dies and his or her child succeeds to the tenancy, the child is entitled to discount based on the number of years he or she lived in the home after their 16th birthday. Full discount rights are not lost if there has been a break in the residency as long as it is for less than 2 years.

Historic cost rule

Historic cost is the amount the Association has spent in building, buying, renovating or improving the dwelling in the financial year during which the application to purchase is made and in the 10 previous financial years. If the market value is greater than the historic cost, discount can be given down to the historic cost figure. If the market value is less than the historic cost, the selling price is the market value.

Examples may help explain the rule.

1. If the market value was £80,000 and the house cost £60,000 to build 9 years ago, discount could bring the price down to £60,000, but no lower.
2. If the market value was £60,000 and the historic cost was £70,000, the selling price would be £60,000.
3. If in an older house, the market value was £50,000 and £30,000 had been spent on improvements over the past 10 years, discount could bring the price down to £30,000, but no lower.

Repayment of discount

If the property is sold within 5 years of purchase from Grove, then the full discount will be repayable to the Association with the following exceptions. Repayment does not apply if the sale is to one of the other joint purchasers, to a spouse or between members of the same family who have lived together throughout the 6 month period ending with the sale. Discounts are also not generally repayable if the dwelling is sold due to death, divorce or a compulsory purchase order.

Buy back option

If the property is being sold within 10 years of purchase, it must first be offered to Grove Community Housing Association at the current market value. If Grove does not want it, another housing association may purchase.

Considering whether or not to purchase

As with any major decision, it is important to weigh up the options. Owner occupiers do not pay rent, but they will be responsible for such things as rates, repairs, insurance and probably a mortgage. On the other hand, an owner occupier has control over his or her own home and has an asset that may increase in value. Whilst the Association cannot give financial advice, it can explain how the Sales Scheme will apply to individual circumstances.

Summary of the purchase process

1. The tenant weighs up the options.
2. Fill in the application form and give it and the £140 valuation fee to Grove.
3. Grove will request a valuation.
4. The tenant needs to supply details of tenancies with other public bodies and details of all joint purchasers to the Association and consider how to finance the purchase.
5. Grove will give the tenant a copy of the valuation and details of any discount applicable. 12 weeks are allowed from receipt of the application to purchase to forwarding the valuation and terms to the tenant, but the Association would hope it would be not more than 6 weeks.
6. Tenant's decision:
 - Within 4 weeks of receiving the valuation, ask Grove to request a revised valuation from the Valuation & Lands Agency. The fee is payable in advance and the Association will check the amount at the time, or
 - Within 4 weeks of receiving the valuation, write to Grove confirming agreement to purchase at the price offered and give the solicitor's name, or confirm that there is no further interest in purchasing.
7. Grove will ask the Department for Social Development for permission to sell the dwelling. (This is a formality and normally takes 3 weeks.)
8. The Association and the tenant instruct their solicitors. The legal process to the completion of the sale is likely to take a minimum of 2 months and the average would be about 3 months.

Professional help with the purchase process

Some tenants deal directly with the Association and source their own financial advice and solicitor. Some prefer to employ a company to deal with us. Companies may also provide a package including financial advice and legal services.

ADDITIONAL POINTS REGARDING FLATS

The sale of flats is more complicated as facilities may be shared by the purchaser and those who remain as Grove's tenants. For example, if a ground floor flat is bought and the upstairs one is not, maintaining the roof over the upstairs flat is a benefit to both flats. The lease may therefore include requirements such as the ones listed below:

- Payment of a service charge for such things as building insurance, fire alarm and door entry systems, repairs and maintenance to communal internal and external areas and gas boiler servicing.
- Responsibility for anyone living in the property or visitors to it if they cause nuisance or anti-social behaviour in the building.
- Getting Grove's consent for alterations or improvements. (This would not be unreasonably withheld.)
- If all flats in the block are sold, forming a Management Company to take over management of the building.