



Ministry of Housing,  
Communities &  
Local Government

# Making home ownership affordable

Discussion paper



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# Introduction

## Case for change

1. The steps taken to increase housing supply over recent years have meant that over 220,000 additional homes were supplied in 2017/18, the highest number in all but one of the last 31 years. Leading indicators suggest supply figures for 2018/19 will be even higher.
2. Despite this those born in 1990 are half as likely to be home owners by the age of 30 as those born in the 1960s and 1970s. Just 27% of people aged under-35 own their own home today compared with 65% in the 1990s.
3. Rising house prices over this period are a major cause. In 2018 the average cost of a new build home was £350,000. This is £145,000 higher than in 2008 and over £245,000 higher than in 1998. This increase in house prices has led to home ownership increasingly becoming the preserve of older and wealthier individuals. The average age of first-time buyers has increased and almost 40% of them now need help from family or friends to raise a deposit.
4. While affordability barriers are most acute in London and the South East, this is a problem across the country. On average full-time workers can expect to pay eight times their annual earnings on purchasing a home in England. In Newquay in Cornwall the average new build home costs £257,000 which is over 10 times the typical local full-time earnings of £25,000.
5. Polling shows that almost 90% of people today still share the British dream of owning their own home and do not want to rent indefinitely. However, more than 60% of people living with their parents or in the private rented sector think they will never be able to buy a home.
6. The two main barriers are deposit and income requirements. To purchase a £250,000 home a first-time buyer is likely to need a deposit of around £50,000 and an annual household income of £44,000 to service the mortgage. This puts home ownership out of reach for many aspiring first-time buyers.

## Supporting home ownership

7. The Government is committed to tackling these problems and helping people on to the property ladder. The key to improving affordability is ensuring more homes are built where they are needed, but alongside that there is more we can do to help people into homeownership. This document sets out the administration's first step in tackling this problem. It proposes a new national model for shared ownership to help aspiring first-time buyers, with further details set out below.
8. We are also exploring all levers, including planning reforms, to support home ownership and housing delivery.

9. A major reason for opposition to the building of new homes across the country is because existing communities cannot see how new homes will benefit the community, in particular how they will be affordable for local first-time buyers. By contrast, when this link is clear support is high, with almost 3 in 4 (73%) people in England support the building of more affordable homes in their local area.
10. Local people should have confidence that they will benefit from local housing development and so we intend to ensure that more homes are built and sold at prices that local residents can afford. We want to ensure people are not priced out of the areas where they have developed roots. This will benefit first-time buyers across the country and particularly those living in areas which are least affordable, and help to build support for development.
11. We want to look at all of the ways to support the delivery of more homes, including how the planning system could help bring forward additional sites for homes that local aspiring first-time buyers can afford to buy.
12. This already happens with homes provided for shared ownership or for sale at a discount of at least 20% for local first-time buyers. This could provide a foundation to build on, exploring how to most effectively deliver these homes at a greater scale to ensure communities benefit now and that these homes continue to be affordable for future generations. We will set out further details soon.

## A new national model for shared ownership

13. We will also improve existing support for first-time buyers.
14. Shared ownership was introduced 40 years ago and successfully addressed the income and deposit barriers by enabling people to buy a share of a home, lowering deposit and borrowing requirements. Through shared ownership, aspiring homeowners can buy a 25%-75% share of a new build home, and pay reduced rent on the rest. Under this model, buying a 25% share of a £250,000 home would require a deposit as low as £6,250, making the dream of homeownership much more realistic to families on lower incomes.
15. The expectation was for purchasers to eventually progress to full ownership, investing when they could afford it in a higher share of their homes. But increasingly house prices and the costs of maintaining the homes has made this more and more challenging for aspiring homeowners today.
16. In recent years we have reformed shared ownership to make it more accessible by removing restrictions on who can buy the homes. A standardised model lease is used on all grant-funded homes and nearly all homes funded through Section 106 developer contributions to make it simpler.
17. However, problems remain, as set out below, and changes in the wider housing market have made it much more challenging to access and progress into full ownership.

## Proposed reforms

18. The Government proposes the introduction of a new national simplified model for shared ownership, designed with industry to work for aspiring home owners in today's housing market.
19. This new shared ownership model will effectively support people who cannot afford a mortgage on a market property, providing them with a realistic pathway to full ownership. It will be fairer, more affordable, and more consumer-friendly as well as a better model for the market to deliver. We propose that the new model is based on three main principles:
  - Making it easier for people to increase their share of the property;
  - Making it easier for people to sell the home, and;
  - Introducing a single preferred model that all providers, including for-profit providers, can confidently adopt, thus growing the shared ownership market and enabling lenders to provide more competitive mortgage finance.
20. Government recognises the key role that lenders, housing associations, local authorities and private investors will play in ensuring a new product is successfully delivered.
21. The purpose of this paper is to set out the principles of a new model, to seek views on how the model should be developed further and to ask whether there are other changes we should be considering to improve shared ownership so it becomes a tenure of choice for young, aspiring homeowners struggling to get on to the housing ladder.
22. The paper poses a number of specific questions. When responding it would be useful if you could identify which questions you are answering.

## Making it easier for people to increase their share of the property

### Challenge

23. Shared ownership enables people to buy a share of a home between 25%-75% and then pay a subsidised rent on the remainder. People can then buy more shares in 10% increments, usually up to full ownership. This is known as staircasing.
24. Government recognises that the housing market has changed since shared ownership was introduced around 40 years ago. While staircasing in 10% increments may have been less challenging in the past, the present housing market makes these increments unachievable for many looking to purchase further shares in their home.

25. The main challenge for consumers is saving the money required for a 10% share. This is further exacerbated by uncertainty around house price inflation (HPI) and various costly fees attached to each staircasing transaction.
26. We made clear in the Social Housing Green Paper that the Government is determined to remove the barriers to staircasing so that everyone who enters shared ownership has a fair opportunity to increase the equity in their home.

## **Intent**

27. We are now proposing to make staircasing more flexible by taking action to enable people to buy further shares at smaller increments (for example, of 1% or more). In the longer term, we are interested in working with industry to develop private sector savings products, which support shared owners to buy more equity in their home at any amount (e.g. above £250) at any time.
28. The challenge is to make buying a share simple and straightforward, utilising the latest technology so that an individual can seamlessly invest in their home, similar to how they would transfer money into a savings account.
29. We want to make buying smaller chunks a simple, quick process that bypasses the current costly and sometimes lengthy valuations system. We want these changes to be an incentive for consumers to save and buy further equity in the home, helping more people progress towards full ownership. We will explore the best way to achieve this, for example through a fair HPI-based valuation.

## **Questions**

- Q1. What would be the impacts of smaller staircasing increments on shared ownership mortgage products?*
- Q2. What do you think the minimum staircasing increment should be?*
- Q3. What products could be developed to support a flexible approach to staircasing that enables people seamlessly invest in their homes from as little as £250?*
- Q4. How should an estimated HPI-based valuation be implemented to ensure that people can staircase at a fair price?*
- Q5. How can we ensure that the administrative costs for each staircasing transaction are fair?*
- Q6. What else is preventing people from staircasing?*
- Q7. Are there other ways to improve staircasing that we should consider?*

# Making it easier for people to sell the home

## Challenge

30. The current shared ownership model lease includes a 'pre-emption' clause whereby the landlord currently has the exclusive right to market the property for the first 8 weeks of sale. This allows the landlord to sell the home to somebody who needs help getting onto the housing ladder, preventing shared ownership homes from being immediately sold on to the open market. We've been told that this process can be slow and cumbersome and that the limited pool of eligible buyers regularly delays the sale.

## Intent

31. We want to give people more control over the sale of their homes by removing the pre-emption clause so that they have the same ease of movement as other homeowners. We want to ensure the home remains affordable if needed and therefore will give landlords a time-limited Right of First Refusal to enable them to repurchase the home to resell as shared ownership if there is local demand. This will lead to a simpler, more streamlined process that will improve mobility for everyone who enters the tenure.

## Questions

*Q8. What is the minimum amount of time we need to provide landlords to repurchase the homes without causing a lengthy delay to the sales process?*

# Introducing a standard model for all providers

## Challenge

32. The vast majority of shared ownership homes are currently delivered and managed by housing associations using the model lease. This has helped to create a standardised and consistent product that lenders are comfortable with and is more straightforward for consumers.

33. Despite this, we recognise that many private providers are delivering or planning to deliver a range of shared ownership homes that deviate from the model scheme as it better suits their business need. This is creating confusion for consumers and may limit lending, preventing the tenure from attracting mortgages at the same interest rates as a home brought on the open market.

34. Another area of confusion are homes in rural Designated Protected Areas (DPAs) where there are different rules around shared ownership. To make sure that affordable homes are available in these areas shared owners are prevented from owning more than 80% of their home. However, the way these rules are applied sometimes differs depending on whether the home is funded by Government grant

or delivered through the planning system. This creates confusion for providers, shared owners, and lenders.

35. Both of these issues mean that consumers and lenders have to deal with different models of shared ownership which is confusing and increases costs.

## **Intent**

36. We want to introduce a standard model that is easy for the consumer to understand, and will encourage new entrants in the market to build and run shared ownership. We recognise that widely available, competitive mortgage finance is a crucial element for consumers so we want to develop a single version of shared ownership that all providers can confidently deliver at scale. This should remove the complexity and encourage more lenders and challenger banks to commit to providing mortgages at competitive prices.

## **Questions**

*Q9. How can we ensure a new standardised product works for all providers of shared ownership homes?*

*Q10. How else can we improve shared ownership mortgage availability and reduce lending costs?*

*Q11. We welcome your views on the effectiveness of the shared ownership restricted lease in rural areas.*

# How to respond

You can respond to this discussion document through our [online survey](#) hosted by Survey Monkey.

Alternatively you can email your responses to [AffordableHomesProgramme@communities.gov.uk](mailto:AffordableHomesProgramme@communities.gov.uk).

This survey will be open until 23.59 on 29 September 2019.

# About this discussion paper

This discussion paper has been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Information provided in response to this consultation, including personal data, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018 (DPA), the EU General Data Protection Regulation, and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, as a public authority, the Department is bound by the Freedom of Information Act and may therefore be obliged to disclose all or some of the information you provide. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on the Department.

The Ministry of Housing, Communities and Local Government will process your personal data in accordance with the law and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties. A full privacy notice is included at Annex A.

# Annex A

## Personal data

The following is to explain your rights and give you the information you are be entitled to under the Data Protection Act 2018.

Note that this section only refers to your personal data (your name address and anything that could be used to identify you personally) not the content of your response to the discussion paper.

### **1. The identity of the data controller and contact details of our Data Protection Officer**

The Ministry of Housing, Communities and Local Government (MHCLG) is the data controller. The Data Protection Officer can be contacted at [dataprotection@communities.gsi.gov.uk](mailto:dataprotection@communities.gsi.gov.uk)

### **2. Why we are collecting your personal data**

Your personal data is being collected as part of the discussion process, so that we can contact you regarding any response you make and for statistical purposes. We may also use it to contact you about related matters.

### **3. Our legal basis for processing your personal data**

The Data Protection Act 2018 states that, as a government department, MHCLG may process personal data as necessary for the effective performance of a task carried out in the public interest. i.e. a discussion paper.

### **3. With whom we will be sharing your personal data**

Personalised data will not be shared beyond MHCLG

### **4. For how long we will keep your personal data, or criteria used to determine the retention period.**

Your personal data will be held for two years from the publication of this discussion paper

### **5. Your rights, e.g. access, rectification, erasure**

The data we are collecting is your personal data, and you have considerable say over what happens to it. You have the right:

- a. to see what data we have about you
- b. to ask us to stop using your data, but keep it on record
- c. to ask to have all or some of your data deleted or corrected
- d. to lodge a complaint with the independent Information Commissioner (ICO) if you think we are not handling your data fairly or in accordance with the law. You can contact the ICO at <https://ico.org.uk/>, or telephone 0303 123 1113.

**6. The Data you provide directly will be stored by Survey Monkey on their servers in the United States. We have taken all necessary precautions to ensure that your rights in terms of data protection will not be compromised by this.**

- 7. Your personal data will not be used for any automated decision making.**
- 8. Your personal data will be stored in a secure government IT system. Data gathered through Survey Monkey will be moved from there to our internal systems once we have finished gathering responses.)**