

HELPING MAKE HOME OWNERSHIP A REALITY FOR KEY WORKERS

A buyer's guide
to the London-Wide
Initiative



WHAT IS THE LONDON-WIDE INITIATIVE?

The London-Wide Initiative (LWI) aims to make more affordable homes available to key workers who find it difficult to buy a home in the open market in London. It is part of the Government's low-cost home ownership initiative, and is available in London through specific housebuilders and Registered Social Landlords. The LWI is delivered as part of HomeBuy by the Homes and Communities Agency (HCA) the national housing and regeneration agency.

The HCA is working with its selected development partners, Countryside, Key London Alliance (incorporating Barratt Homes) and First Base, to bring to the affordable housing market high-quality, apartment-based schemes comprising mainly one and two bedroom homes. LWI homes are only available on designated developments where the HCA has an agreement with the housebuilder or Registered Social Landlord.

To enquire about LWI, to find out about available properties or to make an initial application to become registered as a key worker, please see the contact details on page 21.

THIS DOCUMENT IS FOR GUIDANCE ONLY AND WHERE RELEVANT THE TERMS OF ANY LEGAL DOCUMENT WILL TAKE PRECEDENCE.

CHECK THAT THIS SCHEME AND THE RESTRICTIONS IT PLACES ON YOUR PROPERTY WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR IF YOU WANT YOUR FAMILY TO INHERIT IT OR IF YOU WANT TO CHANGE YOUR JOB. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT ADVICE.

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THE LONDON-WIDE INITIATIVE

Overview: the 'stepping-stone' into home ownership

- Key workers can buy a new build home on a designated LWI development and pay a discounted price on completion.
- Buyer mortgage and any cash contribution must together usually be at least 50% of the undiscounted purchase price.
- The HCA will assist with up to 50% of the undiscounted purchase price by arranging with the relevant housebuilder/Registered Social Landlord for the new build home to be sold for a discount.
- Buyers have 100% ownership and title to the home.
- Buyers will need to meet any required Stamp Duty Land Tax (SDLT) costs.
- Buyers must repay the discount when they sell and on the occurrence of other events. The amount repaid is calculated by reference to the market value of the home at the date of the event.
- If the key worker received a discount of 25% on first purchase, the key worker will, on sale, be obliged to pay 25% of the market value of the property at the time of sale to the HCA.
- Buyers can make part repayments ('staircasing') at any time after the first 12 months of ownership.
- Buyers do not pay any interest fees or rent to the HCA on its contribution (although this does not affect the buyer's usual obligation to pay ground rent and service charge to their landlord in accordance with the provisions of the lease).
- The discount is made available on the basis of the buyer being an eligible key worker. This assistance will be 'clawed back' if the buyer ceases to hold this status through their own decision within the first three years of property ownership.
- Buyers can sell their LWI home on the open market. When they do so, they must pay some of the proceeds to the HCA as referred to above.

How does it work?

LWI homes are available on selected new build developments within London.

LWI offers key workers who are aspiring to buy and cannot, an opportunity to purchase a new property for a discounted price payable on completion.

The discount provided to the key worker is usually up to 50% of the full purchase price.

The HCA is able to provide this scheme by entering into arrangements with the relevant housebuilder/Registered Social Landlord to provide LWI homes. No financial assistance is paid directly to the buyer.

The discount on the purchase price means that a buyer can borrow sufficient funds from their lender to purchase the LWI home. It is the buyer's responsibility to find and arrange their mortgage and the HCA does not provide any advice in relation to the suitability or otherwise of any mortgage.

There are no interest charges or rent payable to the HCA on the discount which is made available.

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When owners sell their LWI home they will repay the discount arranged by the HCA by way of a share of the sale proceeds calculated by reference to the current market value of their home. Therefore, if the HCA arranged for a 25% discount against the full price of the LWI home, the repayment will be 25% of the total market value at the time the property is sold. A requirement for such a payment can also be triggered before sale and details of when this can happen are set out later in this guide. If the value of the property has risen as compared with the original full undiscounted value, the amount payable to the HCA will be greater than the original discount and therefore the HCA takes a share in any such increase in value.

The HCA's entitlement to a share of the future sale proceeds is enforced through a legal restriction registered at the Land Registry. Buyers will also be required to enter into a legal agreement with the HCA, which will set the repayment obligations when the property is sold. A legal representative will be able to explain the details of this restriction and the legal agreement and buyers should ensure they fully understand the terms prior to signing the agreement.

Although buyers will have a mortgage less than the full open market purchase price of the property, they will be the legal owner with 100% title to the home. The table below shows how it works.

Example of LWI home ownership	£	%
Open market purchase price of new home	150,000	100
Buyer affordable mortgage @ 70%	105,000	70
Buyer pays 5% deposit/cash contribution	7,500	5
The HCA's contribution	37,500 (cost at time of purchase)	25 (entitlement to percentage share of future sale proceeds)

In this example, the buyer has purchased a £150,000 home for an initial mortgage and deposit totalling £112,500, the HCA has contributed 25% of the total price. When the home is sold, the HCA will be entitled to 25% of the total sale price. The deposit amount required by the LWI buyer's lender will depend on the terms of the mortgage.

Staircasing

LWI homeowners can reduce the amount payable to the HCA, at any time after 12 months of owning the property. This is called staircasing. Therefore, LWI offers hard-pressed buyers an opportunity to establish themselves in home ownership, when their income is most likely to be stretched and progressively move to reducing the HCA's entitlement as circumstances allow. The LWI homeowner may fund such early payments either by additional mortgage borrowing or from savings.

The minimum additional repayment is 10% of the market value at the point of making the repayment.

The amount required by the LWI homeowner to reduce the HCA's entitlement, and therefore increase their share of the sale proceeds, will depend on the total value of the property at the time the LWI homeowner wishes to increase their share. The actual cost to the LWI homeowner will depend on whether the property increases or decreases in value compared with the original undiscounted price.

THE LONDON-WIDE INITIATIVE

Repayment events

The LWI homeowner will be required to repay the HCA discount in full if the following events occur:

- sale of the home;
- full repayment of the mortgage from the qualifying mortgagee/lender;
- if the LWI homeowner dies (or, where there are two buyers, on the death of the surviving buyer);
- if the LWI homeowner becomes bankrupt, is unable to pay their debts or begins negotiations with their creditors or any of the buyer's possessions are taken by creditors in payment of a debt;
- if the LWI homeowner does not make a payment when required by the agreement with the HCA; and
- the LWI homeowner ceases to be a key worker (clawback provision as further detailed below).

The above requirements are included in the legal agreement with the HCA.

The actual value of the repayment amount will be calculated by multiplying the original discount percentage (less any staircasing amounts) by the prevailing market value.

What is the 'key worker clawback' provision?

The HCA arranges for LWI homes to be made available at a discount on the basis of the LWI homeowner being an eligible key worker. If the LWI homeowner ceases to hold key worker status through their own decision (e.g. as opposed to redundancy) within three years from the date of purchase completion of their LWI home, they will have to repay the assistance within five years of the termination of employment date. An example of the applicable dates is set out in the table below:

Purchase date	Date key worker employment ceases	Key worker clawback applies*	Repayment date
July 2008	March 2011	Yes	March 2016
July 2008	November 2011	No	Not applicable

LWI homeowners will be required to sign a legal document agreeing to this obligation; this will also be registered against the property title as a legal restriction. The legal representative advising on the purchase of the property will be able to explain this further.

*The clawback provision also applies if a temporary key worker employment contract comes to an end and is not extended during the first three years of occupation.

Stamp Duty Land Tax (SDLT)

The obligation to make a financial payment in the future to the HCA is treated as contingent consideration (that is, where a future payment is to be made, but the amount is uncertain or has not yet been ascertained) for SDLT purposes. At the time of writing, HMRC generally require that a 'reasonable estimate' must be made of such payments, and added to the discounted price to calculate the SDLT due. Paying SDLT based on the full undiscounted purchase is one method for the LWI buyer to meet their legal obligations.

Buyers may also have the option of applying to HMRC to defer the SDLT payable on the contingent element and make SDLT payments on future staircasing payments or on sale of the property. HMRC can advise on this issue.

The buyer should seek further advice from HMRC, or their legal representative, on any aspect associated with SDLT. Contact details can be found on page 21.

THE LONDON-WIDE INITIATIVE

What is the role of the HomeBuy agent?

The HomeBuy agent will act on behalf of the HCA to provide a 'one-stop-shop' to applicants wishing to purchase a home through one of the HCA's low-cost home ownership schemes including LWI. They will be responsible for the raising of the awareness of the products available and the relevant developments.

The role of the HomeBuy agent is to:

- act at a local level on behalf of the Government;
- hold information about LWI schemes for prospective buyers; and
- deal with the initial applications and assess overall eligibility/affordability and offer guidance to prospective buyers.

What is the role of the housebuilder or Registered Social Landlord?

The housebuilder/Registered Social Landlord selling the particular development will:

- hold detailed information about their LWI schemes (including scheme-specific brochures and marketing information);
- deal with specific applications, assess eligibility/affordability (level of affordable mortgage taken by the buyer) and offer guidance;
- confirm the buyer's key worker employment details and that they are eligible for assistance;
- help the buyer select a property that meets their aspirations;
- guide and assist the buyer through the process – but is unable to provide advice in relation to the suitability or otherwise of mortgage products;
- give approval to the buyer's legal representative to proceed with a purchase (leading to an Exchange of Contracts); and
- following the sale, the LWI homeowner's details are transferred to a Post Sales Agent (nominated by the HCA), which provides a single point of contact for owners for providing advice on re-sales, staircasing, re-mortgaging, further loans etc.

ELIGIBILITY

Who can take part in the scheme?

The homes made available through the LWI will be for key workers.

Who qualifies as a key worker?

The list of qualifying key workers – as defined from time to time by the Government – is available from www.housingoptions.co.uk Current groups include:

- Clinical NHS staff (excluding doctors and dentists);
- Teachers and nursery nurses in schools and further education/sixth form colleges;
- Police officers, community support officers and some civilian staff;
- Prison service staff in certain prisons;
- Probation service staff;
- Social workers, nursery nurses, educational psychologists and therapists (e.g. occupational therapists) employed by local authorities and the NHS;
- Local authority planners;
- Fire-fighters and other uniformed staff below Principal level in Fire and Rescue Services; and
- Uniformed MoD forces personnel if their permanent duty station is located within London, the South East and East and are regular service personnel, some clinical staff, MoD Police Officers and uniformed staff in the Defence Fire Service.

Key workers on a temporary contract may be considered provided that:

- there are at least six months remaining on the contract;
- the contract was issued at the outset for at least 12 months; and
- there is a reasonable prospect of the contract being extended.

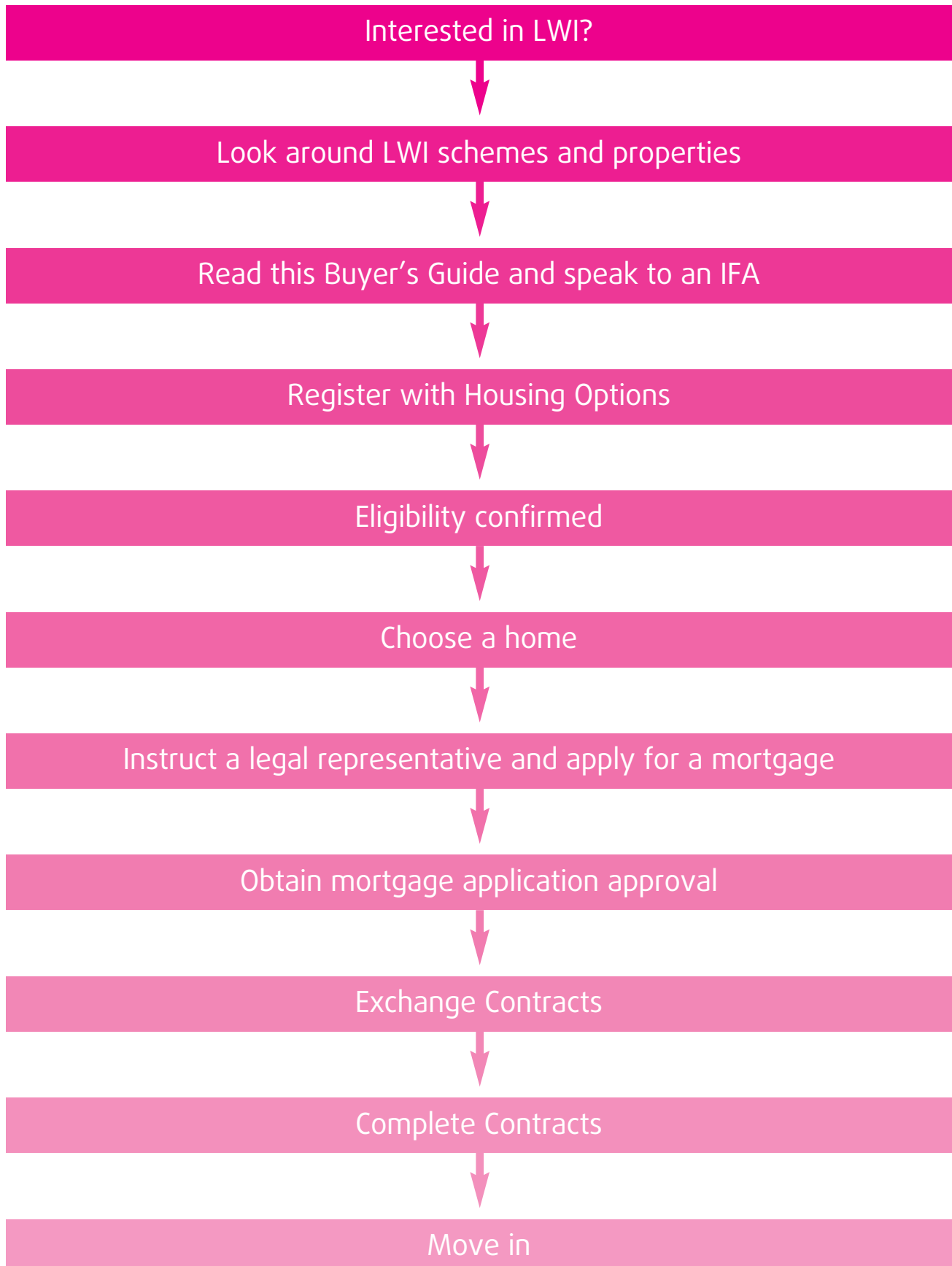
Are there any other eligibility criteria?

There are other eligibility criteria which include:

- maximum income limits apply and income is assessed on the basis of household income. Household income is the joint income of the persons who will be the registered owners of the LWI property;
- the minimum household income required to purchase may differ on each development and will depend on property prices in the local area;
- applicants' combined household income must be less than the maximum household income as set from time to time by the Greater London Authority (GLA)* (at the time of printing this figure is £60,000); and
- prospective buyers must have at least five years to serve before retirement.

*This is the maximum household income limit set, from time to time, by the GLA.
In some cases, the limit may be slightly exceeded for specific LWI schemes.

HOW TO BUY A LWI HOME



THE LWI BUYING PROCESS

Introduction

LWI schemes will generally be marketed up to six months in advance of properties being ready to move into. This can be earlier or later dependent on the specific scheme. Marketing can involve a range of activities, including direct mailing, advertising, sales launches and other promotional events. Each development will have a marketing suite and show property available, giving buyers an indication of what to expect from the overall scheme. There will be sales staff available, providing an opportunity to ask general and specific questions on the scheme, as well as obtaining brochures and indicative floor plans.

Registration and indication of interest

- The prospective buyer becomes aware of an LWI scheme through advertising, launch event, direct mail or the Housing Options website.
- The HomeBuy agent can usually provide an overview of the LWI schemes that will be available in the coming months.
- The buyer can lodge their interest in a specific LWI scheme with the housebuilder/Registered Social Landlord by completing a Property Reservation Form.
- On some schemes, the buyer may be required to pay a Reservation Fee at this stage, to secure their interest in a property; this will be refundable if the buyer does not qualify as an eligible key worker.
- On some schemes, buyers may only be able to reserve at specific Reservation Events.
- In order to purchase a property under the LWI, as a minimum, the buyer must ensure they have funds to pay:
 - a Reservation Fee;
 - up to 5% exchange deposit (some schemes may accept lower deposits at Exchange of Contracts); and
 - other fees due on Completion (e.g. Stamp Duty Land Tax, legal fees etc).
- If not already registered, the buyer completes a HomeBuy Application, available at www.housingoptions.co.uk this can be done either online or on paper. This will include details of income and outgoings.
- Based on the information provided, the HomeBuy agent will confirm that the buyer is eligible for low-cost home ownership by issuing a registration number.

Approval

- The housebuilder/Registered Social Landlord requests the buyer's application form from the HomeBuy agent and asks the buyer to contact an Independent Financial Advisor to gain confirmation of financial status. The housebuilder/Registered Social Landlord may also require buyers to attend a financial interview before giving eligibility approval.
- The housebuilder/Registered Social Landlord will also check employment details to ensure that the buyer is from one of the approved key worker groups.
- If eligible, the buyer will receive an 'Approval of Eligibility' from the housebuilder/Registered Social Landlord within ten working days of application. This will detail the level of mortgage the buyer should be seeking (their 'Prescribed Mortgage Level').

THE LWI BUYING PROCESS

Offer

- On receipt of the 'Approval of Eligibility' the buyer can select a property, or proceed with the property they may have already chosen. The buyer can reserve a property 'off plan' or arrange for a viewing of a show home on an LWI development. Some schemes may have specific reservation events, due to demand.
- If the buyer reserves 'off plan' then they must complete a 'Property Reservation Form' stating which property they are interested in and if they have not already done so, pay a Reservation Fee. Where there is a high demand on a scheme, the buyer may wish to select a number of properties, to improve their chances of being offered a home.
- If the buyer wishes to view the show home, they should contact the sales team at the relevant scheme. After viewing, in order to proceed, they would need to complete a 'Property Reservation Form' stating which properties they are interested in and also leave a Reservation Fee. At this stage, the Reservation Fee may not be refundable; therefore buyers should ensure they understand the conditions before parting with any funds.
- The housebuilder/Registered Social Landlord sends a 'Property Offer Letter' to the buyer confirming the reservation of a specific property and attaches a purchase timetable outlining the next key steps and timings. The buyer may be required to exchange contracts on the property within a specific timeframe.
- On receipt of the 'Property Offer Letter', the buyer should commence the mortgage application process. The mortgage offer must be no higher than the 'Prescribed Mortgage Level'.
- The mortgage must be from a qualifying lender. Qualifying lenders are organisations such as most banks and building societies who are authorised by the Financial Services Authority to enter into regulated mortgage contracts. It is recommended that the buyer seeks advice from an independent mortgage advisor. This advisor should be used to dealing with low-cost home ownership products.
- The buyer should instruct a legal representative to act for them – they should be used to dealing with low-cost home ownership products.
- The buyer must communicate the details of their legal representative and anticipated lender to the housebuilder/Registered Social Landlord.

Exchange

- The housebuilder's/Registered Social Landlord's legal representative will send the buyer's legal representative a 'Solicitor's Pack' to allow the conveyancing process to commence.
- The buyer should ensure that they understand the implications of the paperwork they will be required to sign. A legal restriction will be placed on the property in favour of the HCA entitling it to a share of the future sale proceeds and to payments in other defined circumstances as summarised in this guide. This means that the buyer must repay this amount when they sell the property. The buyer must sign the agreement setting out these obligations. In addition, the buyer will be required to sign the sale contract.
- On receipt of the mortgage offer, the buyer's legal representative should check that the mortgage offer, property price and available funds are consistent with the 'Property Offer Letter'. The housebuilder/Registered Social Landlord may also wish to approve the mortgage offer.
- The housebuilder/Registered Social Landlord will also sign a copy of the legal paperwork.
- Once this has been done, the buyer's legal representative should be in a position to exchange contracts with the housebuilder/Registered Social Landlord.
- At the time of exchange the buyer will pay a deposit and is now legally contracted to complete the purchase by an agreed date. This will be dependent on when the property is completed and will usually be within ten working days of that date.
- The buyer should discuss with their legal representative whether life and contents insurance cover is required.

THE LWI BUYING PROCESS

Completion

- At completion, the buyer's lender will provide its funds (the mortgage) to the housebuilder/Registered Social Landlord.
- Once this has been done, the buyer now owns the property.
- At this point, a representative from the housebuilder/Registered Social Landlord will meet the LWI homeowner at their new home to hand over the keys, and they can move in.
- The housebuilder/Registered Social Landlord will arrange a New Home Demonstration when the owner moves in to their home.
- The LWI homeowner's details are passed on to the Post Sales agent for After Sales Advice.

How long does the process take?

The HomeBuy agent will seek to assess an applicant's eligibility (from receipt of a fully completed application form with all **required** documents) within ten working days.

The process from 'Offer Letter' to exchange should take no more than eight weeks if all the paperwork is in order.

After exchange, completion will be dependent on when the property is ready; this will usually be one to three months, but in some cases can be up to six months later or longer if there are construction or other delays.

The timescales are provided as a guideline, and actual events may proceed quicker or slower than those set out above.

THE LWI BUYER'S DISCOUNT

How is a buyer's discount level assessed?

The discount is designed to make the range of LWI properties affordable for key workers. The buyer will usually obtain a mortgage from a qualifying lender based on three or three and a half times the applicants' household income; the mortgage will usually be at least 50% of the LWI home's full open market value.

Buyers should obtain a mortgage close to their Prescribed Mortgage Level. This is because the scheme is designed to assist buyers by giving them only what they need to achieve home ownership. With only limited resources available, the HCA is seeking to help as many buyers as possible, so allowing a buyer to reduce their mortgage could stop others from also benefiting from the initiative.

Once a buyer has had their eligibility approved the HomeBuy agent will set the 'Prescribed Mortgage Level'. This is the level of mortgage that a buyer should be seeking from their lender.

How is the discount provided?

This is secured through the development agreement with the development partner (housebuilder/ Registered Social Landlord) on the various LWI sites. The agreement enables homes to be offered for sale under the LWI, and sets the discounted price to be paid by the buyer for each property. The HCA does not make any further payment to the housebuilder/Registered Social Landlord on the sale of the property.

What is the legal mechanism that ensures the HCA gets its share of future sale proceeds?

This is through a legal restriction on the property, which means it cannot be sold in the future unless the HCA's entitlement is paid. Buyers must agree to this obligation before the purchase can be completed. A legal representative will advise on the legal implications of this document before it is signed.

What happens when owners sell their LWI home?

When LWI homeowners sell their LWI home, they will repay the HCA its entitlement to a share of the sales proceeds as detailed in this guide. If a buyer initially purchased with a 70% mortgage and a 5% cash deposit and with benefit of a 25% discount, and has made no other repayments, it will repay the HCA 25% of the value at the time they sell. The Post Sales agent will recover the HCA's entitlement.

LWI homeowners can sell their property at any time and an independent surveyor (appointed and paid for by the homeowner and approved by the HCA) will decide what it is worth. The property will be marketed on the open market at the prevailing market valuation. The HCA's entitlement must be paid when a buyer sells the home. The buyer will pay the costs of selling.

The illustrations below give examples of how the payment to the HCA is calculated assuming a LWI home starting value of £150,000 and LWI discount of £37,500 (i.e. 25%) and a buyer taking on a mortgage for 70% of the discounted price and paying a 5% deposit, and assuming increases and decreases in market value.

THE LWI BUYER'S DISCOUNT

Example One: Market increase assuming annual increase 5%.

In this example, if the buyer chooses to sell their LWI home at the start of year six (after owning the property for five years) and assuming property values increased by 5% every year, the buyer would have to repay £47,861 to the HCA and retain £143,582 to settle any outstanding balance on the mortgage provided by their lender.

Start of year	Estimated annual increase in property value	Estimated total property value	LWI homeowner mortgage and initial deposit 75%	HCA entitlement 25% to be repaid by LWI homeowner from future sale
1	0%	£150,000	£112,500	£37,500
2	5%	£157,500	£118,125	£39,375
3	5%	£165,375	£124,031	£41,344
4	5%	£173,644	£130,233	£43,411
5	5%	£182,326	£136,744	£45,581
6	5%	£191,442	£143,582	£47,861

Example Two: Market increase assuming variable annual increase.

Start of year	Estimated annual increase in property value	Estimated total property value	LWI homeowner mortgage and initial deposit 75%	HCA entitlement 25% to be repaid by LWI homeowner from future sale
1	0%	£150,000	£112,500	£37,500
2	0%	£150,000	£112,500	£37,500
3	2%	£153,000	£114,750	£38,250
4	4%	£159,120	£119,340	£39,780
5	5%	£167,076	£125,307	£41,769
6	5%	£175,430	£131,572	£43,857

Example Three: Market decrease.

Start of year	Estimated annual increase in property value	Estimated total property value	LWI homeowner mortgage and initial deposit 75%	HCA entitlement 25% to be repaid by LWI homeowner from future sale
1	0%	£150,000	£112,500	£37,500
2	-2%	£147,000	£110,250	£36,750
3	-2%	£144,060	£108,045	£36,015
4	-2%	£141,179	£105,884	£35,295
5	0%	£141,179	£105,884	£35,295
6	0%	£141,179	£105,884	£35,295

It is important to note that property values can increase or decrease. If property values decrease, the respective percentage entitlements between the HCA and the buyer remain unchanged, but the financial value of the share will have decreased.

THE LWI BUYER'S DISCOUNT

Can a LWI homeowner 'staircase'?

A partial reduction in the HCA's entitlement is called 'staircasing'. Staircasing payments can be made at any time after 12 months and must be a minimum of 10% of the home's prevailing market value – whether that value is more or less than when originally purchased. The LWI homeowner cannot leave less than 10% outstanding, so if the HCA's remaining entitlement is for 15%, the LWI homeowner has to repay this entire amount.

The illustration below shows the cost to a LWI homeowner of increasing their share of the entitlement to the value of their home when it is sold. The example shows how the cost to increase the entitlement from 75% to 85% varies depending on when the LWI homeowner chooses to staircase and the prevailing market value of the property at that time.

Start of year	Total property value assuming annual increase of 5%	LWI homeowner entitlement to 75% of property value	Cost to staircase by 10% to a new entitlement of 85% of property value
1	£150,000	£112,500	Not permitted
2	£157,500	£132,300	£15,750
3	£165,375	£138,915	£16,538
4	£173,644	£145,861	£17,364
5	£182,326	£153,154	£18,232
6	£191,442	£160,811	£19,144

An independent surveyor must provide the valuation and the LWI homeowner will pay for this. Enquiries about staircasing payments should be made to the Post Sales Agent.

Are there any restrictions on the mortgage provider?

The buyer's LWI mortgage must be from a 'qualifying lending institution'. These include lenders who are authorised under the *Financial Services and Markets Act 2000*, and who have permission to enter into regulated mortgage contracts. This is likely to include most banks and building societies. The Financial Services Authority keeps a register of authorised persons on its website. The register can be found at www.fsa.gov.uk/pages/register. The buyer's legal representative will check that the lender is compliant before a sale can proceed.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT FINANCIAL ADVICE.

COSTS

What are the costs involved in purchasing a LWI home?

The buyer must ensure they have funds to pay:

- a Reservation Fee;
- up to 5% non-returnable exchange deposit (some schemes may accept lower deposits at exchange of contracts); and
- other fees on completion (e.g. Stamp Duty Land Tax, legal fees etc).

What are the monthly costs of owning an LWI home?

Every month, there will be the following payments:

- mortgage repayments to your lender;
- service charges (if you buy a flat or house with shared areas that require maintenance);
- Council Tax;
- life insurance and payments into investment products if the mortgage is interest only;
- buildings insurance (if this is not included in the service charge); and
- utility bills and other costs associated with occupying or owning the property, which could include communal heating systems.

Administration fees for LWI homeowners

Administration fees may be charged by the Post Sales Agent to cover the costs of dealing with requests from the LWI homeowner. Such requests could include providing copies of service charge statements, or granting approval for improvements, alterations or re-mortgaging. Sale of the LWI home or staircasing will not usually incur administration fees, however, the Post Sales Agent will retain the right to levy a charge in the event that an LWI homeowner initiates but does not complete a sale or staircasing application.

Administration fees will cover only reasonable costs and will relate to the costs actually incurred by the Post Sales Agent. The administration fees may vary between LWI developments. The Post Sales Agent will be able to provide a list of applicable fees.

QUESTIONS AND ANSWERS

Who provides the financial contribution to discount the LWI homes?

This is provided by the Government's national housing and regeneration agency, the HCA (homesandcommunities.co.uk). This is made to the housebuilder/Registered Social Landlord on the designated LWI development via a development agreement to provide LWI homes.

How long will it take before I can move in?

Because LWI homes are on new developments (and may still be under construction), in common with most new home sales, a buyer will normally be expected to arrange a mortgage and exchange contracts within two months of paying a Reservation Fee. The moving in date will depend on the time required to complete construction work and this will vary from scheme to scheme.

Are there any restrictions in the properties I can purchase?

All LWI homes are only available on new build developments where the HCA has an agreement with the housebuilder/Registered Social Landlord. Buyers can only purchase from these designated schemes; the HomeBuy agent can provide a list of currently available or upcoming schemes.

What happens if I stop being a key worker?

If your employment status changes within the first three years of the occupation of your property and you cease to become a key worker, you will have to pay back the HCA's entitlement by a specified repayment date. You can do this by staircasing or selling the property on the open market and you will need to do this within five years from the date you cease to be a key worker.

How is the repayment date chosen?

Once you leave your key worker profession, you must notify the nominated Post Sales Agent in writing within seven days of the change of job. The repayment dates will then be based on five years from the date of the last day of key worker employment.

Can a buyer sub-let their LWI home?

No – LWI is designed to assist buyers to get on the housing ladder, so sub-letting of the entire property is not permitted.

Can a buyer own a LWI home and buy a second home?

No – LWI is designed to assist buyers to get on the housing ladder. If you wish to buy another property, you will first have to repay the HCA's entitlement.

After purchasing a LWI home, can a buyer increase their mortgage or take out another loan?

You can increase your mortgage or take out another loan but only with the written permission of the nominated Post Sales Agent. Further advances must also be approved by the nominated Post Sales Agent. Advances to be used for staircasing or repaying the HCA's contribution will usually be welcomed. Advances for other purposes will be considered by the nominated Post Sales Agent on a case-by-case basis.

You can transfer your mortgage to another lender, which must be a qualifying lending institution, with permission of the nominated Post Sales Agent. You must ensure that your new lender is informed that the property is a LWI property with a legal restriction entitling the HCA to a share of the future sale proceeds.

The nominated Post Sales Agent may decline permission for further advances or transfer to another lender if it considers you may be putting yourself in an unsustainable financial position.

QUESTIONS AND ANSWERS

Can a LWI homeowner extend or alter their LWI home?

You cannot extend or alter your LWI home without permission. As LWI is designed to help aspiring buyers into home ownership, you should consider repaying part or all of the HCA's contribution before making plans for improvements or alterations. This is because the HCA may wish to use the proceeds of these repayments to make more affordable homes available. Therefore, consent will not usually be granted for significant home improvements. However, the nominated Post Sales Agent will review cases of hardship if, for example, property modifications are required for a disability.

Can a buyer use cash from their council, Registered Social Landlord or other public sector body to buy with the addition of help through LWI?

No – you cannot combine assistance through Government key worker or other programmes with any other publicly funded home ownership scheme such as the LWI.

Can two key workers buying together get a double subsidy of Government assistance to help them buy a LWI home?

No – buyers cannot combine two separate applications for financial assistance. The joint income will be taken into consideration to assess their affordable mortgage.

What happens if I leave my key worker job, serve notice to the nominated Post Sales Agent, but within two years find another job as an eligible key worker? Will I still have to repay the HCA's entitlement?

No – if the original key worker returns to eligible employment within five years, the clawback provision no longer applies. A letter confirming their permanent employment status from the new employer must be provided to the nominated Post Sales Agent.

Are key workers on temporary contracts eligible for assistance?

They may be eligible for help and should check with the HomeBuy agent for further details.

What if a LWI homeowner dies after purchasing a LWI home?

If the LWI homeowner dies, the home will be passed on in the normal way under the terms of their will and repayment of the HCA's entitlement will be made by their estate. There is a legal obligation to repay the HCA and this may require the property to be sold by the deceased's executors if there are insufficient funds within the estate to discharge the obligation. This is fully detailed within the legal agreement and your legal representative should be able to advise on this area.

Who is the Post Sales Agent?

The Post Sales Agent is an organisation, appointed by the HCA, to deal with all queries after the sale of a LWI home to a key worker. The Post Sales Agent will deal with, amongst other things:

- general enquiries;
- staircasing applications;
- mortgage changes (including increases and re-mortgaging);
- permission for improvements;
- sale of the property; and
- confirming LWI homeowner's employment status.

The Post Sales Agent for the LWI programme is Housing Options Plus. You can contact them on 0845 470 0121 or visit www.myfirsthome.org.uk

QUESTIONS AND ANSWERS

Who determines what share is purchased?

As the property price is set via the development agreement with the housebuilder/Registered Social Landlord on the various LWI sites, the LWI homes are offered at a fixed percentage of market value (usually 50%); this percentage is the minimum a buyer can purchase. A buyer can choose to purchase a greater percentage if they can afford to do so, this will reduce the HCA's future entitlement.

Is the LWI available on any scheme under the Government's HomeBuy programme?

No. The scheme is only available on specially designated developments and is currently only available to key workers.

What will my service charge be?

The LWI covers a range of schemes across London, all different in their design, specification and finishes; accordingly the level of service charge will vary on the different schemes. Service charges usually cover things like:

- repairs;
- cleaning;
- lighting;
- concierge/security; and
- communal gardens/internal areas

The housebuilder/Registered Social Landlord marketing the scheme can provide the indicative service charges for specific schemes.

Will I get a parking space?

Parking provision depends on the LWI scheme. You should discuss this with the housebuilder/ Registered Social Landlord who will be able to provide scheme-specific parking availability and associated costs.

GLOSSARY/JARGON BUSTER

Approval of Eligibility	A letter issued by the housebuilder/Registered Social Landlord confirming that the buyer is eligible for LWI assistance from an employment and financial perspective.
Deposit	This is paid by the buyer to their legal representative to hand over on Exchange of Contracts with a housebuilder or Registered Social Landlord.
Exchange of Contracts	The parties' legal representatives usually 'Exchange Contracts' on the telephone. Once contracts are exchanged the sale/purchase is legally binding.
Financial Services Authority (FSA)	The Financial Services Authority (FSA) is an independent non-governmental body, given statutory powers by the <i>Financial Services and Markets Act 2000</i> . The FSA is a company limited by guarantee and financed by the financial services industry; HM Treasury appoints the FSA Board.
HomeBuy Agent	HomeBuy Agents are appointed Registered Social Landlords who provide a 'one-stop-shop' and point of contact for affordable housing options in a given area in England.
Homes and Communities Agency (HCA)	The HCA, the national housing and regeneration agency set up and funded by the Government.
Housing Options	The website run by the HomeBuy Agents to provide details of affordable homes to buy in London.
Independent Financial Advisor (IFA)	IFAs offer unbiased financial advice to their clients and recommend the most suitable products, if any, after researching the whole market. They act on their client's behalf and should offer the option of paying by a fee, as well as the option of paying by commission.
Key Worker	A term used by the Government to define people they consider to be important to provide public services, such as police, nurses, teachers. They are often front line workers in essential public services where there are serious recruitment and retention problems and can be redefined by the Government from time to time. The current list is available from www.housingoptions.co.uk
Land Registry	The Land Registry registers title to land (the legal interests) in England and Wales. It records all dealings in registered land, e.g., sales and mortgages. Further information can be found at www.landregistry.gov.uk
Legal Representative	A solicitor or registered conveyancer acting for each of the parties in the purchase.

GLOSSARY/JARGON BUSTER

Legal Restriction	This is a restriction registered with the Land Registry on the Title Deeds of the Property, and sets out any obligations which must be fulfilled on sale of the property, before it can be transferred to a new owner.
London-Wide Initiative (LWI)	A scheme run by the HCA which makes new homes available to key workers for purchase at a discount.
Post Sales Agent	The Post Sales Agent is an organisation, appointed by the HCA, to deal with all queries after the sale of an LWI home to a key worker. They deal with, amongst other things, general enquiries, staircasing applications, mortgage changes (including increases and re-mortgaging) etc. The Post Sales Agent for the LWI programme is Housing Options Plus (see page 16 for contact details).
Prescribed Mortgage Level	A letter issued by the housebuilder/Registered Social Landlord confirming the maximum level of mortgage the purchaser should seek, based on their financial position assessed by an IFA or established through a financial interview.
Property Offer Letter	A letter issued by the housebuilder/Registered Social Landlord confirming that the buyer has been offered a specific LWI property against which a Reservation Fee has been paid.
Property Reservation Form	A form completed by the purchaser indicating their property choice(s) on a specific LWI development.
Purchase Completion	This is the date when the purchase becomes final and the purchase price is paid by the buyer's legal representative and received by the seller's legal representative. The keys are released to the buyer and they may move in to the property.
Purchase Timetable	Timetable dispatched with the Solicitor's Pack setting out an indicative timescale for achieving Exchange of Contracts and Purchase Completion.
Qualifying Mortgagee/Lender	These include lenders who are authorised under the <i>Financial Services and Markets Act 2000</i> , and who have permission to enter into regulated mortgage contracts. This is likely to include most banks and building societies. The Financial Services Authority keeps a register of authorised persons on its website. The register can be found at www.fsa.gov.uk/pages/register
Registered Social Landlord (RSL)	These are independent social landlords that operate as a non-profit making business, providing housing for people who cannot afford to rent or buy housing on the open market. Most are housing associations but there are also trusts, co-operatives and companies. RSLs are regulated by the Tenant Services Authority and receive public funding from the HCA to develop new housing in the form of Social Housing Grant.

GLOSSARY/JARGON BUSTER

Reservation Fee	This is a fee payable by the buyer to the housebuilder/Registered Social Landlord to reserve the opportunity to purchase an LWI home. The fee is usually non refundable, and is deducted from the total price to be paid for the property in the event that the purchase goes ahead. Refunds may be considered by the housebuilder/Registered Social Landlord in certain circumstances.
Solicitor's Pack	A pack issued to buyers' legal representatives, incorporating Instructions to Solicitors and Lenders, Buyer's Agreement and associated documents.
Staircasing	This is where an LWI homeowner makes payments to reduce part of the HCA's entitlement to some of the future sale proceeds.
Stamp Duty Land Tax	This is the tax payable on the purchase of a property. For current tariffs visit the H M Customs and Revenue (HMRC) website www.hmrc.gov.uk/so/sdlt/index.htm

FURTHER INFORMATION

Housing Options

www.housingoptions.co.uk

North London

Application and Enquiries Team
Metropolitan Home Ownership
The Grange
Southgate
London N14 6PW

T 020 8920 7777

F 020 8920 7776

E housingoptions@mht.co.uk

South London

Central Communications Team
Tower Homes Ltd
70 Court Road
Eltham
London SE9 5NP

T 020 8294 5000

F 020 8294 0507

E eateam@lqgroup.org.uk

There is also another form of housing available under the LWI – this is known as HomeHold™ and is operated specifically by First Base. HomeHold™ is not covered within this guide; however, full details are available from First Base.

First Base Ltd

www.firstbase.com/homehold.html

22 Ganton Street
London W1F 7BY

T 020 7613 1888

E sales@firstbase.com

HMRC Stamp Taxes Helpline

www.hmrc.gov.uk

HMRC Stamp Taxes
Comben House
Farriers Way
Netherton L30 4RN

T 0845 603 0135

homesandcommunities.co.uk
mail@homesandcommunities.co.uk
0300 1234 500



Real help now



The Homes and Communities Agency is able to provide literature in alternative formats including large print, braille and audio.

Please contact us on 0300 1234 500 or by email at mail@homesandcommunities.co.uk for further information.