A GUIDE FOR SERVICE PERSONNEL

Affordable Home Ownership While Serving - Scotland

Shared Ownership, First Homes Fund and LIFT shared-equity schemes

Affordable home ownership schemes can make it possible to buy a home that you may not otherwise be able to afford on your current income. For serving personnel looking at affordable ways to buy a home in Scotland, there are four schemes to consider.

Your options at a glance
Shared Ownership – Buy a share of a home and pay an occupancy charge on the part you don't own.

First Homes Fund – Buy a new-build or second-hand home with up to £10,000 towards the purchase from the Scottish Government.

Open Market Shared Equity (OMSE) – Buy a second-hand property advertised for sale on the open market, with the Scottish Government contributing towards the cost.

New Supply Shared Equity (NSSE) – Buy a new-build home through a participating housing association or council, with the Scottish Government contributing towards the cost.

An advantage for the Armed Forces community
Serving members of the Armed Forces are given priority under Shared Ownership and both LIFT shared-equity schemes. This priority also extends to veterans who have recently left the Armed Forces and some bereaved partners of serving personnel.

We explain exactly who qualifies under each scheme later in the guide.

01

Shared Ownership

Shared Ownership in Scotland allows you to buy part of a home and pay an occupancy charge to a housing association on the part you don't own.

How does it work?
You can buy a 25%, 50% or 75% share of a property, using a mortgage, your own savings or a combination of the two. The housing association owns the remaining share, on which you pay an occupancy charge.

You may be able to buy more of the property later, depending on the housing association and the terms of the scheme.

What homes can you buy?
Shared Ownership homes are available through participating housing associations. They can include new-build properties and homes being resold through the scheme.

You can contact housing associations in the area where you would like to buy to find out what properties are available. The choice may be limited, and some housing associations may have waiting lists.

Who can apply?

Shared Ownership is designed for people who cannot afford to buy a suitable home outright. The housing association will assess your financial position to establish whether you qualify and how much you can afford.

What does being in the Armed Forces mean?

Serving members of the Armed Forces are given priority under Shared Ownership. Priority also extends to veterans who left the Armed Forces within the last two years, and to widows, widowers and partners of Service personnel who died while serving, for up to two years after their partner's death.

How do you apply?

Start by contacting a housing association offering Shared Ownership in the area where you would like to buy. They can tell you what properties are available and whether they have a waiting list.

The housing association will give you an application form and assess whether you qualify. If you're successful, they'll contact you when a suitable home becomes available and explain the next steps.

What deposit will you need?

The deposit you need will be based on the share of the property you're buying, rather than its full value. How much you'll need will depend on the mortgage lender you use.

For example, if a property costs £200,000 and you're buying a 50% share, your share will cost £100,000. If your lender requires a 5% deposit, you'll need £5,000 rather than £10,000.

An Armed Forces mortgage adviser can help you find a lender that accepts Shared Ownership and work out how much deposit you'll need.

Can you use Forces Help to Buy?

Forces Help to Buy can be used with Shared Ownership, but you will need a mortgage lender that accepts the combination. It can be used towards your deposit, and the monthly repayment will be taken into account when working out what you can afford.

An Armed Forces mortgage adviser can help you find a suitable lender and work out how the monthly repayment will affect what you can afford to borrow. The lender will also need evidence of your advance, such as your Personal Information Note (PIN) from the MOD, which confirms its amount and terms.

What happens after you buy?

Once you've bought your home, you'll make your mortgage repayments and pay an occupancy charge to the housing association on the part you don't own.

After you've lived in the property for a year, you can ask to buy additional shares through a process known as staircasing. The housing association will explain how much more you can buy and the arrangements that apply. As your share increases, your occupancy charge will reduce.

If you decide to move, you can sell your share at any time. You must tell the housing association in writing, and your agreement may require you to offer the property back to them first. You'll receive your share of the selling price.

If you need to borrow more to increase your share, an Armed Forces mortgage adviser can help you explore your mortgage options.

What happens if you're posted elsewhere?
Shared Ownership is intended to provide a home for you to live in. If you're posted elsewhere after buying, contact your housing association and mortgage lender before making arrangements for the property.

02

First Homes Fund

The First Homes Fund helps first-time buyers purchase a home, with the Scottish Government contributing up to £10,000 in return for a percentage share in the property's value.

How does it work?
The Scottish Government contributes up to £10,000 towards buying your first home. In return, it takes a percentage share in the property's value, known as an equity share.

You own the property and are responsible for your mortgage repayments and the costs of maintaining your home. You don't pay monthly interest or repayments on the Government's contribution.

When you sell the property, you repay the Government's percentage share of the sale price or the property's current value, whichever is higher. This means the amount you repay could be more or less than the original contribution, depending on how the property's value has changed. You can also choose to repay the Government's share earlier.

What homes can you buy?
You can buy a new-build or second-hand property with a maximum purchase price of £300,000. You can choose a home that's advertised for sale in the usual way, rather than having to find one specifically offered through the scheme.

Who can apply?
The First Homes Fund is for first-time buyers purchasing a home in Scotland to live in as their main home. You must take out a repayment mortgage covering at least 25% of the property's purchase price or valuation, whichever is lower.

You cannot use the scheme to buy a property solely to rent out, and you cannot combine it with another Scottish Government shared-equity scheme.

If you're buying with someone else, only one of you needs to be a first-time buyer. However, if either of you already owns a property, it must be sold before you complete the purchase of your new home.

What does being in the Armed Forces mean?
Being in the Armed Forces does not give you priority under the First Homes Fund. Serving personnel apply under the same rules as other first-time buyers.

How do you apply?

Before you start looking for a home, speak to a mortgage adviser who can check whether you're likely to qualify for the First Homes Fund, how much you may be able to borrow and what you can afford to buy.

Once you've found a property and had an offer accepted, or reserved a new-build home, you'll need to appoint a solicitor and apply online through Link Housing, which administers the First Homes Fund on behalf of the Scottish Government.

Your mortgage adviser can complete and submit the application for you. To apply, you'll need a mortgage decision in principle, proof of income and details of the property you're buying. You must submit your application before your solicitor concludes missives — the stage when the purchase becomes legally binding.

If your application is approved, you'll receive an award letter explaining the next steps. There is a £650 fee, payable after approval. This is refunded if the purchase doesn't go ahead, unless you've provided false or misleading information.

What deposit will you need?

The First Homes Fund doesn't set a minimum deposit, but your mortgage lender will usually require one of around 5%, although this can vary. You can put down a larger deposit if you have the savings available.

Can you use Forces Help to Buy?

Forces Help to Buy can be used with the First Homes Fund, but you will need a mortgage lender that accepts the combination. It can be used towards your deposit, and the monthly repayment will be taken into account when working out what you can afford.

An Armed Forces mortgage adviser can help you find a suitable lender and work out how the monthly repayment will affect what you can afford to borrow. The lender will also need evidence of your advance, such as your Personal Information Note (PIN) from the MOD, which confirms its amount and terms.

What happens after you buy?

You can buy out some or all of the Scottish Government's share at any time. You must buy at least 5% of the property's value each time, and once you own 90% or more, your next purchase must take you to 100%. The amount you pay will be based on the property's value at the time.

If you decide to sell your home, you must contact Link Housing before putting it up for sale.

You can also remortgage without having to repay the Government's share. If you want to borrow more for home improvements, you'll need permission from the Scottish Government.

What happens if you're posted elsewhere?

The First Homes Fund is intended to help you buy a home to live in, rather than a property to rent out. If you're posted elsewhere after buying, contact Link Housing and your mortgage lender before making arrangements for the property.

03

LIFT – Shared Equity

LIFT offers two shared-equity schemes to help people who cannot afford to buy a suitable home without assistance.

Open Market Shared Equity (OMSE) helps you buy a second-hand property advertised for sale on the open market.

New Supply Shared Equity (NSSE) helps you buy a new-build property through a participating housing association or local council.

Both schemes involve the Scottish Government contributing towards the purchase in return for a percentage share in the value of your home.

How does it work?

You normally buy between 60% and 90% of the property under Open Market Shared Equity, or between 60% and 80% under New Supply Shared Equity.

You can use a mortgage, your own savings or a combination of the two to buy your share. The Scottish Government contributes the remaining amount and takes a percentage share in the value of your home.

You own the property and are responsible for your mortgage repayments and maintaining your home. You don't pay rent or make monthly repayments on the Government's share.

When you sell the property, you repay the Government's percentage share of its value at that time. This means the amount you repay could be more or less than the original contribution, depending on whether your home's value has increased or decreased.

What homes can you buy?

Open Market Shared Equity (OMSE)

You can buy a second-hand property advertised for sale on the open market, rather than having to choose from homes specifically offered through the scheme.

The property must be suitable for your household and fall within the maximum purchase price allowed for its size and location. These limits vary across Scotland. You can check the current property price limits on the Scottish Government website: https://www.gov.scot/publications/open-market-shared-equity-thresholds/.

New Supply Shared Equity (NSSE)

You can buy a new-build home through a participating housing association or local council. Unlike OMSE, you cannot simply choose any new-build property advertised for sale. The home must be part of a development offering New Supply Shared Equity.

You can find developments and the organisations offering them on the Scottish Government's Find a project in your area page: https://www.mygov.scot/new-supply-shared-equity-scheme/find-project-in-your-area. You can then contact the housing association or council to find out which homes are available.

Who can apply?

Both LIFT schemes are available to first-time buyers and people in the following groups who cannot afford to buy a suitable home without help from the scheme: people aged 60 or over, council or housing association tenants, disabled people and qualifying members of the Armed Forces community.

You can have owned a property before if you belong to one of these groups, but you must not own another property when you complete your purchase.

New Supply Shared Equity can also help people who have previously owned a home but whose circumstances have changed significantly, such as following a marital breakdown.

Your income, savings and how much you can afford to borrow on a mortgage will be assessed to work out whether you qualify and how much you can contribute towards buying your home.

What does being in the Armed Forces mean?

Serving members of the Armed Forces are given priority under both LIFT schemes. This also applies to veterans who left the Armed Forces within the last two years, and to widows, widowers and partners of Service personnel who died while serving, for up to two years after their partner's death.

How do you apply?

Open Market Shared Equity (OMSE)

Before you start looking for a home, speak to a mortgage adviser who can check how much you may be able to borrow and whether you're likely to qualify for Open Market Shared Equity.

You then apply through Link Homes, which administers the scheme. They'll assess your application and, if you're approved, issue a Passport Letter confirming the maximum property price you can consider.

Once you have your Passport Letter, you can start looking for a suitable home within the scheme's price limits for your chosen area.

New Supply Shared Equity (NSSE)

Start by finding a development offering New Supply Shared Equity in the area where you'd like to buy. You can use the Scottish Government's development list linked earlier in this guide.

Contact the housing association or local council offering the homes. They'll explain what's available, provide an application form and assess whether you qualify, including how much you can afford to contribute towards the purchase.

What deposit will you need?

The deposit you'll need will depend on your mortgage lender. Some lenders may accept a deposit of 5%, although this can vary. You can also choose to put down a larger deposit if you have the savings available.

Can you use Forces Help to Buy?

Forces Help to Buy can be used with either LIFT scheme, but you will need a mortgage lender that accepts the combination. It can be used towards your deposit, and the monthly repayment will be taken into account when working out what you can afford.

An Armed Forces mortgage adviser can help you find a suitable lender and work out how the monthly repayment will affect what you can afford to borrow. The lender will also need evidence of your advance, such as your Personal Information Note (PIN) from the MOD, which confirms its amount and terms.

What happens after you buy?

You can buy out some or all of the Scottish Government's share, normally increasing your ownership by at least 5% of the property's value in a year. You can normally increase your ownership to 100%, although some properties have a restriction known as a golden share, requiring the Scottish Government to retain at least 10% under OMSE or 20% under NSSE. The amount you pay will be based on the property's value at the time.

You can also remortgage without having to repay the Government's share, but you'll need Scottish Government consent to switch lenders. If you want to borrow more, you'll need approval and a property valuation to establish whether the additional borrowing is permitted.

What happens if you're posted elsewhere?

Both LIFT schemes are intended to help you buy a home to live in, rather than a property to rent out.

However, the Scottish Government makes a specific exception for serving Armed Forces personnel who need to rent out their home because they're posted elsewhere.

You can apply for permission to let the property for the duration of your posting. Each application is considered individually, and permission is not guaranteed. You'll need evidence of your posting and its duration, as well as consent from your mortgage lender.

Before making any arrangements, contact the relevant scheme administrator or housing provider to discuss the application process. Remember that a private residential tenancy in Scotland is generally open-ended, so permission to let during a posting does not necessarily mean you can regain possession as soon as your posting ends.

Still have a question?

Affordable home ownership schemes can be complicated, particularly when military life is involved. If there's something we haven't covered, you can ask us at pflmortgages.com/ask.

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