

Haig Housing Trust (HHT) Special Housing Needs Shared Leasehold Scheme

Aim of the Scheme

Haig Housing Trust's Special Housing Needs scheme enables badly wounded, disabled or seriously ill Service and ex-Service personnel **whose condition is Service attributable** to become shared leaseholders of a suitable property. The scheme mainly assists Servicemen and women (hereafter referred to as the "beneficiary") in receipt of compensation and / or an insurance payout.

The scheme aims to enable qualifying beneficiaries to:

- be housed in a suitable property in a location close to family and friends, sometimes in an area that may have otherwise proved unaffordable
- purchase a bungalow (usually more expensive than a normal house) or a larger property if it is necessary to accommodate adaptations
- acquire a property whilst still serving but before final AFCS / insurance payments have been received to allow essential adaptations to be completed by MOD before discharge
- acquire a suitable property before they have sold their own unsuitable property
- retain as much of their compensation and / or an insurance payout as possible for investment purposes, as this needs to last a lifetime
- when funds permit to buy a larger share of leasehold or the entire property

Details

Where beneficiaries have funds available they will enter into a shared leasehold with HHT at the time of the purchase and will occupy under a shared leasehold agreement.

Where beneficiaries have a forecast of AFCS and / or insurance funds but the money has not been received at time of purchase, the beneficiary will occupy the property on an AST tenancy and pay market level rent by Standing Order to HHT until they have bought a shared leasehold. Once the purchase has completed they will occupy under a shared leasehold and pay a reduced rent for HHT's share of the property as explained under the Rent paragraph below.

Properties purchased must meet HHT's guidelines on property purchase (see criteria under Property Characteristics paragraph). They must be modest and appropriate for the needs of the individual; be either wheel chair friendly or easily adaptable to meet changing needs and be in good condition and straightforward to maintain. See fuller criteria under Property Characteristics paragraph below.

HHT acts with or on behalf of the beneficiary – not spouses, partners or parents. Whilst HHT will try to accommodate the wishes of individual Servicemen, especially in cases where disabled Servicemen need to be near carers, it will **not** agree to purchase in expensive neighbourhoods when better value can be obtained in adjacent areas, or to the purchase of a listed or “character” building.

The agreement between HHT and the beneficiary will be set down in a shared leasehold agreement drawn up by solicitors and agreed by HHT and the beneficiary.

The scheme will **not** be offered to those serving on in the Forces and who have already been provided with adapted accommodation, or to those seeking to build a property portfolio.

Every purchase is subject to the authorisation of HHT’s Trustees. HHT reserves the right to amend or withdraw the scheme at any time.

Financial Aspects

Help for Heroes (H4H) Grant to HHT. As HHT has limited funds when the applicant meets Help for Heroes’ criteria it is often assisted to purchase a property with the help of a generous grant. The grant is made to HHT to enable the purchase, NOT to the individual, and should the property subsequently be sold the H4H grant money is retained by HHT to enable future authorised purchases.

Independent Financial Advice. HHT is not a registered lender and is not licensed to provide mortgage facilities. Applicants should seek independent financial advice before proceeding with house purchase.

Beneficiary’s Contribution - Minimum. 25% of the purchase price. ***This must be the beneficiary’s own money, not borrowed or mortgaged funds.***

HHT Contribution - Minimum. 25% - any less makes it not worth HHT’s administrative time.

Purchase, Conveyance and Associated Fees.

- HHT pays for the survey, land registry fee and legal fees on the initial purchase. Haig does not pay Stamp Duty Land Tax (SDLT) as a non-exempt charity.
- The beneficiary pays SDLT on their leasehold if above the SDLT exempt limits. Current Stamp Duty (SDLT) rates:
 - Property costing up to £125,000 – SDLT rate **0%**
 - The next £125,000 (the portion from £125,001 to £250,000) – **2%**
 - The next £675,000 (the portion from £250,001 to £925,000) – **5%**
- The beneficiary will be responsible for the legal fees of the solicitor who represents their interests over the Shared Leasehold.

Utilities and Insurance. HHT will pay for the building insurance. The beneficiary is responsible for the payment of council tax, utility charges including water charges and contents insurance.

Rent.

- Where beneficiaries have funds available they will enter into a shared leasehold with HHT at the time of the purchase and will occupy under a shared leasehold agreement.
- For the purposes of the Shared Leasehold rent is officially currently charged at 5% of HHT's share of the equity but charitably discounted by 2% - so in practice 3%. This formula is applied to protect HHT's position, for instance to cover situations where a beneficiary moves out and to avoid any non-charitable use.
- Whilst interest rates remain low rent will be applied at this effective 3% (5% - 2%) figure, or the Bank of England (BoE) Base Rate + 1%, whichever is the higher. As a charity HHT endeavours to keep charges as low as possible but reserves the right to raise the rent or to revalue the property every 3 years with corresponding change to the rent.
- When the beneficiary is **unable** to purchase a leasehold when HHT buys the property, for instance when not yet in receipt of anticipated AFCS or insurance funds, the beneficiary will occupy as an HHT tenant on an AST as soon as the property is deemed safe and ready to occupy. HHT will charge the beneficiary rent at 85% of the commercial rental valuation of the property until such time as they are able to buy the shared leasehold. The 15% discount below the full commercial rent constitutes a charitable benefit. Once the beneficiary has bought the shared leasehold the rent charged for the HHT share of the property will revert to the basis of the paragraphs above.
- **Where Beneficiary fails to purchase the Shared Leasehold.** When the beneficiary has agreed to purchase a shared leasehold within one year but fails to honour his commitment, HHT reserves the right to increase the rent to 100% of the commercial rental.

Leasehold Properties. Where HHT purchases a leasehold property E.G. a flat, any service charge and ground rent will be paid in its entirety by the beneficiary in addition to the rent.

IF SHARED OWNERS DO NOT PAY THEIR RENT THEY ARE PUTTING THEIR SHARED LEASEHOLD AT RISK AND HHT WILL TAKE LEGAL ACTION TO RECOVER PAYMENT WHICH COULD RESULT IN THE SALE OF THE HOUSE.

Safety Inspections on Purchase. HHT is legally obliged to carry out gas and electrical safety inspections prior to the beneficiary occupying the property – even if the beneficiary has purchased a shared leasehold at time of the initial HHT purchase. In addition properties must be equipped with working smoke, heat and carbon monoxide alarms, and have an in date EPC record.

Any safety faults found must be repaired and the property re-inspected prior to the beneficiary taking over keys or occupying the property, be that as a tenant or a shared leaseholder. This can be frustrating for the beneficiary but HHT will arrange for these inspections to be completed as soon as possible after completion of the purchase, and any necessary work to be carried out as soon as possible.

Keys. HHT will arrange for the pick up keys on completion of a purchase. On no account are beneficiaries to attempt to collect keys from the estate agent, even just to measure up for curtains etc.

Move In / Removals. Beneficiaries, even those who have a shared leasehold, are not to arrange move in / removals until they are given a date by HHT. It can be frustrating but HHT is legally bound not to permit entry until the safety certification process is complete.

Purchase of Further Leasehold Share (“Staircasing”)

The beneficiary may apply to HHT to purchase a larger leasehold share, or all the property. Other than when buying HHT’s entire share, payment for further shares of the leasehold (“stair casing”) must come from the beneficiary’s own funds – E.G. not by means of a mortgage. **Transaction costs, including the required valuation and Stamp Duty Land Tax (SDLT) will fall to the beneficiary to pay.** Because of the administrative burden and legal cost involved HHT would not normally agree to sell an additional share of leasehold amounting to less than £25,000.

Following a request by the Beneficiary to purchase a larger leasehold share, under provisions of the Charities Act HHT is legally obliged to have the property revalued:

“In the case of all joint purchases the conditional contract is to contain a provision which makes any purchase or increase of any share conditional upon a Valuation complying with the terms of s36 of the Charities Act being obtained. This confirms that the disposition does not need advertising and the charity trustees remaining satisfied that the disposition being made is the best that can be obtained for the charity.”

This means that if the beneficiary wants to buy a further share ***even within days of the original purchase***, a new valuation has to be obtained.

Whilst the interest rate charged by HHT will remain the same, the rent payable to HHT will be calculated on the **new valuation** and the new proportion of ownership.

Sale of the Property

Property prices can go down as well as up, and adaptations can adversely affect the value of the property. Should the property be sold, the beneficiary and HHT will share the resulting gain or loss on the capital value on a pro rata basis according to the shared leasehold owned. E.G. any profit made over the original purchase price, after all selling costs have been deducted, will be split between the beneficiary and HHT according to their share of equity.

Any rise in value due to improvements paid for by the beneficiary will be taken into account and the cost of the improvements may be discounted from the new valuation.

Any loss made under the original purchase price after all selling costs have been taken in account will be split between the beneficiary and HHT according to their share of equity.

When the beneficiary owns 100% of the equity in the property HHT will withdraw from any remaining commitment, and the beneficiary will be responsible for all future outgoings including property insurance.

Illustration for House Purchase @ £200,000.

1. BoE base rate @ 2% or lower. HHT will charge an interest rate of 3% (5% - 2%) of the value of HHT's holding. On purchase:

- The beneficiary pays a cash payment of £50,000; HHT pays £150,000 + survey and conveyance etc. The beneficiary pays HHT a monthly rent of £375pcm ($(£150,000 \times 3\% / 12 \text{ monthly payments})$) on HHT's share of the property
- If the beneficiary pays a cash payment of £100,000 and HHT pays £100,000 + survey and conveyance etc, the Beneficiary pays HHT a monthly sum of £250 pcm ($(£100,000 \times 3\% / 12 \text{ monthly payments})$)

2. BoE base rate rises to 3%, HHT's interest rate may rise to 4% (6% - 2%):

- If the beneficiary owns a £50,000 share and HHT £150,000, he will pay HHT a monthly sum of £500 pcm ($(£150,000 \times 4\% / 12 \text{ monthly payments})$)
- If the beneficiary owns a £100,000 share and HHT £100,000, he will pay HHT a monthly sum of £333.33 pcm ($(£100,000 \times 4\% / 12 \text{ monthly payments})$)

Criteria for Property to be purchased

Price Ceilings. The following price ceilings for HHT house purchase, excluding legal costs, may only be exceeded with the agreement of the Trustees, or by the Chief Executive acting with the authorisation of the Trustees:

- Outright purchase by HHT for rent to individual - £200,000
- Shared Leasehold – HHT net maximum share £150,000
- Maximum house purchase cost - £300,000 (E.G. HHT £150,000 / individual £150,000).

These ceilings will be reviewed from time to time as market conditions change, and Trustees may make exceptions in areas of expensive housing where no other solution can be achieved.

Property Characteristics

- Properties should be modest and appropriate for the needs of the individual. HHT is a charity and has to spend its limited funds wisely. Trustees will not agree to the purchase of luxury properties. "Listed" or "character" properties will not be considered.
- The property must be in good condition and easy for the Trust to maintain. New or nearly new properties are preferred.
- The garden should be modest, accessible, level and easily maintained. Properties with large or ornate gardens will not be considered. Paving and grass with modest borders (if any) is the ideal.

- For leg amputees and other severely disabled, the property should be single storey or large enough to provide a main bedroom and wet room on the ground floor.
- Stairways should be wide enough to accommodate a stair lift if required.
- Properties for wheel chair users or those liable to use one in future must be wheelchair accessible and as open plan as possible. Doorways, passages and passage corners must be able to accommodate wheelchair traffic, or be easily adaptable for a wheelchair to meet changing needs.
- Access to the property from front and rear should be level or easily ramped. There should be ample flat parking space within the curtilage of the property to enable parking and easy access to house and vehicle by a disabled tenant.
- Whilst the Trust will try to accommodate the wishes of individual Servicemen and women, especially in cases where disabled Servicemen or women need to be near carers, it will not agree to purchase in expensive neighbourhoods when better value can be obtained in adjacent areas.

Repairs

- **General.** As a leaseholder the beneficiary is responsible for paying for all maintenance and repairs to the property.
- **Major Repairs prior to the beneficiary buying their share of the property.** HHT will not usually agree to the purchase of any property requiring significant repair or renovation. If the rare circumstances necessitating a purchase of a property requiring significant repairs or improvements prior to the beneficiary buying their shared leasehold, following the work the property will be revalued and the new valuation considered when working out the amount the beneficiary needs to pay for their shared leasehold. Any rise in value due to improvements paid for by the beneficiary and / or essential MOD funded adaptations to the property will be taken into account when calculating the new valuation.
- Emergency repairs / call outs should if possible be arranged through HHT's Property Services Department, with beneficiaries being re-billed for the work. An out of hours service is available for emergencies in most areas of the UK. Where this service is unavailable and the beneficiary has to call in independent contractors HHT Property Services Department should be informed of the arrangements made as soon as possible on the next working day.
- The property will be redecorated externally as required by an HHT approved contractor, the cost being recharged to the beneficiary.
- Proposed alterations to the inside or exterior requested by the beneficiary must be agreed with HHT and paid for by the beneficiary, with the work carried out by HHT approved contractors unless otherwise agreed.

Gardening Services. Depending on the extent of the Beneficiary's disability, HHT may agree to provide basic gardening services (grass and hedge cutting only).

HHT IS NOT A REGISTERED LENDER AND IS NOT LICENSED TO PROVIDE MORTGAGE FACILITIES. APPLICANTS SHOULD SEEK INDEPENDENT FINANCIAL ADVICE BEFORE PROCEEDING WITH HOUSE PURCHASE.

Signature of Service Person wishing to Purchase Under HHT Shared Ownership Scheme

I confirm that I have read and accept the conditions in this illustration. I acknowledge that:

- I should consult an independent financial adviser before applying for the scheme
- I will appoint a solicitor to act on my behalf over the Shared Leasehold between myself and HHT which needs to be signed prior to purchase of a share of a property
- If I do not pay the correct rent for Haig's share of the property I am putting my lease at risk as Haig will take legal action to recover payment which could result in eviction and the sale of the house.

I agree to provide full disclosure of my financial situation, either directly to HHT or on a SSAFA Form A as a result of a SSAFA / TRBL caseworker visit.

I understand that the Trustees of HHT reserve the right to reject the application.

Signed _____ Name (Capitals) _____ Date _____