Season 1 Episode 2 Transcript

You're listening to On the Air, a brand new podcast brought to you by Stonewater. Join us, as throughout this series, we'll be getting to the heart of what matters in the social housing industry today – from essential questions about shared ownership to celebrating community projects for veterans. Join Anisha Patel and her co-host, Sara-Anne Mills-Bricknell, and a whole host of industry figures, colleagues and customers for some lively and informative conversation about what matters most in housing in 2020. This is On the Air, a Stonewater podcast.

Anisha: Hello, and thanks for joining us on our second episode of On the Air today, we're going to be talking with colleagues from Stonewater who work first-hand with supporting aspiring homeowners.

Sara: Yes, today's show is about shared ownership, there has been a lot on the news of late about reviewing the existing government model. And we're here to talk to Bev, Abby and Kathryn, who all work for Stonewater homes, to talk about the misconceptions about the scheme. Hi, everyone, thanks for joining us today.

[Hellos]

Sara: So let's first begin with…. there's obviously a lot of confusion about what shared ownership is. Can you just explain what it is and who it applies to, and just give us the kind of general background for it?

Beverley: Well, it is what it says on the tin really: part-buy, part-rent. The buyer would buy an affordable share of the property, depending on their own affordable circumstances, and they would rent on the share that they don't own. There's lots of misconceptions, to be honest. I get buyers ringing me up saying: 'who will I share the house with?'. Yeah, you just don't realize how often that's asked.

Sara: Going back to student days!

Beverley: I think there's an awful lot of education needed with regard to the product in general, to be honest, particularly in the area that I cover, which is the northern patch. It's more so in the southern area that it's understood a little bit more. But we need more education, I think, as we sort of go to the Midlands and further up north. Definitely. But like I say, just what it says on the tin: shared ownership – buy part, rent the other part.

Kathryn: There's a lot of misunderstanding about shared ownership amongst not just the housing sector, but nationwide and in the public eye. And I think as a housing industry together, we need to make sure that we're working to make kind of a consistent approach to make sure that we're giving the same message. You said a second ago that you feel that it's working and it is understood in the South, but perhaps more work is needed up north. So, there's definitely some work to be done on the consistency of the message that we're putting out, not just as our organisation, but as a sector together.

Abigail: And in terms of who it's aimed at, I would say anyone who's aspiring to get on the property ladder, who can't buy on the open market for whatever reason, usually because the deposits are completely preventative. If you need 10 percent and the average house price now is £250,000, you know, good luck trying to save that. And you could be a shared owner as long as you don't earn more than £80,000 a year combined, which I think would class most people, to be honest.

Sara: And it doesn't have to have been your first home, does it?

Abigail: No, that's probably quite a common misconception…

Kathryn: It is another one of the misconceptions that you have to be a first-time buyer, whereas, you know, in my experience of dealing with shared ownership, we've actually seen quite a market for the older generations: people separating their selling family home. And when they're going on their own, they're not able to afford to buy another house on the open market, so again, another common misconception is that it is for first-time buyers only.

Beverley: Another misconception that we find a lot of is that they think that the service charges are hundreds and hundreds of pounds on a monthly basis, and they end up being £35-ish depending on the scheme.

Sara: So do the service charges apply to everyone that has a shared ownership property or is it just a particular type?

Abigail: Essentially, it depends on the lease. I would say generally if you have a flat, then, yes, you're quite likely to pay a service charge. That's because we're going to be responsible for cleaning the communal area, the grounds maintenance – if there's any applicable, communal lighting, everything like that. It's always worth remembering that we will have to insure the property as well so that the shared owner will be responsible for a proportion of that. And I would say that would apply to houses as well. If we do carry out any estate services, and yes, there would be a service charge, but it's not uncommon to find a shared ownership house where you're just paying an insurance fee and maybe a small management fee as well.

Anisha: And the service charge is explained to customers from the beginning and from the offset - they can find out more…?

Abigail: Yes. I mean, before they'll even agree to buy a new build, we'll have to get that service charge estimate out to people. Of course, when it's a brand new scheme it is just an estimate – we don't have the benefit of hindsight. So, of course, there's going to be some reconciliations to be made. But what I would say is all our residents will only pay for costs we've actually incurred. Whilst they might be paying an estimate for the first year and going forward, ultimately, they will only pay what we've actually spent as well.

Kathryn: Myths around shared ownership is that there's all these hidden costs, and they're not told about them upfront. I think, as a sector, we need to do a lot of work about making people aware they are not hidden costs. So, we just need to make sure that they're understood from day one so that you don't have, you know, people feeling like they haven't been fully informed. So, working alongside their solicitor at the point of sale, making sure that everything they receive – I'm not going to say simple – but jargon-free. So we're not trying to catch them out, we're not trying to confuse them. They're not hidden costs. They're not scary. And like you say, they are part and parcel of having a shared ownership property, but they needn't be a deterrent or put people off.

Sara: The one thing that really stands out to me is that a lot of these costs aren't unique just for shared ownership or for a housing association. My friend bought a flat and it's not shared ownership – it's completely hers – but she still has to pay service fees for the building. But people don't ever actually talk about that, and it's not something that is widely discussed. So, I think that is where an angry kind of tone about all these extra costs comes but really, it’s just the same as anything else.

Abigail: That’s it, and it just needs that better education from the offset, really.

Kathryn: And it is I think it is the elephant in the room when you talk about shared ownership and leasehold as a whole. But it doesn't, it really doesn't need to be like that. There is nothing scary about it. As long as you are up front, let people know what you know, what they can expect. It really doesn't need to be a problem. It's important to remind our customers that when they're buying their homes, they are stress tests on an affordability calculator that does factor in service charges. It doesn't just say, right, you can afford the mortgage. It does factor in the rent and the service charges and it is stress-tested to make sure that we're not going to be leaving them in a position that they can't afford to maintain those payments.

Anisha: I think so many prospective buyers don't know that. I think because the details are relatively new to lots of people. And we all know what renting is, we all know what buying a home is, but that weird ‘in the middle’ I think can be confusing to first-time buyers.

Sara: I was going to ask that: what other schemes do you think shared ownership does get confused with?

Beverley: From my point of view, I get buyers that say to me: ‘Is this the right-to-buy or is it the rent-to-buy?’ And then you have to distinguish between those different sort of ways of purchasing.

Kathryn: Yeah, there are schemes that it is easily confused with, but I know there's a national campaign at the moment to raise awareness of shared ownership, to kind of give it its own branding and give it its own identity to the same level, in the same extent that help-to-buyers, you’ve got help to buy, you’ve got help to buy shared ownership, but the branding has been massively overshadowed by the equity loan side of things. So, they've done a national campaign to, you know, bring shared ownership up to the same level, to try and make sure that people aren't getting confused between the schemes and that they have got the information that they need.

Sara: So, Kathryn, you've mentioned and I know you have as well, Bev, you've both worked for other housing associations. Are there any differences between how Stonewater approaches shared ownership to the places you worked for?

Kathryn: Yeah, I think so. I mean, the product itself is pretty similar. Obviously, we've got guidelines, we've got regulations that we need to make sure that we're following. But the geography of where different associations work and the nature of the customers that are buying homes in that area, you know, there are differences between the schemes that we offer and there are differences between the services that we offer as well.

I know, having moved from my old association to Stonewater, we've got a variety of different shared ownership leases that mean that we've had to tailor the service to make sure that, you know, our customers that have got these specific leases on their homes get the best service. When they call up my previous association, they were mainly all the same. So we had a very generic one route service for all of the transactions that our shared owners needed to go through. But it's quite refreshing to see that, at Stonewater, they've adapted their services to accommodate the fact that they've got all these varying shared ownership options for their customers.

Beverley: I agree. I think it's so much more user-friendly at Stonewater. The previous HA that I worked for, it was all about selling the property. It's all about targets. The product is there. Whereas at Stonewater, I've been with the organization for a year and there's lots of hand-holding. It's very customer-centric. The execs, from my point of view, we get to know the buyers and they all have a different story.

They all have that personal element. And it's really good to be able to understand what they need. Some of them need lots of hand-holding. Some of them need very little. But you have to adapt. And I think that's what you were talking about: this adaptability. And it's a warmer environment. I think people that buy with Stonewater have a very different experience, from what I can see.

Anisha: Is that the feedback that you get from buyers as well, once they're sort of six months into the property?

Beverley: Yeah, I mean, I sort of see them at the end when I hand the keys across, and that's such a fulfilling part of my job.

Kathryn: It's the best part of the role.

Beverley: Yeah, it's really good, and it's changing lives, you know it really is. It sounds really cheesy, but it does change their lives.

Kathryn: You know, you do get some shared owners that literally just want to be left alone and you get some shared owners that do need that hand-holding and they do want regular contact from you.

And I think that's why it's important to make sure that you've got an adaptable and versatile service so that it's not 'one size fits all'. You're going to have different people that have different needs and you need to make sure that your service meets that requirement.

Abigail: Definitely. You know, ultimately, Stonewater will be their landlord until they face staircase. But how much involvement they want with us very much depends. It's depends on the customer need.

Kathryn: Staircasing, again, it's another title that probably confuses people. Not literally do they think they're going to be buying a stair at a time, but it is a confusing term. Essentially, most leases will give you the option to 'staircase' up to 100 percent. There are some that are restricted for certain reasons, but essentially it means that if you buy into your property – your home – on day one at, say, 25 percent, if in five years' time you're in the position that you want to buy a further 50 percent, your lease allows you to do that.

So, as you acquire further shares in your property, in your home, your rent reduces to your landlord, so you're investing more in your home and not paying rent to your landlord. Most leases will allow you to staircase a number of times. Again, there are restrictions in some so I'd always advise that, if you're ever looking into staircasing, just give your landlord – give Stonewater – a call, and we'll happily have a look at your lease and see what your options are.

Those that do have the opportunity to buy 100 percent of their home, depending on whether you're in a flat or house, we'll decide whether you're able to acquire the freehold, in which case you are the absolute owner of your property – the same as you would be if you bought a home on the open market. If you are going to buy your flat at 100 percent, then you may need to consider that there will be ongoing service charges.

But again, your landlord will discuss all of those points with you to make sure that you're fully aware of what the transaction involves.

Abigail: Definitely. And none of that will be a surprise, or at least it shouldn't be a surprise at the point of staircasing. If for whatever reason, your property or your home is restricted to 80 percent, you will know that at the point of sale. So there should be no nasty surprises.

Sara: Sorry, just to play devil's advocate, if someone can only buy 80 percent of their home, why would that be something they would want to do? Why is that something people should still be interested in doing?

Abigail: That's a really good question, and, generally speaking, it's because that's an area where there is such high demand that the council have only agreed to allow us to sell the properties if they are restricted so they can essentially remain affordable housing in perpetuity. That's essentially the reasoning. In terms of why would someone want to do it: you're still getting that equity stake. You know, you still have a possibility of staircasing to 80 percent. It's still an attractive investment. And, you know, lots of people do remain at the equity stake that they initially bought. And I have to say that that's fine as well. There's absolutely no pressure from Stonewater or any housing associations to buy more. If they bought at 20 percent and are very happy, that's fine. They still have that equity that they could pass on to their children or use, if they need to, for retirement. I think that's where shared ownership comes into its own.

Kathryn: And I think, speaking in line with the staircasing chat we were just having, and also with the 80 percent restrictive leases, we need to remember that not every shared owner wants to go to 100 percent. You've got your investment in your property, but a lot of shared owners want the security of having their own home. They don't want to be in a private rented property that they don't know when they could possibly be evicted by the landlord. They've got the flexibility to do what they want with the home within reason – they can decorate it how they like.

It's quite easy for everyone to focus on the financials and think, well, why would you want to go into a property that you can only acquire 80 percent? Some people literally just want the security of knowing that is their home and no one is going to take that away from them. So, I think that's a really important part to remember with the cap leases, the restricted leases and with staircasing – it's there as an option for you. You don't have to take it up. We're more than happy if you just want to remain as a shared owner and keep that security.

Sara: Going back to financials, it sounds really complicated in the sense that you pay a mortgage, you pay rent and you pay service fees. Is it a case of that you make one payment a month, or how is it distributed generally?

Kathryn: You have your mortgage payment, you have your rent and the service charge payment, so it's two payments that come out every single month. The mortgage is your responsibility to keep an eye on. I get contacted from the mortgage advisor that originally set out my mortgage through the housing association that I bought through, and I know that similar financial advisors will do the same. Rent and service charges – you'll always receive notifications if your rent or service charge is going to change. That will come out to you in advance so you know where you stand with your finances.

Yes, it's two payments, not one, but in my experience, not just speaking personally, having dealt with shared owners previously, that rent and service charge payment alongside your mortgage normally equates to what you'd be paying on the open market if you had a property of that value. So, you're not paying more because you're paying mortgage and a rent.

Sara: Can I just ask, though, what's the guarantee that the rent won't suddenly increase to an unaffordable price?

Abigail: So, my team are probably sick of me saying this, but I would read the lease, you know, that is so key. Especially when you're dealing with people who are just so excited about getting that property, getting that home finally. For shared ownership leases, the rent increase is annual. The rate is always specified in the lease, there is always a calculation in there. So, there should be no nasty surprises as long as you or your solicitor have done their research.

Generally speaking, the increase is around about 1 to 1.5 percent, in line with RPI. So, there should be no nasty surprises there. In terms of service charges, I think it's important to say that they will always be variable; that's for shared owners, leaseholders, freeholders, variable service charges. But going back to Catherine's point of stress testing, that is always considered as well, just like they would if you were buying on the open market, you know, could you afford a sharp increase in mortgage interest?

Kathryn: And I think it's important to remember that we talk a lot about what happens if any service charges go up. Service charges can go down. When they're variable, they can go both ways. Yes, it's not guaranteed these service charges are going to go down or stay the same, but they don't always increase.

Beverley: When we look at schemes before they actually go to the development stage, we have to do some assessment work at the beginning, looking at affordable properties in that area. And we do calculations working on what people need within the area, what they're earning within the area.

So, when we have to prepare information to go to board, ensuring that the figures that we provide, with regard to the values at that time, are actually lower than what you would pay for renting a property of a similar stance - another three-bed property or whatever, so our figures, as we go towards the development process, are always looked at very, very carefully. So, when you’re talking about affordable housing, it's going to show that it's lower to buy a shared ownership property, part by part-rent, than it would be to rent on the open market.

Sara: Does that mean the quality of the homes then suffer as a result?

Abigail: No. And if anything, they're built to the same specification, I would say.

Beverley: At one time I think it was the social housing thing: when you go to a development site, ‘oh, it's only the social’. It's nothing like that now. The meetings that I go to on-site, we push for very, very high spec as much as we can. In fact, I get told off because I try and push too much.

[Laughter]

Beverley: They do not look like affordable social housing. They are beautiful houses.

Kathryn: The way I like to see it is I feel that every customer should be able to walk onto a development, see the home that they fall in love with and say: ‘right, this is how much I've got, what are my options for buying it?’. The home you get isn't dictated by what scheme you're eligible for. You pick your home and then you can see what scheme you're going to be suitable for. That means that all of them need to be of the same spec and of the same standard.

Anisha: And then, would you find that it's harder, or is it different, having to get a mortgage for a shared ownership property compared to if you were just outright buying?

Kathryn: The lending industry would be stupid not to keep up with that. They have to keep up with it. That's where some of the demand is and that's where some of their customers are coming from. That said, there's definitely work to be done with lenders on making sure that information is accessible for customers. On a high street lenders website, it's not always that easy to find the information you need, so there's definitely work to be done with lenders about making sure that that information is in the public domain so that people can, you know, find it in their own research.

Sara: Earlier you mentioned that it seems that down south, people are more educated about what shared ownership is and what's available. And there's a different kind of knowledge in the north. Are there more Stonewater homes that are available for shared ownership down south than there is up north?

Beverley: Yes, currently there is. I think a big growth area is due to be Leeds up to Harrogate – in that area. So, I'm sort of based in Derbyshire and I was employed about a year ago to take on the northern patch because the majority has been predominantly the Midlands, the southern areas, where knowledge and salaries are higher. And so, moving up to the north, affordability is still an issue, you know, there's a difference with buyers in the north and south, definitely, and the education of understanding shared ownership, as I mentioned.

Anisha: And just quickly going back to charges and Stonewater being the landlord: when it comes to repairs and maintenance and that sort of thing. Is that specified in the lease?

Abigail: Yeah, so that's probably one of the most important points to mention is that while you may only own a 25 or 40 percent equity stake, you have a full self-repairing lease. So that essentially means you have all the normal encumbrances associated with home-ownership. So, it's not the traditional landlord and tenant relationship. So

Stonewater as landlord wouldn't be responsible for any repairs inside your home, although if you do own on an estate or if you have a flat, we would be responsible for communal areas, the structure of the building if it's a flat. So that's something that I think also needs to be publicised. I would pretty much guarantee that to our customers that wouldn't come as a surprise to any of them – we're so keen about getting that information out.

Anisha: That's quite a good thing to discuss actually, the re-sell approach. So if you're a shared ownership owner and then you want to move on or change location. How does that work?

Kathryn: Well, it's relatively simple. Stonewater, like I said earlier, have got a variety of different ways that shared owners can sell, depending on the nature of their leases. Just to kind of go down the standard route, most leases will have a nomination agreement in them that says that the landlord has a certain amount of time and that can vary normally between about four and eight weeks to nominate and find a buyer for them. That said, there are a few leases that don't contain those nomination rights. But again, all of that will be explained at the point of sale. It's really not a hurdle. If anything, you've got the helping hand of your landlord – Stonewater in this case – to help you through that sales process.

Abigail: And if, for whatever reason, we couldn't find a buyer within that period, then you can, of course, go on the open market, as you would anyway.

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Sara: Okay, I'd like you to pretend that I'm a Stonewater customer and I want to buy a property, a shared ownership property, or at least I think I do. I don't know anything about it. What would be your first tip or your one bit of advice for me for knowing that I want to consider this?

Beverley: We have buyers that come to us like this. It's like: 'right, I don't know whether this is the right thing for me or not'. And we always point them in the direction of, 'okay, you've answered those questions, you don't own another house, you haven't got any more than £80,000 coming into your household; right. let's see what we can do for you; where would you like to live?'

What we always say to them is, first of all, 'you must be really, really honest', because we have situations where people want to buy but it's not affordable for them, and we don't want to get them into trouble. So, they need to be honest about any bad credit, any loans that they have, that sort of thing. And you've got to get to know that buyer initially. You've got to find out all their personal circumstances, but just get everything out there.

And then, once you've got the picture of what's going on, we can then decide what the best route for them is, be it a two-bed, three-bed, in what area. But I would always say straightaway: 'just be honest', you know, 'tell us your story and we will help as much as we can'. So that's always the first question that we do as a sales exec.

Sara: We've spoken to a couple of people from Stonewater and a lot of them – it's more on the social housing side – and they've talked about how customers are at the heart of it. That's still the same, even for shared ownership properties?

Beverley: Oh, definitely. More so sometimes because we have to know, because they're going to go through all the financial checks, and they all have a story. You know, it's a very different story. So, we need to know exactly what's going on and be able to help with those personal circumstances because they are so different.

Kathryn: Most of our customers, we need to remember that it's a daunting experience for them. Buying a home is not something you do every day, it’s one of the biggest decisions that you will make in your life. As Bev said, it's very important to make sure that they've got all of the information they need, that they're honest, and that we are 100 percent relatable to them so that they feel they can be honest, they feel they can ask us anything they want to, and they feel that they are at the heart of everything that we're doing. So that's one of the most important things I always try to remember is: this is a massive decision that this customer is making. Are we doing everything we can to make sure they're making the right one?

Beverley: Because we market our properties generally, we start marketing about 40 percent just as a gauge. But what we will do with certain buyers is if their affordability comes in and it doesn't quite meet the 40 percent, if we can make it work for them at, say, 35 percent, depending on the scheme, we will do it because they will obviously have that housing need. It's important for them to get a home. So, we will work with them and try and sort something out for their circumstances. So, there is that flexibility as well. Where we have it, we will do it.

Sara: With everything you've said. I personally don't understand why – if someone wants to buy a house and shared ownership is the route they need to go down – I personally don’t understand why no one would want to do that? But there seems to be such a negative. I think we've touched on it before when we've said about service charges and stuff like that. What other things do you think contribute to people having a negative perception of shared ownership?

Abigail: Well, I suppose speaking you sort of in a wider context, it's probably the fear of leasehold. I mean, leasehold is under a lot of criticism at the moment. And there are huge plans for leasehold reform and that in some part does include shared ownership. So, I think there's probably a lot of misconceptions around ownership and the different types. In terms of actually myth-busting, I think the best we can do is just make sure that they have all of those answers before they buy, really, and be transparent.

Sara: Can I just ask you to clarify what is meant by leasehold?

Abigail: I know we bandy these terms around, but essentially leasehold would be, typically, your flat, so you can never own a structure of a flat unless you collectively get together with the other owners. So, the most ownership you could achieve is leasehold. So that is: 100 percent you own that flat, but you don't own the land on which it sits. And that's what freehold is. In law they say a freeholder owns the home to the hells below and the heavens above. That is absolute ownership in legal terms.

Shared ownership is a bit of a unique hybrid in some respects. It's often called leasehold, which it is technically, but it can also be essentially a long, assured shorthold tenancy. So, I think that might put people off as well is the length of a lease. Usually shared ownership leases are granted at about 99 years, so I think there's a lot more the government could be doing. I'd love to see shared ownership properties of 999-year leases. I mean, that would be incredible. So, I think what might put some people off is something that certainly housing associations and the government to some extent are aware of and are trying to combat. You know, we do have a long way to go, but I think it's just being transparent, really.

Sara: Do you think another problem is to do with the availability of some of the shared ownership homes? And are they in the right areas? And are there certain areas that are in particular need?

Abigail: Possibly. I mean, in terms of our sort of development, speaking to my manager, he's saying we're focusing, like you say, on the growth areas, but also the Oxford or Cambridge link as well. We've actively chosen not to build in London because it's already pretty well self-served and land is so expensive. So there probably is an element of where demand is needed. And of course, there is a supply issue. You know, that's why we have a housing crisis.

Sara: I think you've resolved all of the myths that I had.

Anisha: Me too! I've got a much better understanding of what it is in that conversation.

[Thank yous]

If you would like any more information about everything that we've talked about in today's podcast, check the episode description and we'll have all the links so you can find out all the relevant information. We hope you've enjoyed this episode of Stonewater’s On The Air. Thanks for listening. We'll be launching a new episode every other Wednesday, so stay tuned for some more great conversations.