

SHARED OWNERSHIP LEASES EXPLAINED



This booklet explains the lease extension process if you decide to extend your lease at the same time as selling your Shared Ownership home or buying more shares. If you are doing a stand-alone lease extension instead, please visit: mtvh.co.uk/contact-us/homeowner-enquiry/

How much does extending a lease cost?

The cost of your lease extension will be based on the share you own of your property and the number of years remaining on your existing lease. As the lease length goes down, the cost of extending the lease goes up. There will also be other costs besides the lease extension premium which are detailed in this booklet.

You may find it costs slightly less to extend your lease at the same time as you buy more shares or sell your home rather than as a stand-alone transaction. SO Resi is not able to provide you with an estimate of the cost of the lease extension premium in advance. We confirm the exact cost once we receive the RICS surveyor's report.

Find out more about extending a lease for...

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Who should I contact for more information?

If you are selling your home and would like to extend your lease at the same time, please email resales@soresi.co.uk

If you are buying more shares and would like to extend your lease at the same time, please email aftersales@soresi.co.uk

If you would like to do a stand-alone lease extension, please email conveyancing@mtvh.co.uk

About extending your lease

Homes with a lease length below 85 years can be harder to obtain a mortgage for as some providers are reluctant to lend on properties with short leases. Extending a short lease can help, and is now simpler than it used to be. If you are a Shared Ownership leaseholder, you can staircase or sell and extend your lease all at the same time. This booklet explains more about your options.

Simplifying leases

In June 2022 the government introduced some major changes to leasehold law, including lease extensions. These changes are making it easier and cheaper to extend leases. Metropolitan Thames Valley Housing (MTVH) now offers lease extensions to take your lease up to 990 years where possible, and has also removed marriage value from our lease extension calculations. See the glossary to find out what marriage value is.

Extending your lease can still be a complicated process and we recommend you seek professional legal advice. Before you can extend your lease, you will also need a formal written valuation by a RICS surveyor. RICS is the Royal Institution of Chartered Surveyors.

How much does extending a lease cost?

The cost of your lease extension will be based on the share you own of your property and the term that remains on your lease. SO Resi is not able to provide you with an estimate of the lease extension premium in advance. We confirm the exact cost once we receive the RICS surveyor's report.

If you extend your lease at the same time as selling you may save on legal fees and valuation fees. The process will also be quicker than doing the transactions separately.

Our Shared Ownership homeowners are very important to us. We want you to have a home you love and all the support you need, so we have dedicated teams to explain everything and answer all your questions.

Extending a lease for a flat in a building owned by MTVH

Under the 1993 Leasehold Reform Act (as amended) leaseholders of flats can apply to extend their lease. Although Shared Ownership leases are not covered, shared owners can apply under something called the informal process. See the glossary to find out more about the informal process and how it is different to the formal process.

MTVH will offer a lease extension to take your total term up to 990 years with a peppercorn rent – a ‘free’ level of rent, which is set for legal reasons.

+ Who is eligible?

All shared owners can apply to extend their lease under the informal process. There is no need to have lived in your home for two or more years, as there is with the formal process.

The fees and costs should also be lower than with the formal process. By extending your lease at the same time as selling or staircasing your home, you are likely to save on costs and time, because you will only need one combined valuation.

However, shared owners are not covered under the terms of the 1993 Leasehold Reform Act, so you will only be able to extend the term of your existing lease rather than qualify for a completely new lease and you won't be able to negotiate the premium you pay to extend your lease.



+ A step-by-step guide

Step 1

Let us know that you want to go ahead with a lease extension alongside your sale or staircasing transaction.

Step 2

Request a combined lease extension and valuation report from one of our recommended RICS surveyors. This will be valid for six months. If your lease extension isn't completed when the valuation expires, you will need a desktop valuation from the surveyor to continue the process.

Step 3

Once we receive the valuation report we will write to you to confirm the premium we will accept for the extension. The amount is based on the valuation and isn't negotiable.

Step 4

If you agree to the premium we offer, just return the completed Confirmation to Proceed form that comes with the offer letter.

Step 5

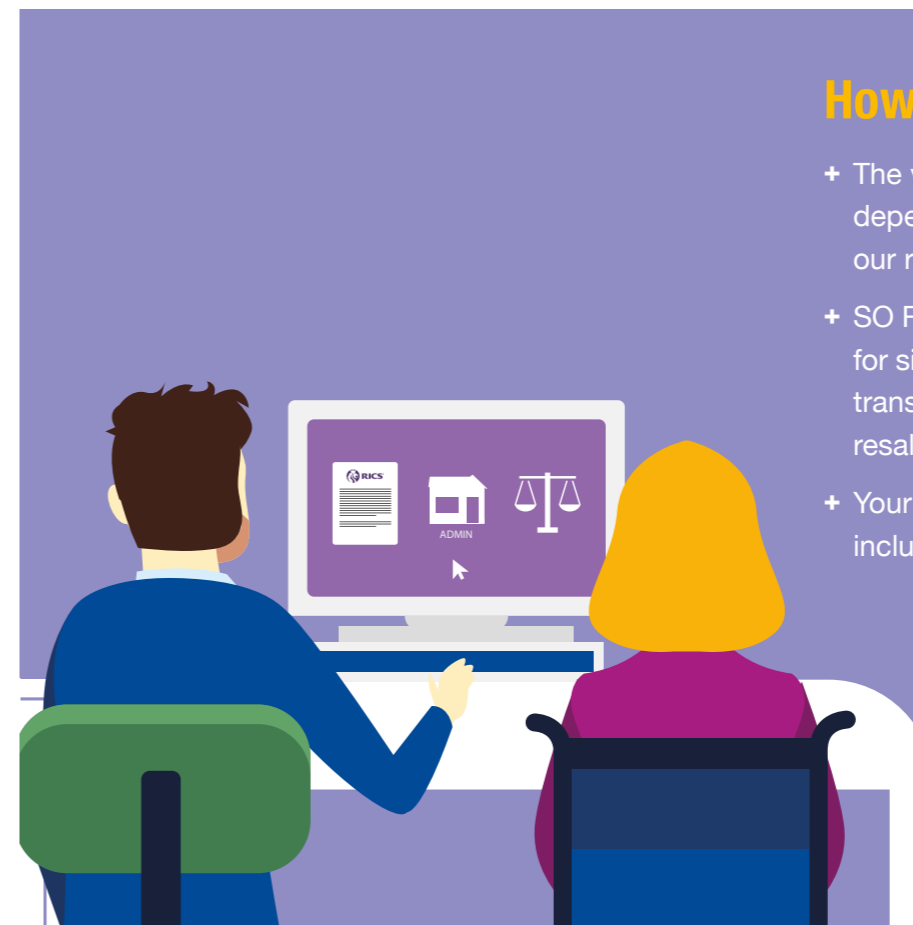
If the lease extension is agreed, we will formally instruct our solicitors. They will contact you or your legal representative to confirm their instructions and proceed with the lease extension. You will also need to instruct a solicitor and you are responsible for any costs associated with the lease extension. Find out more about the costs below.

Step 6

Once the lease extension transaction is completed, your solicitor is responsible for registering the new lease with the Land Registry.

How much does it cost?

- + The valuation will cost £420-£510 including VAT, depending on your location. You must use one of our recommended surveyors
- + SO Resi's administration fees are £480 including VAT for simultaneous staircasing and lease extension transactions or £660 including VAT for simultaneous resale and lease extension transactions
- + Your legal fees are estimated at £950-£1,500 including VAT



Extending a lease for a flat in a building not owned by MTVH (including DIYSO)

MTVH may not be the freeholder of your property and may instead have a lease in place with the owner of the building. This lease may be longer than the lease which was granted to you. For example, MTVH may have been granted a 125 year lease and your lease may have been for 99 years. In these cases, it's possible to extend your lease for a term ending five days before ours.

If you're extending your lease for re-mortgaging or selling, this additional term may be sufficient. Please ask us about this option and we'll check whether it's available to you. In this instance, the costs will be similar to those outlined on page 3.

However, in most cases we need to extend the lease we hold with the owner of the building (the 'head lease') to be able to grant you an extension of your lease (the 'underlease'). This may only be possible if there is an individual head lease for each property in the building.

If all the properties in the building are held under a single head lease it may be much more complex and costly to extend the head lease because MTVH will have to make an application to the freeholder. It also means that we are not able to let you know how long this will take. If our application is successful, we can then grant you an informal extension to your underlease. It's unlikely that the freeholder will agree to a term of 990 years. Instead, freeholders typically offer the extension term that is offered within the Leasehold Reform Act of 90 years plus the unexpired term.

In both cases, we will require a formal undertaking from your solicitor confirming you are legally responsible for all costs incurred as a result of the lease extension – whether or not it is successful. This includes the premium to extend the head lease, any valuations, our administration fee and any legal costs associated with the transaction. It's important to know that while we won't charge an additional premium on the extension of the underlease, there will be legal costs associated with this transaction.



+ A step-by-step guide

Step 1

Request a combined lease extension and valuation report from one of our recommended RICS surveyors.

Step 2

Once MTVH has received the valuation, we will establish the amount we propose to offer the freeholder for the lease extension. We will then formally instruct our solicitor to serve the freeholder a Section 42 notice requesting an extension of 90 years plus the unexpired term. The freeholder must respond within two months of the date of the notice. They will normally instruct their own valuation before responding and their surveyor may need access to your home for this. Once our solicitor has been formally instructed, you are liable for any costs incurred if you withdraw from the transaction.

Step 3

Once MTVH and the freeholder have agreed the cost of the lease extension premium, the legal formalities between our legal representatives begin. At the same time as we extend our head lease, MTVH will grant you an extension to your underlease. Our solicitor will contact your solicitor to begin this.

How much does it cost to extend a head lease and underlease?

You are responsible for the full premium for extending the head lease, and all the other fees payable during the lease extension process. Here is a guide to those costs.

- + The full premium for the head lease – the cost of this varies
- + The valuation will cost £420-£510 including VAT, depending on your location. You will need to use one of our recommended surveyors
- + MTVH's solicitor fees are £660 including VAT

- + SO Resi's administration fees are £480 including VAT for simultaneous staircasing and lease extension transactions or £660 including VAT for simultaneous resale and lease extension transactions

- + Your legal fees are estimated at £950-£1,500 including VAT

- + The freeholder's legal fees, which can vary

There may be additional costs for registering the new lease with the Land Registry if certificates of consent are required.

Extending a lease for a Shared Ownership house

Under current legislation, owners of a Shared Ownership house can extend their lease using the informal process – but only for an additional 50 years on their unexpired term. If you do this, there is no option to extend your lease again in the future.

MTVH will offer an extension of 50 years plus the unexpired term. No ground rent is payable after the lease extension is completed.

Do you really need to extend?

If you have a Shared Ownership house and sell your home to a 100% buyer or staircase to 100%, it's likely that ownership of the freehold title will become yours. In this case, you may not need to extend your lease, unless it's needed for a remortgage. Some Shared Ownership houses have an equity cap that means they can't be staircased to 100%. If you're not sure whether this affects your home, please speak to your solicitor and to SO Resi.



+ A step-by-step guide

Step 1

Let us know that you want to extend your lease at the same time as you are staircasing or selling.

Step 2

Request a combined lease extension and valuation report from one of our recommended RICS surveyors. This is valid for six months. If your lease extension isn't completed when the valuation expires, you will need a desktop valuation to continue.

Step 3

Once we receive the valuation report, we will write to you to confirm the premium we will accept for the extension. The amount is based on the report and isn't negotiable.

Step 4

If you agree to the premium we offer, just complete and return the Confirmation to Proceed form that comes with your offer letter.

Step 5

If the lease extension is agreed, we will formally instruct our solicitors. Our solicitors will contact you or your legal representative to confirm their instructions and proceed with the lease extension. This process will happen at the same time as your sale or staircasing transaction.

Step 6

Once the lease extension transaction is completed, your solicitor is responsible for registering the new lease with the Land Registry.

How much does it cost?

You are responsible for the full premium for extending the lease, and all the other fees payable during the lease extension process. Here is a guide to those costs.

- + The lease extension premium – this varies
- + The valuation will cost £420-£510 including VAT depending on your location. You must use one of our recommended surveyors

- + SO Resi's administration fees are £480 including VAT for simultaneous staircasing and lease extension transactions or £660 including VAT for simultaneous resale and lease extension transactions
- + Your legal fees are estimated as £950-£1,500 including VAT

There may be additional costs for registering the new lease with the Land Registry, if certificates of consent are needed.

Glossary

Marriage value

Marriage value is the increase in the value of the property following the completion of the lease extension, reflecting the additional market value of the longer lease.

Head lease

Where MTVH has a head lease, this means we have a lease in place with the freeholder of the property. MTVH has subsequently granted a sub-lease to the shared owner.

DIYSO (Do-It-Yourself Shared Ownership)

This was a part-buy/part-rent scheme designed to help people get on the housing ladder. Under most Shared Ownership schemes, buyers buy a home through a housing association. With DIYSO, they could buy a Shared Ownership home on the open market. DIYSO is no longer available.

Informal process

A simple way of extending a Shared Ownership lease where the leaseholder contacts their landlord (usually the freeholder) to ask to arrange a lease extension. The price of the lease extension under an informal process is based on a RICS valuation and is not negotiable.

Formal process

The more traditional lease extension process is only available to 100% leaseholders, not shared owners. It starts with the homeowner serving a Section 42 Notice to their landlord, with a financial offer. The landlord can then choose to accept this offer or respond with their own asking price.



Making home ownership possible



We understand that there's a lot to think about when you're extending your lease. That's why we're here to help with all your questions. You can email us or find out more on our website.

Get in touch

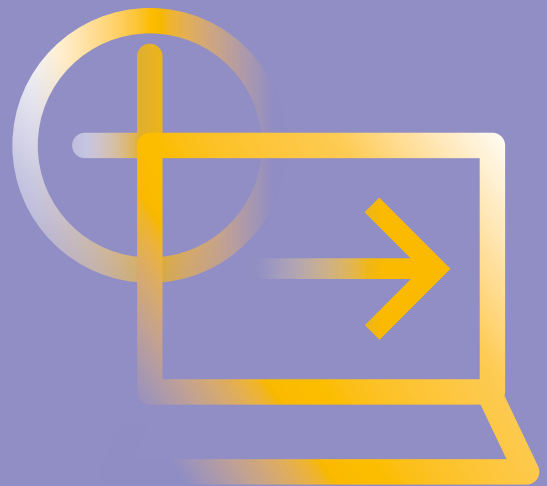
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Go to sharedownership.co.uk

Get social



About SO Resi

SO Resi is the customer-facing brand name of SO Resi Partnerships, the Shared Ownership specialists. We work in partnership with a wide range of organisations – from private investment funds to local authorities – to help make home ownership possible for more people.

For over fifty years, SO Resi has been taking pride in making Shared Ownership simple and straightforward, building and selling good-quality, affordable new homes and managing them well. Our expertise and experience, combined with the diverse strengths of our partners means we are now helping even more people in more places than ever, creating more communities that people are happy to call home.

This is important

If you take out a mortgage or a loan secured against it, you need to keep up your payments or your home will be repossessed. Make sure you can afford all the payments before you sign any contract with Metropolitan Thames Valley.

SO Resi terms and conditions include eligibility checks. Be sure you understand all the terms and conditions before you sign a contract with Metropolitan Thames Valley. We recommend you talk to a solicitor or legal advisor.

The details in this brochure are correct at the time of issue but may change. They do not form any part of a contract or agreement.