



Shared Ownership Mortgages

Frequently-Asked Questions



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Introduction

Whether you're a first-time buyer, or have owned a property before, applying for a Shared Ownership mortgage can be a daunting prospect.

Our advisers specialise in Shared Ownership mortgages and have helped hundreds of customers achieve their dream of owning a home with Sovereign Network Group (SNG).

Here are the most frequently asked questions we get from applicants, which we hope will help you feel more informed about the application process from start to finish.

SNG have their own FAQs about their process on their website:
<https://www.sovereignliving.org.uk/shared-ownership>.

We pride ourselves on our Service. We're on hand to answer any other questions you may have - give our dedicated Shared Ownership team a call on **01202 497975** or drop us an email at **SO@heritage-mortgages.com**.

Don't just take our word
for it...

Check out our 5 Star Customer
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What are the main steps in the process?

01 Financial Assessment

Give us a call, or send us an email with your details, and we'll contact you to carry out a 10-minute financial assessment to check if you're eligible for a Shared Ownership property.

02 Decision in Principle

If you are allocated a property, we will research the market to find the best mortgage product for your circumstances and obtain a Decision in Principle within 72 hours.

03 Application

After you have reserved your property and Sovereign has issued a Memorandum of Sale, we will submit a full mortgage application for you. A fee of £199 is payable for our advice at this stage.

04 Offer

A valuation of the property will be instructed. We'll work with you to satisfy the lender's requirements until a mortgage offer is issued. This confirms the funds are approved and your solicitor can proceed once the legal work is completed. A further fee of £199 will be payable to us.

05 Protection

Taking out a mortgage is a big commitment. We'll provide a recommendation for mortgage protection to ensure you could continue mortgage repayments or pay off the mortgage in full if you were unable to work, and keep you in your home.

06 Completion

We'll be on hand at every step. Once you've received your mortgage offer confirming your application is fully approved, we'll liaise with your solicitor and Sovereign to ensure your transaction goes through as quickly and smoothly as possible.

07 Review

Six months before your fixed interest rate is due to end, we will be in touch to look at switching you to a new mortgage product with the best rate available at that time. We can also help if you decide to move on to a new property.

A1. Why do I need to have a financial assessment?

Part of the eligibility process for the UK Government's Shared Ownership scheme is to ensure you can afford the repayments for the home you want to buy, which involves a short telephone assessment with a mortgage adviser (it takes around 10-15 minutes). It's a good idea to have your payslip and other details to hand for this.

We will take down basic information about you, your income, any financial commitments (such as loans and credit cards), your deposit, and the property you're interested in buying from SNG. We can answer any mortgage-related questions you may have during the call.

If you pass the affordability assessment, we'll send this to SNG, and it will be attached to your Shared Ownership application. SNG will decide who they want to allocate the property to and will let you know if you have been successful or not. This can take up to 2 weeks.

A2. Do I have to buy the share that SNG are advertising?

SNG will usually advertise their new-build properties at a 30% or 40% share, however it is possible to buy up to 75% of the property. We will qualify you for the largest possible share you can afford (in 1% increments) during the Financial Assessment. The higher the share you buy, the lower the monthly rent you'll pay to SNG.

If you are buying a Shared Ownership resale property (a pre-owned home), the process is slightly different, and you'll need to buy the share that is being advertised. It may be possible to buy a bigger share after you've completed on the purchase and own the property (a process known as "Staircasing", which is covered in section C7 on page 18 of this guide).

A3. What is a mortgage and how does it work?

A mortgage is a type of loan used to buy a property (i.e. a house or flat). You borrow this money from a bank or building society and pay it back monthly over a set number of years (the mortgage term). This could be up to 35 or 40 years, depending on the lender's maximum term and your age at application.

The longer the term, the lower the monthly repayment, and the mortgage will need to be repaid in full by the time you retire.

You'll pay interest on the money you borrow, which will be included in your monthly repayment. The faster you pay off your mortgage, the less interest you'll pay.

Mortgage lenders offer "products", with different features, charges, and rates of interest which are usually fixed from between 2 to 10 years. The most common products available for Shared Ownership are 2-year or 5-year fixed rate products. The amount you pay back each month depends on how much you borrow, the mortgage term, and the interest rate secured with the lender.

As there are many "high-street" and specialist lenders with different products to choose from (and differing criteria on who they will lend to), it can be difficult to know where to start. Most buyers use the services of independent mortgage advisers, such as Heritage Mortgages, to help them select the best mortgage deal for their circumstances.

SNG have chosen to add us to their panel of advisers due to our 5-star service and experience of Shared Ownership mortgages, and we'll explain all the features of the products we recommend to help you make an informed choice.

A4. What is a Decision in Principle?

A Decision in Principle (DIP) helps you (and SNG) to understand how much you could potentially borrow before you reserve a home and apply for a mortgage. It is based on basic information about your income and expenditure, and a credit check – usually a “soft search”, which is not visible to other lenders or detrimental to your credit score.

It is sometimes referred to as an “Agreement in Principle” (AIP) or “Mortgage Approval”.

The amount they could lend is not guaranteed and a DIP isn’t a legally binding agreement. A formal mortgage offer will only be issued once we have submitted a full mortgage application to the lender, a valuation of the property you’re buying has been carried out, and the lender’s requirements to verify the affordability of the loan have been satisfied. A “hard search” of your credit file will also be done at application stage, which will be visible to other lenders on your credit file.

If you are allocated a new build property by SNG, they will give you 72 working hours to send them a DIP before you can start the reservation process. Please get in touch with your adviser at Heritage Mortgages as soon as you hear that you’ve been successful, and we will send you a Fact Find document to complete your information.

We’ll research your mortgage options and get you a DIP with the best lender for your circumstances within the 72-hour deadline.

A5. I've got a poor credit score / I've have had credit issues in the past. Can I still get a mortgage?

We've helped many customers in these circumstances to get a mortgage with specialist lenders and achieve their dream of buying a home. This isn't guaranteed as it's dependent on what the credit issues are and when they occurred, as well as affordability for the loan, so we'll need full details and a copy of your credit report to determine whether we can secure you a mortgage. It's important to be fully open and honest about your financial history.

Your credit report is a financial record of any current or previous borrowing you've taken out over the past six years, which is updated every 30-45 days. It also confirms your current and previous names and addresses, any person you've made a joint application with, and any court judgments, bankruptcies or voluntary arrangements registered against you. It will be searched by the lender when you apply for a mortgage.

If you don't have access to your credit report, we recommend using Check My File <https://www.checkmyfile.com/>. You can sign up for a free trial and cancel it after you download your report, to avoid being charged.

Remember that it can take four to six weeks for new information to appear on your report. So, if you've recently repaid your credit card in full, for example, it may not be updated on your report immediately.

A6. I already own a property - is that a problem?

You can't own any other properties at the same time as a Shared Ownership home (anywhere in the world, not just the UK), so your current home will need to be "Sold Subject-To-Contract" before you can apply for a property with SNG. This means a buyer has made an offer which you have accepted, and the estate agent has drawn up a Memorandum of Sale which confirms the details.

The sale of your home can happen before or on the same day that you complete on the new Shared Ownership property. If you would like to complete on both the sale and purchase on the same day, your solicitor can help you tie the dates together.

If you are being "bought-out" of a property you own with another person, this needs to be done through a process called a "Transfer of Equity". This is a legal transaction carried out by a solicitor / conveyancer to remove you from the title deeds of the property in exchange for a monetary sum, and it will need to have been finalised before you can complete on the purchase of your Shared Ownership home.

A7. How much deposit do I need to put down?

The main benefit of Shared Ownership is that you can use a smaller deposit to buy your home, as it's based on the percentage of the home you're buying, and not its full value.

5% of the share you are buying is the minimum deposit you can use to apply for a mortgage. Here's an example:

- Full market value of the property: £300,000
- 40% share: £120,000
- 5% of £120,000: £6,000
- Mortgage required: £114,000.

Some lenders have a minimum requirement of 10% or 15% deposit.

A bigger mortgage deposit means you'll have paid off more of your home at the start, which could mean lower monthly repayments. It can also mean you'll pay less interest on your mortgage.

A8. Can my deposit be gifted to me?

Yes, you can use multiple gifts towards your deposit, as well as your own savings. However, lenders requirements around who can provide the gift can vary. As a broad rule of thumb, the gifted money should be:

- From a direct family member (parents/step-parents, siblings, grandparents, aunts/uncles related by blood, nieces/nephews, children).
- Originating from a UK bank account.
- An outright gift, not a loan.
- From a person that isn't intending to live in the property with you.

Please speak to us if you're unsure if a gift will meet the lender's criteria, as some are more flexible on this than others.

All lenders will require the person(s) gifting the money to complete a Gifted Deposit form, with a declaration that the money is a gift that doesn't need to be repaid, and that they have no stake or interest in the property you're buying.

Both SNG and your solicitor will carry out checks on the gift-giver to prove their identity and the origin of the money, to comply with anti-money laundering laws. They may ask to see ID and bank statements, for example, as part of their checks.

A9. When should I instruct a solicitor?

A solicitor that specialises in property law is also known as a “conveyancer”. They’ll sort out all the contracts, manage your deposit, request the mortgage funds from the lender, and carry out the legal aspects of the sale. They will also advise you on whether you’ll need to pay Stamp Duty Land Tax (SDLT) on your purchase.

Many solicitor firms offer fixed fees for their service, and these can vary from around £1500-2500 including VAT for Shared Ownership transactions. It is a good idea to get some solicitor quotes after you are allocated a property and have got a Decision in Principle in place.

SNG have a panel of independent solicitors who are experienced in the specialist sector of Shared Ownership Law. Their contact details can be found on SNG’s website: <https://www.sovereignliving.org.uk/shared-ownership/solicitors>

SNG will set a 6-week deadline to exchange contracts on your new-build property, and we recommend you use one of the firms on their panel to avoid delays in your sale.

Once you have reserved your property, SNG will tell you when you can verbally instruct your chosen solicitor to act for you. The solicitor will ask you to pay around £300 upfront to pay for searches and other fees they’ll incur, and the remainder of their fee will be payable on completion of your purchase.

B1. What do you charge for helping me with my mortgage?

We charge a flat rate of fees for providing mortgage advice which we have reduced for our Shared Ownership customers.

- £199 Application Fee, payable when we submit a mortgage application to a lender.
- £199 Offer Fee, payable when we receive a mortgage offer from the lender.

We receive commission directly from the lender after the mortgage completes, which is not charged to your mortgage account.

The Offer Fee is only charged to you once (a "Lifetime Fee"). If you use our services again in the future, for a new purchase or remortgage for example, you will only be charged an Application Fee (based on our fee structure at the time of application).

We don't charge anything for a Decision in Principle, or to switch products with your existing lender.

B2. Why do you charge fees?

We believe our service sets us apart from other mortgage advice firms and our business model is based on "quality over quantity".

Researching the right lender and applying for a mortgage can take an adviser several hours of work, and if there are any issues that need ironing out, this can increase tenfold. If you were to pull out or the mortgage doesn't complete, and fees weren't charged, the adviser will have done this work without being paid anything for their time.

Occasionally things outside of your control can go wrong during the buying process. Our experience and business relationships with the lenders, SNG, and their panel of solicitors enables us to speak to the right people and do all we can to get your purchase back on the right path.

By charging fees, we can afford to take on fewer clients and provide personalised support to all of them from the start to finish of the process. Other advisers that don't charge fees may be too busy to go the extra mile and their support may stop once they have got you a mortgage offer.

B3. Can I apply for a mortgage myself?

You can, but you'll need to do your research, as not every bank or building society offer Shared Ownership mortgages (as they are usually specialist products). Lender's criteria for acceptable mortgage applications varies widely across the market, and submitting multiple mortgage applications in a short period of time can have a detrimental impact on your credit score.

Some specialist lenders will only accept applications through adviser firms, so your selection will be more limited than ours.

If you choose to use us to provide mortgage advice, we'll use our specialist tools, knowledge, and experience of the Shared Ownership mortgage market to apply with the lender that best fits your personal circumstances – at the lowest interest rate we can secure for you.

We specialise in Shared Ownership mortgages and are familiar with the lenders' processes, which can help you get the mortgage offer faster and increase the likelihood that you will exchange contracts on your purchase within SNG's 6-week deadline for new build properties.

If interest rates reduce before you exchange contracts on your purchase, we will review your application and switch the mortgage product to the lower rate where possible (if the lender allows this), at no extra charge.

B4. When can you submit my mortgage application?

We can apply for the mortgage as soon as we have a Memorandum of Sale issued by SNG. This confirms your solicitor's contact details and information about the property you're buying, which we need to complete the application form.

B. Applying for a mortgage



B5. What do you need from me to submit my mortgage application?

This is dependent on your personal circumstances and the lender's criteria. As standard, we (and the lender) will need to verify your identity, income, and expenditure.

As a minimum, we will request copies of your payslips, bank statements, ID documents and proof of deposit. We'll also ask you to sign a form to agree to our Terms of Business and fees.

There may be some additional information/documents we require, and we will send you a personalised list of everything we need when we send you your Decision in Principle.

Lenders may have further questions or request additional documents after their initial assessment of your application before they'll grant you a mortgage offer. We'll work with you to satisfy their requirements.

B6. How likely is it that my mortgage will be approved?

All lenders assess the ability of the borrower to repay the mortgage loan. They all have different criteria about what makes someone a good candidate for a mortgage, and some lenders are willing to take more risk than others (and charge higher interest rates to compensate). The main factors an assessor (known as an “underwriter”) will consider are:

Your deposit – the higher the deposit, the better chance you’ll have of being accepted as you’ll need to borrow less money and are more likely to make repayments.

Your income – they’ll ask for proof of your income to ensure you can afford the mortgage you want. You must have a regular income (which isn’t made up entirely of government benefits) to be eligible.

Your age – most lenders require the mortgage to be repaid in full by the time you reach retirement, around the age of 70 or 75 as a maximum. If you are nearing retirement age, this may make the mortgage term too short to be affordable. Proof of pension income may also be required.

Your monthly spending – the underwriter will look at your bank statements to ensure you can afford to repay the mortgage each month. If you are regularly in (or over) your overdraft limit, have very high outgoings or spending habits, or have evidence of gambling on your statements, they may consider you to be less reliable to make your mortgage repayments.

Your credit score/report – this evidences your reliability as a borrower, based on your bank and credit account conduct over the past 6 years.

Some lenders don’t use credit scoring as a base for their decision and will take a more flexible approach when assessing applications, so please speak to us if you are concerned about this.

The lender will also instruct an independent surveyor to view the property (or review the plans if it isn’t built yet) to confirm it’s worth the purchase price and is suitable security for the loan (i.e. it could be sold to repay the mortgage if you were to default on the repayments).

If all criteria are met and the underwriter is satisfied with the application, they will issue a “Mortgage Offer”, which confirms the lender has fully approved the loan and the money is available for your solicitor to request once they have done the legal work and are ready to complete the sale. The lender will send a copy of the mortgage offer directly to your solicitor with some other forms.

B7. Are there any other costs to get a mortgage?

Some lenders charge fees for their mortgage products, or for valuations. We factor this in when looking for the best deal for you.

We'll always provide you with an illustration when recommending a mortgage product, which will clearly list all applicable fees for the mortgage, and when they are due to be paid.

Product fees – this covers the cost to the lender of setting up your mortgage deal. You may be able to add this to the mortgage loan (on which interest would be payable). The fee can range from a few hundred pounds to £1000. Some products with fees are offset by lower interest rates.

Valuation Fees – the lender will instruct a surveyor to value the property you're buying, to ensure it's worth the asking price. Most lenders will cover the cost for a basic mortgage valuation; others may pass the cost on to you. This is usually around £300-500, and is based on the value of the property.

You may choose to upgrade from the standard mortgage valuation (which is for the lender's purposes only and doesn't go into detail about the condition of the property), to a property survey, at additional cost.

You can choose from a Homebuyers Survey for around £300-500; or a full Structural Survey for around £1000-1500 (which is far more detailed).

The surveyor will look for and report on any safety issues and repairs that are required and can prepare this report for you at the same time as the lender's mortgage valuation. We'll discuss the options with you before we submit a mortgage application.

B8. How soon can I expect a mortgage offer?

This is heavily dependent on the individual lender that we apply with. Their timescales vary, but we usually expect an underwriter to assess your application and any documents we upload as evidence within 3-5 working days. However, their timescales can increase during busy periods, and we have no influence on this.

Each lender has their own criteria and list of requirements they need before they are willing to agree your mortgage. You can help us get your mortgage offer faster by returning any documents we request as soon as possible, so we can get them in the underwriter's queue for assessment.

In a nutshell, it is impossible to accurately predict or guarantee how long it will take to get the mortgage offer, but it can be as little as 2 to 3 weeks from submitting the application.

C1. What do the terms “exchange” and “completion” mean?

Exchange is the point that the buyer and seller exchange contracts on a purchase of a home, and the transaction becomes legally binding. Your solicitor will have completed their legal checks on the property and reported to you on their findings in preparation for this.

Your solicitor will ask you to transfer your deposit to them before contracts are exchanged, so they can forward the money to the seller’s solicitor on your behalf. If you pull out of the transaction after contracts are exchanged, you will lose your deposit.

Solicitors will never send their bank details to you over email for security reasons. Be wary of scammers.

SNG will give you a deadline of 6 weeks to exchange contracts on their new build properties from the date you reserve, so we will need to start the mortgage application process as soon as you receive a Memorandum of Sale from them to give yourselves the best chance to meet their deadline. It may take a lot longer to exchange contracts on a Shared Ownership resale property on which there is a “chain” of onward sales.

Completion is the point that the sale is finalised, and the property becomes legally yours. Your solicitor will have requested the mortgage funds from the lender (usually the day before completion) so they have them ready to forward to the seller’s solicitor on the completion date.

The completion date is usually agreed between the seller’s and buyer’s solicitors at exchange of contracts. There tends to be around a week’s gap between these dates so both parties can prepare, but it is possible for exchange and completion to happen on the same day.

If your property isn’t due to be fully built within that timescale, contracts can be exchanged with “Completion on Notice”. The solicitors will agree a completion date and request the mortgage funds once they are notified that the property is ready for handover.

C2. When will my first mortgage payment be taken?

This is dependent on when your purchase completes and which date of the month your Direct Debit has been set up to be collected. It will usually be taken the month after the mortgage has started.

The first payment will include interest from the date the lender has released the funds to your solicitor, up to when the first payment is taken. So for example:

Funds released 14th January, Direct Debit collection is set up for 1st of the month.

First payment will be taken on 1st February and will be interest from 14th-31st January; PLUS the usual monthly repayment quoted on your mortgage offer.

The lender will write to you within 5-7 business days of completion of the sale, to confirm exactly what your first payment will be and when it will be collected.

C3. How long is my mortgage offer valid for?

Most lenders' mortgage offers are valid for 6 months; some others are valid for 3 or 12 months. The date of expiry will be noted on the offer document.

If your property isn't going to be ready for completion before the mortgage offer expires, perhaps because the developer has experienced setbacks on the build schedule (or there is a delay in the chain if you're buying a resale property), it could be possible to extend the mortgage offer for a set period. The process varies between lenders, so we can advise further if this occurs. We won't charge you for offer extensions.

C4. Do I need to arrange life insurance?

Life insurance isn't mandatory for the mortgage offer but is highly recommended by lenders and mortgage advisers when committing to a large loan or mortgage, especially if you have a partner or dependents who would be severely impacted financially if you weren't around.

You've no doubt heard the phrase quoted on adverts; "Your home could be at risk if you don't keep up repayments on a mortgage or other loan secured on it". This essentially means, if something went wrong which meant you were unable to pay your mortgage, perhaps due to a long-term illness or injury that means you can't work, or the death of a "breadwinner", then there is a risk of your property being repossessed by the lender.

We'll review your options for different insurance products (not just life cover) that will provide a tax-free lump sum or replacement income to help you pay the mortgage and keep you and your loved ones in your home if the worst happens, as part of our standard service. We don't charge fees for this, although the insurer will pay us commission directly for the work involved in arranging the policy.

After applying for your mortgage, we'll provide you with the best quote from our panel of insurers, who we've chosen because of their quality products, competitive prices, and their track-record of paying claims quickly. We'll work with you to find a tailored solution that fits within your budget.

Note: Beware of price-comparison sites! Most life insurance policies listed on there are priced cheaply for the first year, then the cost will increase each year. They may also not cover claims for illnesses or scenarios that are covered as standard by the insurers we recommend, whose prices for good quality cover are guaranteed never to change for the full term of the policy once it has started.

C5. Do I need to arrange buildings insurance?

SNG arrange the building insurance through the terms of the lease, and you will contribute to it through the Service Charge you pay to them. So you don't need to arrange a separate policy.

We recommend you set up a suitable home contents policy to insure your belongings. Don't underestimate how much all your belongings are worth, as some insurers will pay out nothing if they feel you've undervalued your contents after assessing your claim. There are online calculators to help you work out how much you should insure your contents for; you may be surprised at how much this adds up to.

C6. What happens at the end of the fixed rate of interest on my mortgage?

Most mortgages we arrange for customers are on a 2-year, 3-year, or 5-year fixed rate of interest. At the end of this fixed rate period, the lender will automatically switch you onto their standard variable rate, which can change monthly and could be higher than the fixed amount you were paying previously.

Six months before the end of the fixed rate period, your adviser at Heritage Mortgages will get in touch to review your circumstances. They'll discuss the available options for a replacement mortgage product with you, either with the same lender or a new one, and arrange for the new rate to start seamlessly once the current mortgage product finishes.

C7. Can I buy a bigger share of my property in future?

You can buy a bigger share of your property, usually in 10% increments (up to 100% ownership) through a process called "Staircasing".

Some properties may have restrictions on the lease, which limits staircasing up to 80%, or in different increments. SNG and your solicitor will highlight any lease restrictions to you before you purchase.

You can buy these additional shares in cash, or via additional borrowing on your mortgage. Please contact your adviser if you want to look at your mortgage options.

Legal work will be required to staircase, so you should obtain some solicitor quotes to factor in the costs when deciding what share you can afford. SNG's panel of solicitors will be able to help you.

The property will need to be valued by an independent Surveyor, and the price agreed with SNG. You can find more information on their process on their website:

<https://www.sovereignliving.org.uk/shared-ownership/staircasing>.

If you have any questions which haven't been answered by this guide, please get in touch with our advisers on 01202 497975 or SO@heritage-mortgages.com.