

## Shared Equity

### 1. Definition

The Society defines shared equity as where the borrower only pays a percentage of the full open market purchase price of the property but acquires ownership of 100% of the property and the balance of the purchase monies are provided by an equity sharing lender (often the vendor). Our requirements in relation to such schemes are set out below in clause 3.

### 2. General

- Acceptance of shared equity cases in the past is no guarantee of future acceptability and you should advise your clients accordingly;
- Please note that conveyancers acting for Leeds Building Society accept the usual responsibilities of conveyancers acting for mortgagees, including the requirements of the CML Lenders' Handbook. These notes do not detract from those general responsibilities.
- The Society will only lend on shared equity schemes in England and Wales.

Shared equity should not be confused with shared ownership (where the borrower buys an initial percentage of the market value of the property and has the right to acquire additional shares in the future up to 100%) or the Homestake scheme. Our specific requirements in relation to shared ownership and Homestake can be found at [www.leedsbuildingsociety.co.uk/solicitors/index.htm](http://www.leedsbuildingsociety.co.uk/solicitors/index.htm).

### 3. Requirements

The Society's requirements are as follows:

- The borrower pays a percentage of the full purchase price (e.g. 75%) but must acquire ownership of 100% of the property.
- The balance of the purchase price (e.g. 25%) must be provided by an equity sharing lender as an interest free loan which is secured by a second charge on the property. Any future change in the value of the equity in the property, on a disposal or sale, will be shared between the borrower and the equity sharing lender in the relative percentages (e.g. 75% for the borrower and 25% for the equity sharing lender). The right of the equity sharing lender, to share in the equity, will be secured by the terms of the second charge. When ascertaining the amount to be repaid to the equity sharing lender, the calculation must disregard any increase in the overall total value of the property as a direct result of material home improvements made by the borrower.
- No rent is paid by the borrower in respect of the equity sharing lender's percentage.

- On disposal of the property, or earlier on expiry of the term of the borrower's agreement with the equity sharing lender, the equity sharing lender's percentage must be repaid (allowing 100% equity share for a future purchaser or the existing borrower).
- The repayment term of the borrower's agreement with the equity sharing lender must be at least 10 years from the date of purchase and it must also include an additional 5 year repayment period option for customers in financial hardship.
- If the equity sharing scheme gives the borrower the right to "buy out" / repay the equity sharing lender's percentage (or part of it) prior to the disposal of the property / expiry of the term of the borrower's agreement with the equity sharing lender, any such "buy out" / repayment must be at the current open market value.
- **The Society, as mortgagee in possession, must have the ability to sell the property on the open market and at full open market value, with access to 100% of the equity of the property in satisfaction of its charge, and free of any restrictions whatsoever.**
- The Society's mortgage must be secured by a first legal charge on the property.
- You should check the terms of the mortgage offer to ensure that the customer has selected a shared equity product. The Society will only lend on a shared equity basis when a shared equity product has been selected. If you are in any doubt, you must phone 03458 480061.
- You must ensure that the cumulative total borrowing does not exceed 100% of the value.
- You must ensure that the Society's mortgage does not exceed the amount which represents the percentage of the purchase price which is to be paid by the borrower.

**If the scheme does not meet all of the above requirements, the Society will not lend.**