

Title	Shared Ownership Eligibility and Affordability Policy
Document Owner	Director of Development
Approval	Policy Group - December 2016
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Corporate Aim	<ul style="list-style-type: none">• Create great neighbourhoods where people and communities flourish• Grow and expand our services, our reach and our range

1. POLICY PURPOSE AND AIMS

The Shared Ownership Policy has been revised following the Government announcements in November 2015 and changes to the Homes and Communities Agency (HCA) Capital Funding Guide (CFG) and sets out the criteria for eligibility and allocation on any future Shared Ownership homes which are sold as part of our Development Growth programme.

The aim of the Policy is to ensure compliance with the CFG and relevant legislation:

- Prioritise households who could benefit from Shared Ownership products
- Set minimum eligibility criteria to identify potential applicants who are able to benefit from a Shared Ownership purchase
- Maximize share receipts to meet the financial objectives of the Group
- Ensure sustainability for Shared Ownership in accordance with statutory and charitable status.

2. OUR POLICY

2.1 Sales approach

Our aim is to maximise the equity share percentages sold on all initial tranches for homes sold via the Shared Ownership initiative.

An average sales target to be applied across the Shared Ownership programme will be agreed annually by the Board, with the flexibility of offering initial tranches ranging from 25% to 75% which will be aligned to the outcome of the affordability test.

The first tranche sales target for individual schemes will be agreed by CDAP/Board at the scheme approval stage.

Sales via the HCA grant funded Older Persons Shared Ownership (OPSO) are restricted to a 75% maximum share either at initial tranche or staircasing. When the maximum equity level is achieved the CFG states that no rental charge can be levied. Whilst the sales to this client group will therefore range from 25-75% share, the maximum share will only be granted subject to an affordability assessment and confirmation that the sale of the home is financially viable.

All initial sales or purchases of additional tranches via staircasing will be subject to an open market value of the property, which will be determined by an independent member of the Royal Institute of Chartered Surveyors (RICS).

The annual programme sales target(s) will be set in advance of the financial year and aligned to financial benchmarks review and budget. This will be based on the anticipated Shared Ownership homes due for handover in the forthcoming financial year and will be subject to Board approval.

2.2 Geographical coverage and demand requirements

All future Shared Ownership homes to be developed or acquired will be situated within the priority geographical locations outlined within the Development Growth Strategy.

All new Shared Ownership development scheme proposals comprising 15 or more Shared Ownership homes will be supported by an independent sale and marketing report which will substantiate demand for the low cost home ownership within a specified location and considered at CDAP.

2.3 Rent charges

Our Shared Ownership rent levels will range from 2.25% to 3% of the unsold equity and will be subject to an affordability test.

As an example, we will set the rent levels lower for individual schemes which are located in higher value areas, exceed the affordability benchmark level and/or where local authority rent restrictions apply.

Annual rent increases will not exceed the provisions stated in the lease and will be in line with the annual rent review.

Service charges will be set in line with whg's Rent and Service Charge Policy.

2.4 Legal requirements

The term of the lease will be 125 years and charges will be set and administered in accordance with current legislation, including the production of annual accounts.

Where sinking funds are collected for maintenance and major repair provisions, these will also be included in the terms of the lease and annual fund statements will be issued to the leaseholder.

The leaseholder has the full repairing responsibilities of an owner-occupier once the defect period has expired. If the defect period has expired at the point of sale for a new build home and the property has not been previously occupied, the Group will provide a three month repairing obligation from the date of sales completion.

Staircasing provisions are included within the lease and the Group will sell the purchaser additional shares at the open market value determined by an independent RICS valuation and based on CFG guidance and affordability.

Management of Shared Ownership will be in accordance with the Leasehold Management Policy.

2.5 Eligibility

2.5.1 The CFG indicates the following requirements for applicants:-

- They must be registered with the Help to Buy agent for the region
- An applicant who is an existing tenant must not be in rent arrears or in breach of their current tenancy agreement at the time of the application.
- An existing Shared Owner can move to a new build Shared Ownership home, subject to affordability and disposal of their existing home at same time
- They must have sufficient funds to meet the one off costs of buying a home, with evidence of funds or mortgage availability in line with the HCA's CFG.
- Be able to purchase a share equal or greater than 25% of the property value and less than the maximum where applicable
- They must have a gross income of less than £80,000 per household
- Owner occupiers can have access to Shared Ownership, subject to written support from the relevant local authority

2.5.2 The following eligibility criteria for applicants have been added for the purpose of the whg Policy when not grant funded:-

- Applicants must be able to prove that any previous bankruptcy has been discharged and any previous court judgments have been satisfied
- All applicants must be over the age of 18 and living in UK. Applicants with time-limited leave to remain in UK will be considered on a case by case basis by the Director of Housing.
- Applicants must meet any additional eligibility requirements linked to funding arrangements or planning conditions
- If applicants are currently not working, the initial tranche is to be purchased through cash funds and the rental element to be assessed for payment through housing benefit or private funding arrangements

2.5.3 Older Persons Eligibility

The eligibility for older persons is as above in 2.5.1 with the following additional requirements:

- Must be aged 55 or over
- Any existing property must be sold before or simultaneous to shared ownership sale
- Applicants may need to retain a higher level of savings than other applicants to provide income to cover ongoing living and care costs. Judgement will be made on a case by case basis according to the individual circumstances of the applicant

2.6 Assessment

In accordance with the CFG requirements, Shared Ownership purchasers will be required to:

- Provide a copy of a current credit report produced by a company regulated by the Financial Conduct Authority
- Provide evidence of funds or mortgage availability
- Attend an interview with a member of the sales and marketing team

Any lump sums paid to eligible members of the armed forces as a result of illness or injury are to be disregarded when assessing eligibility and sustainability in accordance with the CFG.

2.7 Affordability

The scheme financial feasibility appraisal will include a first stage affordability assessment sensitivity test.

The HCA affordability calculator will be used to undertake an assessment of each prospective purchaser and this will be completed by either an Independent Financial Advisor (IFA) or Sales & Marketing Assistant.

Purchasers will be encouraged to buy the maximum share they can afford and sustain. A guide of 40% of net income for housing costs will be the basis of eligibility, which is in accordance with HCA guidance.

Equity shares will be sold flexibly in accordance with purchaser's specific circumstances and CFG requirements. First sale tranches will range from a minimum of 25% to a maximum of 75%.

Thereafter, Shared Owners will be able to buy additional shares by staircasing and will be required to purchase a minimum 10% tranche up to the full open market value of the property.

2.8 Allocation

2.8.1 CFG outlines that the Government has removed all priority groups for assistance, where there is under supply. The exception is when Armed Forces Personnel apply and in circumstances of under supply, priority must continue to go to serving military personnel and former members of the British Armed Forces discharged in the last two years.

2.8.2 In order to maximise income and to achieve targets, applicants who can purchase higher tranches will be given priority in order to achieve the aims of the Group.

2.8.3 The tenant must not be in arrears or in breach of their current tenancy agreement in line with the Allocations Policy.

2.8.4 Applicants are not restricted to purchasing property that only fulfil their current household levels (i.e. a couple can purchase a three bedroom home).

2.8.5 When a purchaser has access to public funds for the rental element, the allocation of a property will be based on their occupancy levels.

2.9 Equality and Diversity

whg is committed to fairness and equality for all, operating with professionalism, integrity and openness.

whg colleagues are eligible to apply for shared ownership and will be treated on the same basis as any other applicant in line with the Probity Policy.

3 PERFORMANCE MEASURES AND TARGETS

A monthly sales and marketing report including KPI/performance outcomes will be presented by the Sales and Marketing Manager to CDAP/Board.

4 MONITORING AND REVIEW

We will monitor the Policy in line with the strategy and review every three years or earlier should legislation be changed.

The shared ownership financial assumptions and benchmark included within the financial viability appraisal will be reviewed annually and approved by Board.

5 ASSOCIATED DOCUMENTS

Affordable Housing Capital Funding Guide

Shared Ownership – Joint Guidance for England

Development Growth Strategy

Property Misdescriptions Act

Complaints and Compliments Policy

Customer Excellence Policy

Allocations Policy

Risk Management Policy

Probity Policy

Rent and Service Charge Policy

Leasehold Management Policy