ACCESSING SHARED OWNERSHIP POLICY

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1 INTRODUCTION

1.1 This policy sets out Stockport Homes (SHG) approach to shared ownership allocations to ensure fair and equal access to shared ownership homes.

1.2 Shared Ownership is prioritised on a ‘first come, first serve’ basis to all customers who meet the eligibility and affordability criteria.

1.3 SHG will ensure that affordability and sustainability checks have been carried out by an Independent Mortgage Advisor on all applicants to protect the homeowner and public funds. In considering an applicant’s ability to sustain mortgage and rent payments, consideration will be given to whether the applicant has any adverse credit history. The business reason for this is that the applicant’s inability to manage finance commitments creates a higher risk of mortgage default and rent arrears.

1.4 This policy applies to every allocation of a shared ownership home to a prospective customer. Stockport Homes will ensure all prospective customers are aware of the process prior to expending any cost to themselves.

2 STRATEGIC LINKS

2.1 The following links have been identified:

- Homes England’s Capital Funding Guide
- Data Protection Act 1998
- Fraud Policy SHG 2021-202

3 KEY FEATURES

3.1 Quick reference points within the policy:

- Affordability Assessments 3.11
- Minimum Income Surplus 3.17
- Minimum Deposit 3.20
- Adverse Credit History 3.22
- High Interest Rate Lenders 3.30
- Cash Buyers 3.34

3.2 SHG is committed to providing affordable housing without barriers and doing the right thing for customers. In line with regulative guidance, SHG must be open in offering shared ownership homes on a first come, first serve basis.

3.3 Shared Ownership homes may sometimes but will not always be funded by Homes England. Generally, the homes England guidance will be followed for all shared ownership homes (Capital Funding Guide). The policy is set within the context of Government guidance on shared ownership contained with the Capital

Funding Guide. It is not intended to override or supersede any aspect of the guidance, which takes precedence over this policy. The main eligibility criteria for shared ownership are set out below:

- Be at least 18 years old.
- Have a household income of less that £80,000.
- Demonstrate you are unable to buy a home which meets your needs on the open market.
- Can afford and sustain the property purchase.
- Do not own another home in the UK or abroad.

3.4 All shared ownership properties will be advertised (as a minimum) in the following ways:

- On the Viaduct website.
- Site Signage.
- Via a mailshot to our register of interest list.

3.5 Customers are encouraged to register their interest for shared ownership homes in advance of them being released for sale. Customers can do this by completing an online form on the Viaduct website or by speaking to a Sales Advisor. Once a customer has registered, they can unsubscribe at any point. Whilst on the list customers will receive details on available homes, along with guidance notes and advice on how to apply. Once a date is set to release a property or development for sale, customers are given advance notice of the release time and date.

3.6 On the day of release an email is sent out to all customers who have expressed an interest. The email contains a link to an application form which should be completed by the customer should they wish to reserve a home. Alternatively, the form is available on the Viaduct website or customers can attend the office if they require assistance from a Sales Advisor.

3.7 The application form is electronic and upon being completed the back system will populate a spreadsheet with a list of time stamped applications. This allows SHG to provide a clear and transparent document which evidences the time and date which the form was completed and by whom. The list can be referred to, if necessary, to evidence fairness during the allocation procedure.

3.8 Properties will be allocated according to the list, unless a customer is in the priority group which is set by Homes England. Currently Armed Forces personnel get priority when applying for a shared ownership home. This applies to serving military personnel and former members of the British Armed Forces, honourably discharged within the last two years. If a member of the armed forces has died whilst in service, their priority can be transferred to their bereaved spouse or civil partner.

3.9 Whereby a home has been released to the register of interest list and remains unsold, SHG may advertise the home on a property portal, such as Rightmove. In these cases, the first come, first serve criteria will still apply and interested parties will be asked to email the sales team to confirm they wish to proceed. The email will be stored on file to show when the customer applied along with evidence that the home has been marketed to the register of interest list.

3.10 If after a home has been reserved and the sale does not exchange contracts within 28 days, SHG reserve the right to put the home back on the market, subject to the terms and conditions laid out in the reservation agreement.

3.11 SHG may in exceptional circumstances hold back a shared ownership home and allocate it to a customer who has already been approved for shared ownership on another scheme, however, has been unable to proceed due to circumstances outside of their control for example they have experienced long delays due to a contactor going into administration. In these circumstances approval would be required from the Head of Development.

3.12 SHG use Metro Finance to carry out their affordability assessments, however customers are not obliged to use Metro for their full mortgage application and are free to use another mortgage broker. Metro Finance are an independent, regulated mortgage broker who specialise in shared ownership mortgages and have working knowledge of the rules and procedures which providers are required to follow when delivering homes with Grant funding. A data sharing agreement and service level agreement is in place between SHG and Metro Finance.

3.13 An affordability assessment is carried out by an independent mortgage advisor on all shared ownership sales, including cash sales to ensure they meet Homes England eligibility guidance and are affordable and sustainable for the customer.

3.14 SHG is committed to providing affordable housing without barriers and doing the right thing for customers. In line with regulative guidance, SHG must ensure customers affordability is assessed free of charge and signed off by a qualified and regulated mortgage advisor alongside a budget planner.

3.15 An affordability assessment looks at a customer's income and expenditure along with their circumstances, including any known or likely future changes that will impact on their income and/or expenditure. Whilst carrying out the assessment, Metro Finance will also consider any relevant mortgage lending criteria and SHG policies, ensuring the customer is treated in a fair and consistent manner.

3.16 All income used for the assessments must be considered sustainable and if not acceptable by the mainstream lenders, Metro Finance may exclude the income from the assessment.

3.17 It is expected that any expenditure declared on the budget planner will be realistic for the household composition, and anything which is below perceived average spending will need to be verified via bank statements and an explanation provided. SHG will ensure that the customers individual circumstances have been fully considered, and that no applicant has been unduly disadvantaged.

3.18 In addition to any requirements set by Homes England and mortgage lenders, SHG require all customers to have a minimum of 10% of their net mortgageable income remaining on the budget planner after all deductions and stress testing the rent. If a customer does not have 10% remaining, they will be unable to proceed with the sale, as it would not be deemed affordable or sustainable. 10% leeway protects the customer against possible increased costs or unforeseen circumstances that have not been budgeted for. If a customer is purchasing a share below 25%, they will be required to have a minimum of 20% of their net mortgageable income remaining on the budget planner to protect them against the higher rent increases. These rules will apply whether the customer is using Metro

Finance or another mortgage advisor. The customers are also expected to be affordable on Metro Finance's internal budget planner, which requires a surplus of 10% overall net income, even if they are not using Metro Finance for their mortgage.

3.19 Customers should purchase as large a share as suitably affordable based on their individual circumstances. In cases where a customer requests a lower share, the advisor will record this on the sign off sheet with an explanation for wanting to retain a higher level of disposable income. SHG will need to see evidence or justifiable rationale for the lower share and may decline the request.

3.20 If a customer wishes to purchase a higher share than determined by the advisor, and where this does not fit within a provider's acceptable surplus monthly income, then this request may be refused by SHG.

3.21 SHG require customers to have a minimum of 5% deposit of the share price they are purchasing, this is to protect the customers from going into negative equity and reduces the financial risk to the mortgage lender and SHG.

3.22 Metro Finance will provide SHG with a sign off sheet and budget planner to confirm a formal assessment has taken place. The budget planner will be used by the advisor to help determine a suitable share price for the customer to purchase (between 10%-75%, dependant on the lease). The decision on a suitable share price can only be determined by a regulated, qualified advisor and not SHG. If a customer has adverse credit, Metro finance will refer to the below criteria when carrying out the assessment.

3.23 SHG would regard the following as 'adverse credit' and these would not be acceptable under the policy:

No CCJ's or Defaults that:

1. remain unsatisfied within last 2 years unless communication defaults i.e. defaulted/missed payments on a mobile phone bill.
2. satisfied or unsatisfied over £300 within the last 2 years.
3. In excess of £1000, registered at any time.
4. Inability to obtain a mortgage due to adverse credit.
5. Debt Management Plans outstanding or paid off within previous twelve months.
6. Mortgage arrears within the previous twelve months

We would not regard the following as adverse credit:

1. IVA's or Bankruptcy <u>discharged</u> 3 years ago or registered over 6 years ago and satisfied, with no further issues.

2. Previous repossession over 3 years ago , provided no outstanding debt to lender and no other credit issue in the previous 3 years. (Requires letter from repossession lender to confirm no outstanding debt).

3.24 If there are exceptional circumstances that explain the adverse credit and evidence can be provided to corroborate, Stockport Homes Group will use its discretion to decide if the reasons and evidence provided sufficiently mitigate the risk.

3.25 In any case, the adverse credit must be settled or paid in full at point of application. Unsatisfied and unmanaged adverse credit immediately demonstrates the issue is unmanaged and not under control. It also presents a risk to SHG or Stockport Council, in that there is potential for any unsatisfied adverse credit to be subject to bankruptcy or other action, that could lead to charges against the property.

3.26 When considering historic issues with any of the above adverse markers, the applicant's ability to sustain mortgage and rent payments, consideration should be given to the length of time discharged and subsequent ability to manage debts since the original event as outlined in 3.2 above.

3.27 It would be expected to see a clear credit file (since the event as outlined in 3.2 above) with no missed payments or further adverse markers.

3.28 There should be a plausible explanation for the bankruptcy, IVA or debt relief order for example a relationship breakdown or poor health.

3.29 Enhanced affordability and sustainability checks should be applied, alongside evidence of the applicants 'ability to manage a household', bank account conduct and other financial commitments.

High Interest Rate Lenders

3.30 SHG will not dictate which mortgage lenders buyers use. However, Stockport Homes Group will seek to ensure arrangements are affordable and sustainable.

3.31 There will inevitably be a variance in mortgage interest rates and deals buyers can obtain depending on their circumstances and deposit size. In some situations, applicants may only be able to obtain mortgage finance at a rate that is notably higher than average mortgage rates for shared ownership. This can be for multiple reasons, including employment status and credit history. Whilst such applicants may be able to satisfy affordability and sustainability, the higher mortgage rate at commencement creates a vulnerability in terms of the potential greater impact of changes to base-rate in future that can create additional risk for SHG or Stockport Council and the purchaser.

3.32 SHG will pay particular attention to any mortgage rate that is 2% above the average rate for the closest equivalent mortgage (considering loan to value, length of fixed rate term) of five mainstream shared ownership lenders (e.g., Leeds, Halifax, Nationwide, Santander, Barclays).

3.33 SHG will seek and act on the advice of an Independent Mortgage Advisor when deciding whether a higher interest rate lender is affordable and sustainable for the homeowner.

Cash Buyers

3.34 SHG will not accept a cash buyer if they are unable to obtain a mortgage due to adverse credit. Cash buyers may be required to provide a copy of their credit file during the application process.

4 OWNERSHIP, MONITORING & REVIEW

4.1 The ‘Accessing Shared Ownership’ policy will be monitored by the sales team three yearly to ensure it continues to meet Homes England or other funder audit requirements and is capturing all scenarios which could impact on our purchasers and SHG or Stockport Council. This Policy has been drafted alongside looking at best practice with other providers and is set within the context of the Government guidance on shared ownership contained within the Capital Funding Guide.

4.2 The policy will be updated more frequently should new guidance or legislation be published.