



Shared Ownership Sales Policy

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Policy Statement

Cheltenham Borough Council are committed to increasing the supply of housing and investing to build resilient communities. A key priority is to increase the supply of affordable homes across the borough across a variety of tenures including homes for rent and shared ownership. This policy statement sets out our approach to shared ownership.

The Ministry of Housing, Communities and Local Government (MHCLG) definition of shared ownership (sometimes known as 'part buy, part rent') enables people to buy a share of a property (usually between 25% and 75%) and pay a subsidised rent on the remaining share. Purchasing a share in a property requires a smaller deposit and mortgage, thereby making it a more affordable route to home ownership. Shared ownership properties are always leasehold and include the ability to buy further shares in a property over time (a process known as 'staircasing') until eventually attaining full ownership. The shared owner takes full responsibility for repairs and maintenance of the property.

Cheltenham Borough Homes (CBH) on behalf of Cheltenham Borough Council (CBC) will deliver, administer and manage shared ownership homes to help those who aspire to be homeowners but who cannot afford to purchase on the open market. The Policy will contribute to the delivery of CBC's Housing and Homelessness Strategy which seeks to achieve four principal outcomes:

- Increasing the provision of affordable housing
- Making best use of existing housing and improving our neighbourhoods
- Tackling homelessness
- Improving the health and wellbeing of our communities

Furthermore, the Policy will also serve CBH should it be a shared ownership landlord in its own right via its function as a Registered Provider.

Working in partnership, CBC and CBH have a vision to make Cheltenham a better place to live by providing great homes and stronger communities and consider that Affordable Home Ownership will contribute to this vision. In addition, CBH will work in partnership with the appointed Help to Buy Agent (South) to contribute to the national homeownership agenda and make it more affordable for our customers to buy a home. This Policy concerns Help to Buy Shared Ownership, also known as Low-Cost Homeownership and Part-Buy Part-Rent.

CBH will continue to manage shared ownership homes on behalf of CBC following their sale and will also administer the sale of further equity shares and resales thereafter.

This policy outlines how we will sell Shared Ownership properties in line with Homes England requirements (as set out in the Capital Funding Guide, CFG), Local Authority priorities and current best practice.

Please note that CBC's sheltered housing shared ownership scheme 'James Donovan Court', falls outside the scope of this policy, as these properties are sold under a separate Leasehold Scheme for the Elderly.

Reference material

It is important to read the policy statement in combination with other reference material, including:

- Homes England Capital Funding Guide
- CBC Staircasing Home Ownership Policy
- Data Protection Act
- Relevant Section 106 agreements
- Consumer Protection from Unfair Trading Regulations
- CBC Counter Fraud and Anti-Corruption Policy
- CBC Proceeds of Crime & Money Laundering
- CBH Anti Money Laundering Policy
- CBH Compliments-Comments-Complaints-Policy

Aims and Objectives of the policy

- Budgeted sales rates are achieved while working within grant-funding conditions and legal obligations.
- Staff have clear overarching guidance about how to assess applicants.
- Applicants are treated fairly and always assessed in line with the Homes England CFG.
- Applicants are financially assessed for affordability and financial risk to the organisation is minimised.

Eligibility

CBC may provide Help to Buy Shared Ownership properties through CBH in accordance with the Government's affordable home ownership policy and guidance at the relevant time. However, there may be some developments which do not form part of a registered programme and are built under Section 106 agreements, where the affordable homes are secured through developer contributions, which is not funded using Homes England Affordable Housing Grant.

CBC's requirements will be captured within the Section 106 Agreement specific for that development, unless captured separately in this policy.

In the case where there is excess demand in respect to the number of qualifying applications received versus the number of available homes for a particular development, properties will be sold on a 'first come first served basis'.

An applicant's ability to access Shared Ownership will be determined by assessment across the following areas:

1. Applicants must meet initial Shared Ownership eligibility requirements.
2. Applicants must be financially capable of purchasing their initial share and sustaining payments on any associated mortgage, rent and ongoing service charge commitments.

Criteria

The Local Help to Buy agent is responsible for carrying out a preliminary assessment for each applicant against Shared Ownership eligibility criteria.

Applicants eligible to apply will be one of the following:

- Over 18 years of age.
- Usually a First-time buyer.
- A previous owner occupier who used to own a home but now cannot afford to buy one on the open market.
- An existing Shared Owner looking to move.
- Armed Forces personnel, including serving military personnel and former members of the British Armed Forces are deemed to be a priority for homes sold on a shared ownership basis, on the basis that they have been discharged from service within the last two years.
- Able to demonstrate that they are unable to purchase a home outright on the open market suitable to meet their current housing needs.
- Not earn more than £80,000 per annum (earnings threshold for single and joint applications)
- Have sufficient funds for; a mortgage deposit, a cash purchase, and able to pay the associated costs of buying the home applied for.
- Able to access a mortgage and sustain mortgage, rental and service charge payments over time.

- Usually a British or EU/EA citizen or have indefinite leave to remain in the UK. An applicant subject to immigration control will need to fulfil the lenders requirements, which can vary dependent upon the length of time remaining on their visa, the type of visa and so forth, with each lender potentially having different criteria.
- Applicants accessing shared ownership properties are required to demonstrate that they can afford and sustain home ownership in the longer term.
- Elderly households who require accommodation suitable for their needs. Applicants over the age of 55 are likely to be eligible if they need to move because their current housing circumstances are inappropriate for their needs. This might be the case because their property is now too large or no longer suitable due to health, disability, mobility or support considerations.

For existing social housing tenants, the Help to Buy Agent will request that a landlord reference is completed as part of the application.

Joint Applicants

- An eligible applicant who wishes to buy a Shared Ownership home with someone else (that person must also meet the eligibility criteria) can only proceed on the basis that any joint applicants must become joint owners. Anyone joining the application who owns a home must sell it at the time of jointly buying through Shared Ownership.
- Current owner occupiers, including existing shared owners, can have access to Shared Ownership on the following conditions:
 - That they meet the general Shared Ownership eligibility criteria for the scheme (the annual household income is no more than £80,000 and are otherwise unable to afford to purchase a property that is suitable for their needs without assistance); and
 - The Local Authority has provided written support that the applicant has a qualifying housing need before being accepted onto the scheme.
- Each application will be assessed on its individual merits by the Help to Buy agent and CBH. Any existing owners / shared owners who are assessed as eligible to purchase through Shared Ownership will be required to sell their property at the same time as buying through Shared Ownership.
- Should there be exceptional circumstances where an applicant is prevented from selling their existing home, CBH will make a case to Homes England to ask them to consider waiving this requirement.

Local connection criteria determined by Section 106 Agreements

Where the development is subject to a S106 agreement and CBC as the Local Authority have defined 'eligible persons' in terms of local connection, CBH will seek documentary evidence from any buyers to evidence their local connection. CBH will not sell to any persons not meeting the local connection criteria unless all required written permissions are provided by CBC, and this may include a formal variation to the S106 Agreement. CBH will adhere to the specific provisions and conditions stated within the Section 106 affordable housing provisions that are specific for a site.

The Help to Buy Agency will send CBH the application form and confirmation of eligibility letter (required for audit purposes).

Allocation

CBH will offer prospective purchasers the choice within the Help to Buy Sales criteria above on a first come first served basis. This will apply to both homes built as part of a Registered Programme and also self-funded homes with a local sales criteria. Payment of the reservation fee will confirm the choice of home (see *Reservations*).

There may be an occasional exception to this is where there are homes provided for specific purposes or particularly suitable for particular client groups. For example, if a property is more suitable for those with disabilities, at the request of CBC, the local sales criteria *may* provide priority for such purchasers. Should such a scenario arise, this will be discussed from the outset and CBC, in consultation with CBH, will determine how best to proceed.

Reservations

Where a prospective purchaser wishes to reserve a particular property, a property reservation form will be completed and a reservation fee of £500 will be taken. The property will then be removed from the market.

If the purchaser withdraws from the purchase, CBH will retain £250 of the reservation fee as a reasonable contribution to its costs incurred and refund the remaining £250. The total reservation fee will only be refunded in the event of the sale not completing in the event of one of the following three circumstances:

- Mortgage failure. If the prospective purchaser applies for a mortgage, which is unsuccessful for whatever reason. Note: This should be uncommon as the pre-qualification Decision in Principle (DIP) undertaken by the panel mortgage advisor will expose most non-viable applications.
- Change of Employment Status. If a purchaser loses their job before the sale completes and is in a position where they would not be able to sustain the financial burden of homeownership.
- Viewing. The purchaser would likely have reserved the property 'off-plan', without seeing the property itself. When the purchaser eventually gets to view the property that they are purchasing, they may decide the property is not suitable for them and withdraw from the sale.

These conditions will be stated on the reservation form that will also state that purchasers are agreeing to them when they sign the reservation form.

Affordability

The local Help to Buy Agency is responsible for undertaking a preliminary financial assessment of any applicants based on the information they have provided on their application form to ascertain a prescribed mortgage level. They will write to the applicant to confirm this and to explain the next steps in their application for Shared Ownership.

CBH will typically work with a specialist mortgage advisor to undertake an affordability assessment for each applicant, using the Homes England Affordability Calculator, which is for free of charge to both CBH and the applicant. The Affordability Calculator is used to assess affordability and work out the maximum share that the customer can purchase. In line with Homes England criteria, applicants will be encouraged to purchase the maximum initial equity share they can afford given their current circumstances. The maximum affordability ratio is considered to be 45% of household income being spent on accommodation costs. The output calculation will be kept on file for audit purposes.

- CBH will not carry out credit checks and ordinarily will rely on mortgage lenders to do the required checks and searches. However, CBH does reserve the right to seek evidence to support the information given (for example, if there is some concern regarding finances and there is no mortgage involved in the transaction).
- As noted overleaf, households earning over £80,000 a year will not be eligible for shared ownership.

- CBH will typically seek to average first tranche shared ownership sales at 40% across a development. However, shares of between 25% and 75% will be possible on each development. This means initial reservations may only be taken at 40% + and then lower shares offered once it is known this is financially viable for individual schemes.
- The mortgage advisor will use the approved Homes England Shared Ownership Affordability Calculator to ascertain the following information for the applicant(s):
 - That the applicant(s) income would not allow them to purchase a property suitable for their housing need outright.
 - That the applicant(s) income and ability to access a mortgage will allow them to purchase through Shared Ownership, and sustain the monthly costs of home ownership on the property applied for
 - That the applicant(s) combined monthly mortgage, rent, service charge and debt costs for the property applied for would not exceed more than 45% of their net income.
 - That any applicant is maximising their mortgage contribution in line with the Homes England Capital Funding Guide – Help to Buy, Shared Ownership.
 - What the maximum affordable share for the applicant(s) will be. Buyers will be encouraged to purchase the maximum share that they can afford to purchase and sustain the monthly costs on.
- The mortgage advisor will be responsible for gathering the following supporting documents (either by email attachment or as a photocopy by post) in order to qualify each customer:
 - Photographic ID (Passport or Driving Licence) for all applicants.
 - Last 3 months' pay slips (If self-employed, they will need to provide 3 years of accounts by a qualified accountant or 3 years of SA302s, if the mortgage lender will accept these).
 - Proof of funds for a deposit (Bank statement or screen shot of online banking)
 - A 'Mortgage in Principle'. This proposes the amount the provider is prepared to lend, the interest rate and the number of years to repay (this can be arranged through the customers mortgage advisor).
 - Working Tax Credits (excluding child-care credits).
 - If 'local area connection' criteria' applies to the development (i.e. to buy in this area the customer must live or work in a local ward or have family there), the customer will need to provide evidence of this connection.
 - Any copy documents collected and processed as part of the affordability assessment process will be held in accordance with CBH's Data Protection policy and the third-party mortgage advisor Data Sharing Agreement.

- The mortgage advisor will also be able to help the prospective customer secure a Mortgage in Principle.

Cash Buyers

- Some applicants, particularly older people or homeowners going through a relationship breakdown, may be cash buyers and not take out a mortgage. CBH will seek to ensure that the cash buyer requires shared ownership to access sustainable home ownership and they are still maximising the initial equity share they purchase.
- CBH will seek confirmation from a mortgage advisor that the buyer is unable to obtain a mortgage if the applicant is young enough to access mortgage finance.
- For older applicants (aged over 55), it will be expected that they put the majority of any capital into purchasing the property. Some discretion will be used in applying this principle when in relation to shared ownership. In such instances the cost of care, service charges, and other living expenses will be considered as part of an assessment of what an appropriate level of capital would be for the buyer to retain.
- CBH will apply the principles of its Counter Fraud and Anti-Corruption Policy and best practice anti-money laundering principles in seeking verification and evidence of the source of any cash being used to purchase.
- Applicants receiving a gifted deposit will be expected to provide a completed Gifted Deposit Form from the family member providing the money. Only gifted deposits from close family members (parents, grandparents, siblings) will be permitted.

Approving the Mortgage Offer

Following the valuation survey, CBH will be required to view a copy of the purchaser's mortgage offer, including the amount of borrowing, interest rate and mortgage length. CBC as landlord must approve any mortgage offer received by a purchaser. This is to check that the terms of the mortgage offer are fair and that repayments will be sustainable for the purchasers. In addition, an affordability/sustainability sign off must be present in the customer file, to safeguard CBH/CBC as far as is possible from the financial loss that may be incurred in the event of future repossession.

Mortgages must be obtained from a lending institution that is regulated by the Financial Conduct Authority (FCA). In addition to seeking their own financial advice, potential purchasers will be able to obtain mortgage advice on the mortgage products available to them from a specialist panel mortgage advisor. As a guide, CBC, in consultation with CBH, will not approve a mortgage offer in the following circumstances, which are in

accordance with best practice, the FCA requirements and provisions noted in the Capital Funding Guide:

- If the interest rate in the mortgage offer does not match the rate used in the Homes England calculator. The Homes England calculator determines the applicant's affordability and ability to sustain home ownership in the longer term and is a key consideration when looking at the individual circumstances of prospective shared owners to ensure it remains affordable. This accords with industry good practice and the stipulations outlined in the Capital Funding Guide. Please see the section overleaf 'affordability' on page 7 for further details.
- If the address/postcode in the mortgage offer does not match the Memorandum of Sale and contract
- Where the mortgage offers further borrowing without CBC's consent.
- Where the amount borrowed exceeds the value of the equity share being purchased.
- Where the interest rate exceeds 4% above the standard variable rate (SVR) offered by the mortgage lender (Halifax, Santander, Leeds Building Society, HSBC etc).
- Where the mortgage term is more than 35 years unless there are exceptional circumstances or hardship. Any term in excess should be approved by the Executive Director (Finance and Resource).
- The applicant must always have the available working years remaining in accordance with the mortgage term.
- Interest only mortgages are unacceptable. It is deemed that should a prospective owner proceed with an interest only mortgage that this would raise questions about the long term affordability of their ability to maintain the required payments (mortgage payments and rent on unsold equity) due.
- The standard Mortgagee Protection Clause (MPC) must not require variation in any way, no additions, no caveats, no addendums.

Money Laundering policy

CBH staff leading on the sales will follow best practice and the relevant CBC policies and procedures relating to Counter Fraud, Anti-Corruption, and Anti Money Laundering. For any Shared Ownership Sales, the mortgage advisor will carry out early anti-fraud and money laundering checks as part of the qualification process of the customer in accordance with best practice. To meet legal requirements under fraud and anti-money laundering legislation, lenders lay down specific requirements for documentation including proof of identity, proof of income and proof of residence etc. The documents necessary to meet these requirements will be assembled by the mortgage advisor following prescribed procedures. Having assembled the documents, the mortgage

advisor will firstly satisfy themselves that they appear to be genuine documents and then package them together for the lender.

Staircasing

Please refer to CBC Home Ownership Staircasing policy for further information. Staircasing is a contractual right within the terms of the shared ownership lease. However, the model lease does contain a restriction that prevents a purchaser from staircasing within 12 months of initially becoming the leaseholder. In the very exceptional case where a purchaser might come into significant money unexpectedly within those initial 12 months and wishes to staircase, CBC will consider waiving the 12-month rule to bring in a capital receipt that can be recycled for future supply of affordable housing within the Borough.

Proposed new shared ownership model

All Shared Ownership homes delivered through Homes England Affordable Homes Programme 2021 to 2026 will be subject to the new model for Shared Ownership.

The proposed changes will include the following:

- Reduction of the minimum initial share from 25% to 10%
- Introduction of a new gradual staircasing offer, to allow people to buy additional shares in their home in 1% instalments with reduced administration fees.
- Introduction of a 10-year period for new shared owners where the landlord will cover the cost of any repairs. This is only where the repair is not covered by the new build guaranteed. There will be an expectation that any work required that is covered under the new build guarantee will be claimed by the policy holder (shared owner) in the first instance.

The gradual staircasing offer must be available for a minimum of 15 years and be applied to new Shared Ownership homes. Although, this will not be able to roll over to accumulate the gradual staircasing offer to purchase in future years – it is limited to max of 1% each year.

Please note the detail of the new shared ownership model is still to be published by Government and as soon as further information is provided this policy will be amended to reflect any changes.

Policy Review

In line with CBH practice of regularly reviewing its policies to ensure relevance, this policy will be reviewed formally on behalf of CBC every three years or whenever there is a legal or regulatory change that may affect it, with any recommendations then being made to CBC for approval.