



Shared Ownership Sales Policy

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1. Policy Statement

Cheltenham Borough Council (CBC) 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 through a variety of tenures including homes for rent and shared ownership. This policy statement sets out our approach to Shared Ownership homes.

The Department for Levelling Up, Housing and Communities (DLUHC) definition of Shared Ownership (sometimes known as 'Low-cost Homeownership or 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 accessible route into home ownership for lower income households. 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 of 100%. The shared owner takes full responsibility for repairs and maintenance of the property.

Working in partnership, CBC and Cheltenham Borough Homes (CBH) have a vision to make Cheltenham a better place to live by providing great homes and stronger communities and consider that Shared Ownership homes will contribute to this vision. This Policy concerns Affordable Home Ownership, also known as Shared Ownership.

The Policy will contribute to the delivery of CBCs 'Housing, Homelessness and Rough Sleeping Strategy' which seeks to achieve five key priorities:

- Increasing the provision of quality, sustainable and affordable housing
- Making best use of existing housing, improving the quality of homes and reducing carbon emissions
- Tackling homelessness and the causes of homelessness
- Preventing rough sleeping; and when it occurs, ensuring that it is rare and non-recurring
- Investing in our communities to help make them safer, stronger and healthier

On behalf of CBC, Cheltenham Borough Homes (CBH) 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. CBH will continue to manage Shared Ownership homes on behalf of CBC following their sale and will also administer the sale of further share purchases (staircasing) and resales thereafter.

This policy outlines how CBH 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.

2. Reference material

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

- Homes England Capital Funding Guide (CFG)
- CBC Staircasing Policy
- Data Protection Act
- Relevant Section 106 agreements
- Consumer Protection from Unfair Trading Regulations
- CBH Counter Fraud and Anti-Corruption Policy
- Anti-Money Laundering Policy
- CBH Compliments-Comments-Complaints-Policy
- CBH & CBC Equality and Diversity Policy

3. Aims and Objectives of the Policy

- Budgeted sales rates are achieved while working within grant-funding conditions and legal obligations
- Staff and our consultants 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

4. Eligibility

CBC will provide Shared Ownership properties through CBH in line with Government Policy. However, there may be some developments which do not form part of a registered programme funded by Homes England¹ and are instead fully self-funded (or part of a Section 106 offering) where additional allocation criteria may be applied (these homes will be referred to as 'self-funded' in this policy document). In such cases, local sales criteria will be agreed on a scheme-by-scheme basis taking into account the Council's requirements that will usually require purchaser(s) to have a local connection. This dual funding route will give CBC flexibility to obtain central government funding to support the delivery of more affordable homes, but also target homes for local residents.

In the case where there is over 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'.

¹ Homes England is the government's national housing and regeneration accelerator that provide grant funding to deliver affordable homes. It is an executive non-departmental public body, sponsored by the Department for Levelling Up, Housing and Communities (DLUHC). Homes England have a suite of policies and procedures that need to be adhered to as outlined in their Capital Funding Guide.

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

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

Where relevant, applicants must fall into any CBC Local Authority priority groups identified for the development they are applying for.

5. Criteria

Up until March 2023, regional Help to Buy agents were responsibly for carrying out assessments for each applicant against Shared Ownership eligibility criteria, on behalf of CBC. Following the closure of the Help to Buy Agents in March 2023, moving forwards CBH will be responsible for undertaking these eligibility assessments and for gathering the required information.

Applicants eligible to apply will be one of the following:

- Over 18 years of age.
- Usually a First-Time buyer.
- A previous owner occupier that 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 discharged within the last two years.
- An ability 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 pay the associated costs of buying a home.
- 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.)
- Be 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, CBH will request that a landlord reference is completed as part of the application.

6. Joint Applicants

- An eligible applicant who wishes to buy a Shared Ownership home with someone else 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
 - That 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 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.

7. Local connection criteria determined by Section 106 Agreements

Where the development is subject to a Section 106 agreement and the Local Authority have defined 'eligible persons' in terms of a 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 S106 affordable housing provisions that are specific for a site.

8. Allocation of housing

CBH will offer prospective purchasers the choice within the criteria above on a first come, first served housing allocation basis. This will apply to both homes built as part of a Registered Programme and also self-funded homes with a local sales criterion. Payment of the reservation fee will confirm the choice of home (see *Property Reservations point 10.*)

There may be an occasional exception to this where there are homes provided for specific purposes or particularly suitable for individual 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.

Homes built as part of a Registered Programme cannot put a limit on the number of bedrooms to match a household size. Self-funded homes will ordinarily mirror this policy unless there is a specific request from CBC to do this as part of the local sales criteria.

9. Key Information Documents for shared owners

For both sets of model leases (Shared Ownership Affordable Homes Programme (SOAHP) 2016 to 2021 and the Affordable Homes Programme (AHP) 2021 to 2026) there are Key Information Documents for shared owners that CBH are required to provide to purchasers. These are provided to help shared owners understand what they are purchasing. The Key Information Documents published by Homes England in April 2023 have removed any reference to Help to Buy agents (outlined above).

The Key Information Document packs will be completed by CBH for each development and presented for the sale of new Shared Ownership homes. CBH will ensure that the appropriate Key Information Document pack is used dependent on the type of Shared Ownership home being provided and the relevant AHP programme it was funded through (SOAHP 2016-2021 or AHP 2021 to 2026).

It is a condition of those developments funded by Homes England grant that these documents are completed and provided to the prospective shared owner no later than at reservation stage. The completed documents should be sent to the buyer's solicitor along with the Memorandum of Sale. CBH should obtain confirmation from the buyer's solicitor that these have been provided to the buyer (this is an audit requirement).

Each Key Information Document has a guidance page for housing providers which contains instructions on how and when they should be used. The 'Summary of costs of the Shared Ownership home' and 'Key Information about Shared Ownership' documents should be explained to the buyer who should be given the opportunity to ask questions before reserving the home.

CBH can brand the documents but the information within the fields and the order of information as set out must not be altered.

CBH should make these documents available electronically but must also ensure there are accessible versions (including print) available for buyers who require them. If the document is printed, the information contained in the hyperlinks must also be shared.

10. Property Reservations

Where a prospective /buyer 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 and the reservation fee will be deducted from the sale price upon completion.

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 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 property reservation form that will also state that purchasers are agreeing to them when they sign the reservation form.

11. Housing Affordability

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 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 buyer 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 previously, households earning over £80,000 a year will not be eligible for a Shared Ownership home.

- CBH will typically seek an average first initial tranche (i.e. a proportion or percentage of equity²) purchase at between 25- 40% of the full market value of a Shared Ownership property across a new development. However, shares of between 25% and 75% will be possible on each development.
- 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 on the open market.
 - 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 for Shared Ownership homes.
 - 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 buyer:
 - 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 (self-assessment tax calculation statement from HMRC), if the mortgage lender will accept these.
 - Proof of funds for a deposit (Bank statement or screenshot of online banking)
 - A 'Mortgage in Principle'. This proposes the amount the mortgage provider is prepared to lend, the interest rate and the number of years to repay (this can be arranged through the buyers mortgage advisor).
 - Working Tax Credits (excluding child-care credits).
 - If 'local connection criteria' applies to the development (i.e., to buy in this area the purchaser must live or work or have family in the Cheltenham area), the buyer will need to provide evidence of this connection. In some cases, CBH will seek approval from CBC.
 - 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 buyer secure a Mortgage in Principle.

² The term 'tranche' is a technical term used by Homes England to reference proportion or percentage share of equity the shared owner owns. For example the initial proportion, or tranche sale, a shared owner may acquire a property on will depend upon a variety of factors as outlined in this policy.

12. Buying costs

Shared owners will need to pay a deposit (usually between 5-10% of the share they are buying) when exchanging contracts.

Shared owners will need to pay for the following when buying a Shared Ownership home:

- Solicitors fees
- Monthly mortgage repayments
- Rent to the landlord (CBC)
- Any monthly charges (e.g. service charge to pay for the maintenance of communal areas)
- Stamp duty (if applicable).

Shared owners are also responsible for paying buildings insurance. Other charges may also apply which will be discussed in detail such as a service charge, an estate charge, Management fee and money into a repairs reserve fund.

13. Rent

In accordance with Government guidelines, when shared owners buy a new build Shared Ownership home, the rent limit they can be asked to pay on the unsold equity is up to 3%. Most landlords charge 2.75% rent on the unsold equity, which applies to Cheltenham Borough Council. For 'resale' homes, the starting rent will be set at the same level as the previous shared owner was paying.

The table shows a worked example of how much the rent might be for a home valued at £400,000 and a home valued at £200,000.

	Home 1 Example	Home 2 Example
Total value of home	£400,000	£200,000
Share acquired by shared owner – (example 40%)	£160,000	£80,000
Remaining share (60% of the total)	£240,000	£120,000
Rent for the first year (2.75% of the remaining share)	£6,600	£3,300
Monthly rent	£550	£275

14. 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 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.

15. Approving the Mortgage Offer

Following the valuation survey, CBH will be required to view a copy of the buyer's mortgage offer, including the amount of borrowing, interest rate and mortgage length. The 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 purchaser(s). In addition, an affordability/sustainability sign off must be present in the buyer's 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 one of our specialist panel mortgage advisors. 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 to determine affordability. 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 in line with industry good practice and the stipulations outlined in the Capital Funding Guide. Please see section 'Housing Affordability point 11' for further details.
- If the address/postcode on offer does not match the Memorandum of Sale and contract.
- Where the mortgage offers further borrowing without our consent.
- Where the amount borrowed exceeds the value of the share being purchased.

- CBH will pay particular attention to any mortgage rate that is 2% above the average rate for the closest equivalent mortgage (considering loan to value rate, length of fixed rate term) of five mainstream shared ownership lenders (e.g., Leeds, Halifax, Nationwide, Santander, Barclays).
- Where the mortgage term is more than 35 years unless there are exceptional circumstances or hardship. Any term in excess should be approved by CBC's Executive Director for Finance, Assets and Regeneration.
- 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.
- Self-certified mortgages are unacceptable as they no longer exist.
- If the standard Mortgagee Protection Clause (MPC) must not require variation in any way, no additions, no caveats, no addendums.

16. Counter Fraud, Anti-Corruption and Anti-Money Laundering policies

CBH staff leading on the sales will be familiar with the Counter Fraud and Anti-Corruption Policy and the Anti-Money Laundering Policy and will comply with the relevant procedures in place to safeguard from 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 buyer, 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 mortgage lender. Furthermore, the solicitor appointed by CBH, or by CBH on CBC's behalf, to act on plot sales will be responsible for carrying out appropriate checks to confirm the identity of the buyer.

17. Staircasing Guidance

Shared owners may purchase more of their property by increasing the percentage share of the equity that they own at any time during the term of the Shared Ownership lease. This process is known as 'staircasing' and is subject to the restrictions set out in the paragraph below.. Staircasing requirements are a fundamental clause and must be set out in the shared owner's lease. Please refer to CBC's Shared Ownership Staircasing policy for further information on how a shared owner can acquire a greater share in the ownership of their home over and above what has previously been acquired.

With the exception of Rural Exception Sites, Designated Protected Area and Older Persons Shared Ownership, all grant funded Shared Ownership leases must contain provisions allowing the leaseholder to buy further shares up to 100%.

Leases containing restrictive staircasing provisions (other than for the products mentioned above) will render a scheme ineligible for grant funding from Homes England.

There are separate staircasing arrangements dependent on which Homes England affordable homes programme a Shared Ownership home was funded. Shared owners can usually buy shares of 10% or more at any time. Some older leases only allow shared owners to buy shares of 25% or more. Some newer leases will allow purchasers to buy shares of 5% or more.

If the property was bought on or after 1 April 2021, shared owners may also be able to buy shares of 1% each year for the first 15 years. CBC via CBH as the landlord will be able to advise if this applies to you and the details will be included in the Key Information Document referenced above. It is not acceptable within Homes England requirements for shares of 2%, 3% or 4% to be purchased. Please refer to Section 10 of our Shared Ownership Staircasing Policy for more information about this.

Note that these staircasing provisions include the ability for shared owners to 'staircase out' and ultimately own their home outright.

CBH must check the lease to determine the stipulations relating to staircasing.

18. Equality and Diversity

CBH and CBC will ensure all its policies and practices are non-discriminatory and will promote equal opportunity by preventing and eliminating discrimination on the grounds of race, disability, gender, sexual orientation, religion and belief and age. The policy will be accessible, responsive and sensitive to the diverse needs of individuals.

19. Policy Review

In line with CBH practice of regularly reviewing its policies to ensure relevance, this Shared Ownership Sales Policy will be reviewed formally 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.