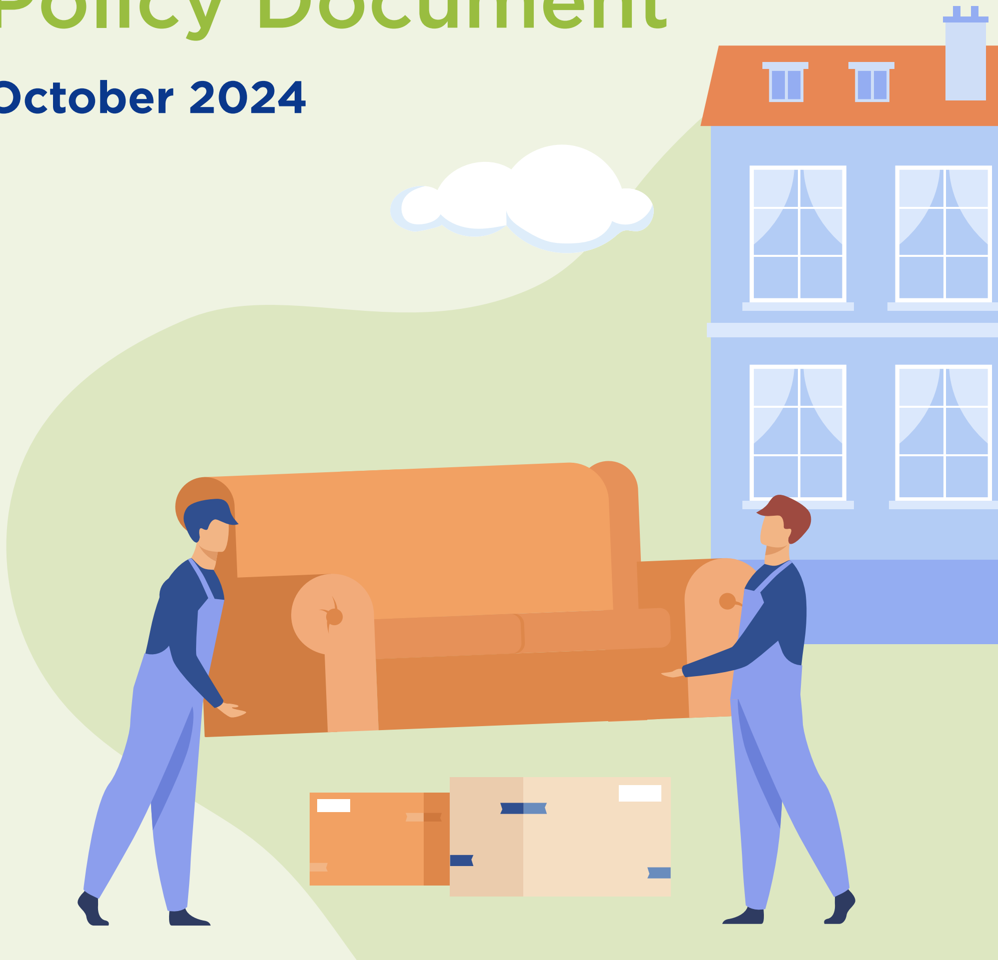
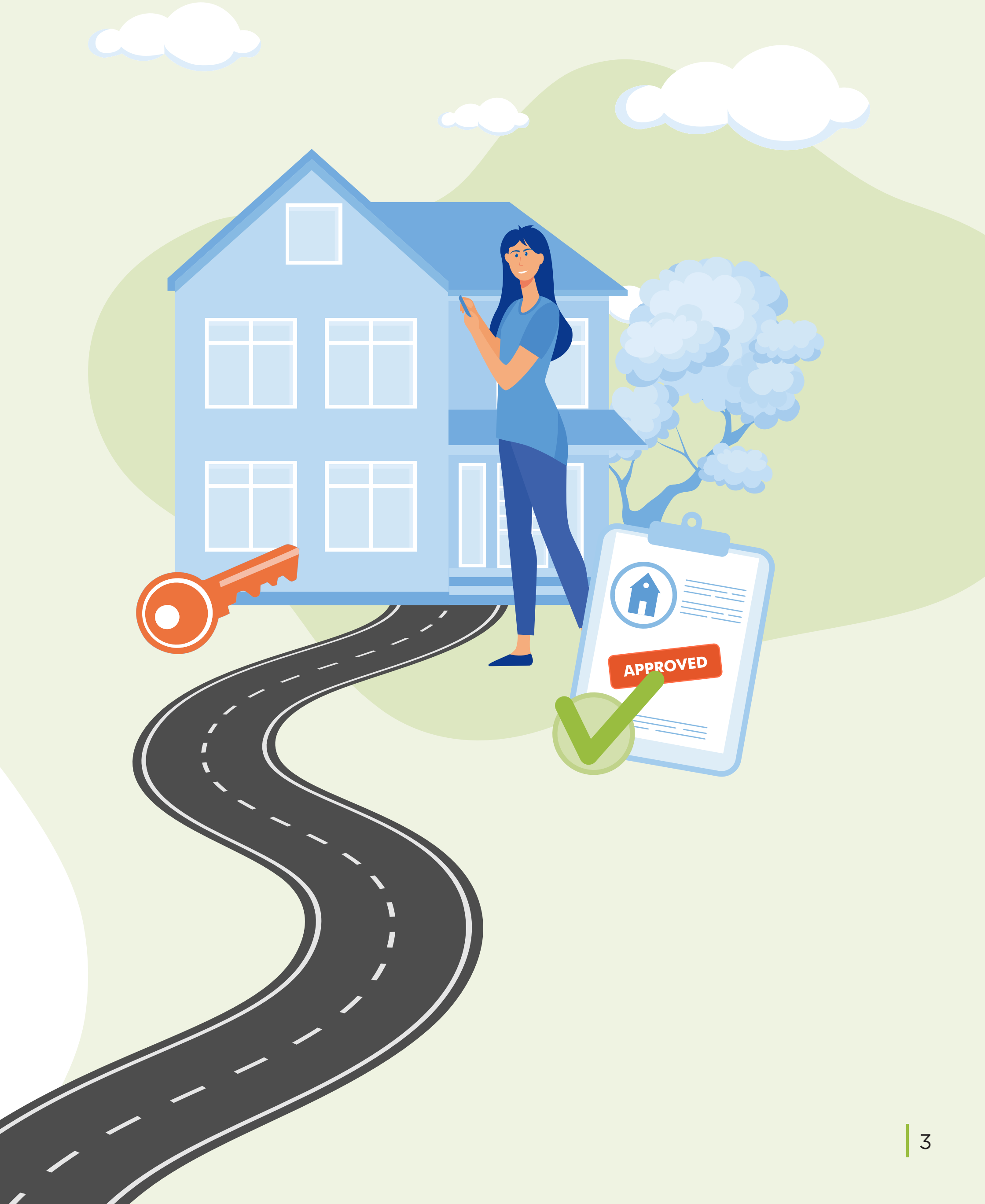
Shared Ownership Policy Document

October 2024



Contents

Broadacres



1. What is Shared Ownership and how does it work?

1.1 Shared ownership is an affordable housing product that allows eligible people to purchase a share in a new home and pay a regulated rent on the remaining unsold share. By purchasing a share, customers can benefit from the stability of home ownership without having to meet the deposit and borrowing requirements of purchasing the property outright. In time, more shares may be purchased until the customer owns the maximum share possible of their homes through a process known as staircasing.

1.2 How it works:

Step 1

The shared owner raises the funds to purchase their share in the normal manner. For example, through some savings and / or possibly some family assistance, but primarily by taking out a mortgage from a bank or building society.

Step 2

Broadacres then grants a leasehold interest to the shared owner for the share they have purchased. The shared owner occupies the entire dwelling and pays a rent to Broadacres for the share of the property still owned by Broadacres.

Step 3

The rent level is set by Broadacres. The annual rent at initial sale is usually 2.75% of the value of the home in the ownership of Broadacres.

Full Property value at initial sale	£200,000
Share bought by customer at initial purchase	30%
Payment to Broadacres at initial sale	£60,000
Share retained by Broadacres	70%
Value of share retained by Broadacres	£140,000
Annual rent (£140,000 x 2.75%)	£3,850
Monthly rent paid to Broadacres	£320.83

2. Aims of this policy

2.1 This policy aims to:

- Support local people to meet their housing needs and aspirations.
- Ensure that Broadacres' shared ownership homes are offered for sale and purchased fairly and transparently.
- Ensure that residents who purchase a shared ownership property can sustain their home ownership option.
- Ensure all sales are compliant with the regulatory and funding requirements of RSH and Homes England.
- This policy supports the Broadacres Corporate Strategy 2023-2028, "Great Customer Experience, Great Homes and Great Communities". The Strategy aims to make Broadacres a great place to live and work, where people feel that they have opportunities to change their lives for the better. Offering a range of affordable housing options that meet the housing needs and aspirations of local people is an important element of this Strategy.

3. Equality, Diversity and Inclusion

3.1 Broadacres is a successful, innovative, not for profit housing association based in the market town of Northallerton in North Yorkshire. This policy supports Broadacres commitment to championing equality and ensuring procedures are in place so that all customers are treated fairly and without unlawful discrimination in line with the Equality Act

“Great Customer Experience, Great Homes and Great Communities.”

4. Eligibility for Shared Ownership

4.1 Applicants for Shared Ownership must demonstrate that they are able to afford and sustain home ownership in the longer term. When selling a shared ownership home, we will assess what share an applicant can afford to buy. We offer an application verification service in partnership with Metro Financial Services, but applicants may seek their own advice from a suitably qualified, experienced and regulated mortgage or financial adviser.

4.2 Applicants will be required to provide evidence that they have sufficient funds to support the deposit required for a shared ownership property, and this will be verified by Broadacres.

4.3 To be eligible for a shared ownership home, the annual income of the applicants' household must be less than £80,000 and the household must be otherwise unable to afford to purchase a suitable home unassisted. The annual household income includes income from any member of the household that is directly linked to the purchase of the property and excludes income from members of the household under 18 years old.

4.4 All applicants must be 18 or over.

4.5 Under some circumstances, existing homeowners (including existing shared owners) may be considered eligible for shared ownership homes. This includes cases of existing homeowners whose property no longer meets their housing needs and who cannot afford to buy on the open market, or where a change in circumstances such as a relationship breakdown has resulted in household division. Existing homeowners wishing to apply for a Broadacres shared ownership home must,

- Already have sold their property, or sell their property at the same time as buying a shared ownership home; and
- Meet all other eligibility criteria, and demonstrate they are otherwise unable to purchase a suitable home to meet their needs without assistance.

4.6 Applicants who are subject to immigration control (i.e. who require leave to enter or remain in the United Kingdom under the Immigration Act 1971) are less likely to be able to satisfy the requirement to demonstrate that they can afford and sustain home ownership in the longer term unless they have indefinite leave to remain in the UK. However, there is nothing which legally prevents individuals subject to immigration control and without indefinite leave to remain from accessing Shared Ownership if they fulfil Broadacres' usual requirements. If such an applicant can demonstrate their ability to sustain their home ownership obligations, it may be discriminatory to deny them access to affordable home ownership assistance. Broadacres will consider such applications on a case-by-case basis.

4.7 Board members, colleagues and their relatives are eligible to apply for Broadacres shared ownership properties. All applications, including those from Board members, colleagues and their relatives will be assessed in line with the process set out in this policy. The Directors of Broadacres will give will give a final approval for any allocations to colleagues, Board members and their relatives.

5. Applicant Priority

5.1 Homes that are in receipt of grant funding from Homes England should be available on a first come, first served basis to Shared Ownership applicants providing that they meet the relevant eligibility and affordability criteria (as noted above in section 4).

5.2 There are some exceptions to this general rule, where there is an undersupply of shared ownership homes, summarised as follows:

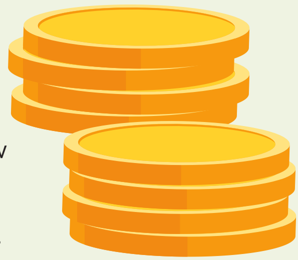
5.2.1 Serving military personnel and former members of the British Armed Forces discharged within the last two years

5.2.2 National Parks, Areas of Outstanding Natural Beauty and rural exception sites. Where Shared Ownership homes are being delivered in either a National Park, Area of Outstanding Natural Beauty or on a rural exception site then a prioritisation of applicants can be applied. In most cases this will be agreed by the local authority and set out in a Section 106 agreement or through other formal means. The agreement is likely to stipulate that priority will be given to applicants with some form of connection to the local area. Additionally, the agreement will also likely include a cascade system to identify, in order, the next areas and / or criteria for the priority of applicants that will apply.

5.3 The National Planning Policy Framework provides the following definition of a ‘rural exception site “small sites used for affordable housing in perpetuity where sites would not normally be used for housing”.

5.4 If the properties are delivered via planning gain S106 agreement and have no grant funding attached these properties will be allocated according to the requirements of the S106 agreement, and on a first come, first served basis.

6. Surplus Income Policy



6.1 Broadacres must make sure that shared ownership buyers can afford to live in their new home now and in the future. We will calculate whether the customer has sufficient surplus income, over and above that needed to pay for their housing and other costs and commitments when assessing their eligibility.

6.2 We will use this calculation when carrying out a monthly surplus income assessment to establish this:

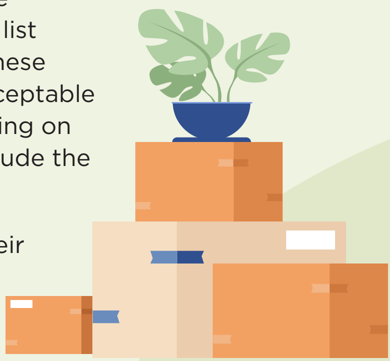
- (A) Gross Income
- (B) Less Gross Deductions (tax, National insurance, student Loan etc.)
- (C) Less Known Commitments (loans, credit cards, childcare etc.)
- (D) Less housing costs of Shared Ownership purchase (rent and service charge)
- (A-B-C-D) = Income available to support a mortgage, other essential expenditure(identified through the budget planner) and to meet the surplus income policy.

6.3 From this remaining amount, after mortgage and other essential expenditure requirements are met (established through a budget planning process) an additional 10% of total income should remain available to ensure a customer is protected from future mortgage increases or unforeseen events. This is our surplus income policy.

6.4 Broadacres uses an independent third party (Metro Finance) to carry out a two-stage assessment process; firstly, an initial assessment to see what % shared ownership the customer can afford and then a further stress test to establish what their surplus income would be.

6.5 Metro Finance will ensure that all cases meet Homes England affordability guidance as detailed in the Capital Funding Guide, ensuring all purchases are affordable and sustainable. We will work to the policy that the customer must have a minimum of 10% of their net mortgageable income remaining after all deductions and the stress tested rent have been calculated. This falls in line with Metro Finance mortgage compliance affordability. Metro Finance is unable to suggest a share that does not fall within these parameters, as we would not deem it affordable or sustainable. It is expected that the expenditure will be realistic for the household composition. Anything which is below perceived average (ONS) spending will be required to be verified via bank statements and an explanation provided.
All income used for the assessments must be considered sustainable. Metro Finance has a list of acceptable incomes. If it falls outside of these categories, and would not be considered acceptable by mainstream lenders, Metro Finance, working on Broadacres' behalf, reserves the right to exclude the income from the assessment.

6.6 Once approved the customer can choose their own financial advisor or decide to stay with Metro. Finance.



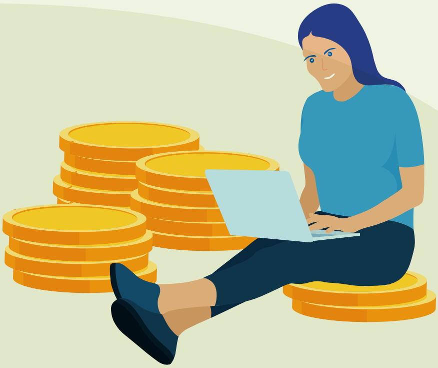
7. Adverse Credit Policy

7.1 Broadacres have a limited appetite for risk in shared ownership sales. We will not normally accept shared ownership applications from applicants that have unsatisfied County Court Judgements (CCJ), or defaults on them of any age. We reserve the right to not accept applications from applicants with CCJs or defaults amounting to over £300 in the 2 years immediately prior to application, or applicants with Independent Voluntary Arrangements or Bankruptcies within 3 years of the date of application.

7.2 Applicants who can demonstrate a debt management plan that has been fully satisfied and paid, or who have previous mortgage or rent arrears but no evidence of such for over 12 months from the date of application may be considered, and applicants previously subject to repossession proceedings, but who can demonstrate a clean credit history and no outstanding mortgage debt in the 3 years prior to application may be considered.

8. Cash Buyer Policy

8.1 Broadacres uses a third-party provider, Metro Finance, to check all cash buyers. Applicants will be expected to buy the maximum share they can reasonably afford, taking into account their circumstances and household characteristics.



8.2 The reason for being a cash buyer cannot be because applicants are unable to obtain a mortgage due to adverse credit from a mainstream lender.

8.3 If buying with cash due to age factors, the assessment will consider future income changes if applicants are still in employment, but this is likely to change imminently – hence the need to be a cash buyer.

8.4 Metro Finance will complete a budget planner for all cash buyers. For anybody buying less than a 25% share we require a minimum surplus of 20% net income remaining after housing and other essential costs are met. The budget planner will be bespoke for each applicant and include realistic figures for all expenditure, backed up by bank statements where necessary and sense checked against external sources of data.

8.5 All forms of income must be considered sustainable.

9. Marketing

9.1 All properties will be listed on the Mulberry Homes Yorkshire Ltd website and Broadacres Housing Association website. Broadacres will manage the sales and marketing of new build and resale shared ownership homes.

9.2 In some circumstances, Broadacres may appoint an Estate Agent who will be required to act in accordance with the Consumer Protection and Unfair Trading Regulations (2008) and any other relevant regulatory guidance when marketing Broadacres shared ownership homes. **All prospective purchasers will be provided with clear and accurate information, which has been approved by Broadacres on the homes being sold.**

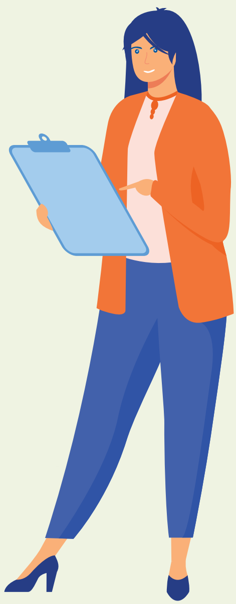
10. Valuation

10.1 Prior to sale, each shared ownership home will receive an independent valuation from a Royal Institution of Chartered Surveyors (RICS) qualified surveyor. Initial sales, and the basis of valuation, will be based on the full market value of the property.

10.2 The valuation will be reviewed every three months until the point of sale to ensure the sale price is reflective of the open market. Properties are advertised with a shared ownership offer based on their open market value.

10.3 Valuations to support any subsequent resale of the shared ownership property are the customer's responsibility. These must be carried out by a suitably qualified surveyor, and the property valued on an open-market basis.

10.4 In the event that a property is down valued by the mortgage lender's surveyor, Broadacres will investigate the reasons supplied by the lender against the original valuation. This will include reviewing other comparable properties for sale in the local area.



11. Lease purchase options

11.1 There are two main models of Shared Ownership:

- the 'original' or 'old' model which relates to homes first sold prior to 2023, and
- the 'new' Model Shared Ownership Scheme which applies to most new homes beingbuilt from 2023. All applicants will be clearly advised which scheme applies to their purchase.

11.2 Under the 'old' model, the minimum initial equity share that can be purchased is 25%, and the maximum 75%. Under the 'new' model, the minimum initial equity share that can be purchased is 10%.

11.3 Annual rents will usually be 2.75% of the unsold equity. This means rents will be set on an individual property basis depending on the value of that property and the percentage sold.

11.4 Under current regulations, increases in rent are limited to the Retail Price Index (RPI) plus 0.5%, using the RPI figure for a specified month, which is published annually.

11.5 The term of the lease purchased will be a minimum of 125 years for 'old' model shared ownership purchases, and a minimum of 990 years for 'new' model purchases.

11.6 'New' model Shared Ownership leases will have a 10-year maintenance period during which the costs of certain eligible maintenance or repairs will be met by the landlord rather than the shared owner up to a maximum of £500 per annum. See 'Initial Repair Period' section below. 'Old' model shared ownership sales will carry with them a full repairing obligation for the customer.

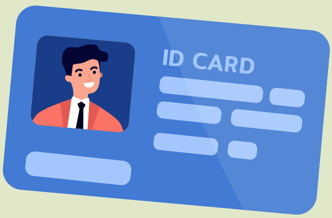
11.7 The arrangement for buying further shares in the Shared Ownership property – staircasing – also differs between the 'old' and 'new' models. Under the 'old' model the minimum share that may be bought for staircasing is

10%, under the 'new' model it is 5%, with the additional opportunity to purchase a 1% share each year for the first 15 years of occupation.

11.8 The table below offers a summary of the main differences between the 'old' and 'new' Shared Ownership lease options:

Lease option	**'old' Shared Ownership Lease (prior to 2023)**	**'new' Shared Ownership Lease (construction 2023 onwards)**
Minimum initial equity share	25%	10%
Maximum initial equity share	75%	75%
Annual rents	2.75% unsold equity	2.75% unsold equity
Lease term	Minimum 125 years	Minimum 990 years
Repairs	Customer full repairing obligation	10 year maintenance period on new build, £500 pa maximum Broadacres contribution
Staircasing	Minimum 10% tranche	Minimum 5% tranche Option to purchase additional 1% pa for the first 15 years

12. Reservation



12.1 At the point of reservation, purchasers will be required to supply:

- Proof of income
- Proof of identification
- Proof of address
- Evidence of deposit (bank statement, council bond)
- Evidence of eligibility
- Evidence of affordability (e.g., bank statements, bills)

12.2 Once verified, the successful applicant will be required to pay a reservation fee of £250 to reserve a property and start the sales process. When paying the reservation fee, the purchaser will be required to complete and sign the reservation form agreeing to the terms and conditions under which the fee is paid. This fee will be deducted from the sale price on legal completion. Should the buyer not proceed with the purchase for any reason, the fee will be fully refunded.

12.3 Once obtained, a copy of the buyer's mortgage offer, including the amount of borrowing and the terms will be required.

13. Completion

13.1 On the day of completion, a member of the Broadacres Sales Team will be on hand to provide customers with keys to the property and to demonstrate how to use the facilities and answer any queries.

13.2 Customers will be given a Home User Guide that will include meter readings, warranties for any appliances fitted, and an explanation of how to pay service charges. Details of the arrangements for management of shared ownership properties will be outlined in the Leasehold documentation.

13.3 On the completion of each sale, customers will be asked for feedback on their experience of purchasing their new home via a Broadacres customer survey. This will be used to improve the customer experience. Other feedback, compliments or complaints can be registered at: https://www.broadacres.org.uk/about-us/how- arewe- performing/feedback/complaints/

14.Rent and Service Charges

14.1 Customers must pay the rent and service charges to Broadacres and are encouraged to pay via direct debit. Once the customer has moved in a member of the finance team will contact them and complete a direct debit form and agree a date when that will be taken from their account.

14.2 Shared Ownership Leases may include a service charge clause where this is appropriate, for example if there are communal areas which Broadacres or their managing agent is responsible for which Broadacres will apportion the cost of this to individual homes and recover the costs from customers by way of a service charge, which may be levied to fund the following:

- Communal cleaning and gardening
- Buildings insurance
- Maintenance of lifts, door entry systems and other items such as solar panels and communal TV aerials/satellites
- Administration and audit fees

14.3 Customers will be provided with accurate information about service charges, including a breakdown of the relevant costs on an annual basis. Charges will reflect the actual cost of delivering a particular service, based on contractual information. Deficits and credits from previous years will be carried forward into subsequent years and included in the calculation of service charges each year.

15. Initial repair period – ‘New’ Shared Ownership Leases only

15.1 ‘New’ Shared Ownership leases offer a 10 year ‘initial repair period’ starting from the lease start date for newly built homes. The Sales Team will advise customers clearly about whether their lease qualifies for this offer.

15.2 In the initial repair period, homeowners will be able to claim costs up to £500 a year from Broadacres to help pay for essential repairs to, or replacement (if faulty), of installations in the home for the supply of water, gas, and electricity (including basins, sinks, baths, and sanitary devices) but not other fixtures, fittings, and appliances for making use of the supply of water, gas, or electricity such as ovens or washing machines), pipes and drainage.

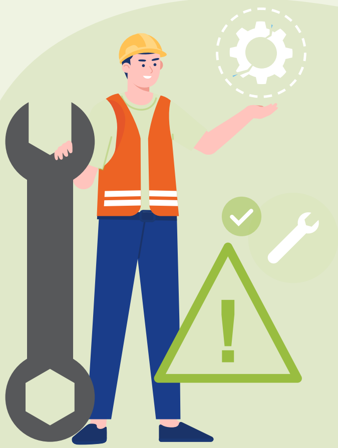
15.3 Homeowners can claim these costs each year and, for resales, the number of years remaining in the initial repair period which is stated in the Key Information Document. Any work that is covered by a warranty or guarantee must be claimed through those arrangements by the customer or warranty holder. New homes will be guaranteed a warranty for a period of up to 10 years after the building is finished. All repairs and maintenance costs over the allowance or incurred after the initial repair period ends are the responsibility of the customer.

15.4 If a customer does not claim the full repairs allowance in one year, a maximum of one year's allowance will roll over to the following year. The following example shows how the repairs allowance works if customers claim in years 2 and 3;

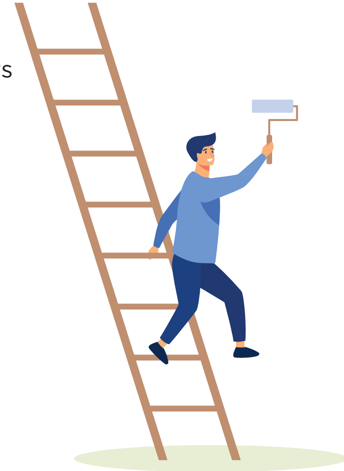
Year	Repairs allowance	Allowance claimed for repairs	Roll over to next year
1	£500	£0	£500
2	£1,000 (£500 + £500)	£750	£250
3	£750	£0	£500

Broadacres will decide whether repairs are eligible, and customers wishing to claim the cost of repairs must obtain approval. Broadacres have the right to inspect the home when making this decision. If Broadacres rejects any claims, this decision will be taken fairly and consistently. If Broadacres declines a claim, Broadacres will:

- Advise the customer why their claim has been rejected in writing within 7 days of receiving the customer's information supporting the claim.
- Advise the customer of their right to dispute the decision.
- Set out the complaints handling process.



15.5 For all repairs that are approved, homeowners must use a Trustmark approved tradesperson or professionals approved by Broadacres. All claims must be supported by a valid receipt. The repairs allowance will transfer to the new owner if the home is sold within 10 years from the date of lease commencement.



16. Home Improvements and Subletting

16.1 Shared Ownership customers can make alterations or improvements to their home and should first seek consent from Broadacres. A decision on alterations or improvements will be made in writing. Broadacres will clarify expectations such as inspection of planning permission, building regulations, insurance cover during and after works, and set out conditions such as the future maintenance of improvements and alterations.

16.2 Shared Ownership customers can normally rent out (sublet) a room in the home, but they must live there at the same time. Customers cannot sublet the entire home unless they have sought Broadacres permission. Permission will usually only be given in exceptional circumstances, for example if customers are a member of the armed forces and are serving away from the area where they live for a fixed period.

17. Buying more shares – Staircasing

17.1 Shared Ownership customers can buy more shares in their home, a process known as ‘staircasing’. Customers will be advised to take independent financial advice before purchasing more shares to be clear on their options. If further shares are bought, the rent levied on the remaining share will be reduced.

17.2 Where legal advice is required when buying more shares, the homeowners are responsible for paying their own legal fees. Mortgage lenders will require all homeowners to instruct a solicitor if they are borrowing money to fund any purchase of additional shares. Broadacres are responsible for paying their own legal fees related to share purchase transactions.

17.3 Prior to staircasing, an up-to-date valuation by a RICS qualified professional will be required. Broadacres will commission this valuation.

17.4 Customers who hold the 'new' shared ownership lease have the option to buy a 1% share each year for the first 15 years. The price of the 1% share is based on the original full market value adjusted up or down each year in line with the House Price Index (HPI). The HPI is a national statistic that shows changes in the value of residential properties.

17.5 Broadacres will provide these customers with an up-to-date HPI valuation at least once a year and again when receiving a request to buy a 1% share. Customers or Broadacres can choose to use a RICS valuation instead of HPI. The party who chooses to instruct a RICS surveyor pays for the cost of the valuation. Any time a RICS valuation is obtained in relation to a home, the valuation figure will be used as the basis for future HPI valuations.

17.6 Customers cannot roll-over unused options to buy 1% shares in future years. The offer is limited to a maximum of 1% each year. Broadacres will not charge an administration fee when customers buy a 1% share. If they buy larger shares, there may be a charge/fee. Customers cannot buy shares of 2%, 3% or 4%.

17.7 'New' Shared Ownership customers can buy additional shares of 5% or more at any time, and 'old' Shared Ownership customers can buy a minimum tranche of 10%. In some rural areas the total ownership allowed may be limited to 80% the Sales Team will advise customers about the status of their lease.

17.8 Broadacres may charge an administration fee each time a share of 5% or more is bought. The fee is stated in the 'Summary of costs' document.

18. Buying Back Shares

18.1 When a customer finds themselves in financial difficulty Broadacres will consider a request to buy back an equity share which will allow a customer to stay in their property and not become homeless. For example, when a customer owns 50% but, due to a change in their circumstances, can now only afford a mortgage of 25%.

18.2 In this scenario, Broadacres may appraise the possibility of buying back 25% which may allow the customer to remain in their home and avoid homelessness. A report will be provided to the Director Management Team for discussion and decisionmaking within existing delegations.

18.3 This may be done on a discretionary and case-by-case basis, considering the customer's circumstances and the financial and operational capacity of Broadacres. Any offer to repurchase equity shares will be based on the current valuation of the property, commissioned by Broadacres from a RICS qualified professional.

19. Monitoring and delivery of this policy

19.1 This Policy will be reviewed triennially. Any major changes will be consulted upon before a decision is taken to implement them.

Check the Government's website here for all you need to know.

www.gov.uk/shared-ownership-scheme

Broadacres

Contact us to find out about availability in your area. **Tel: 01609 767900** or,
email: salesenquiries@broadacres.org.uk

www.broadacres.org.uk