

## **Affordable Home Ownership Allocations Policy**

### **Introduction**

This document sets out Grand Union Housing Group's (GUHG) Affordable Home Ownership Allocations policy, with the main focus being on shared ownership.

Shared ownership is an intermediate housing product aimed at providing a more affordable way of buying a home.

Shared ownership is often part funded by Homes England (HE), but is not exclusively funded in this way.

### **Policy statement**

GUHG aims to ensure we assess all applications fairly and that we sell homes to qualifying purchasers within an appropriate timescale. We also want to ensure we manage any risks associated with providing intermediate home ownership both to GUHG and any potential applicants.

### **Objectives**

The policy aims to meet the following objectives:

- to set the criteria for eligibility to a shared ownership property and provide a system for prioritising applicants
- to ensure new homes are sold to those in housing need and to those for who shared ownership is an appropriate solution
- to demonstrate that GUHG offers fair and equal access to its shared ownership homes
- to operate within the requirements of HE
- To ensure, as far as practically possible, that shared ownership is a long term sustainable housing option for our applicants.

### **Homes England: regulatory code and guidance**

Homes England is the national housing and regeneration delivery agency for England. Shared ownership homes are often built and included in HE funding programmes with grant included or often no grant, therefore GUHG needs to meet the HE audit requirements for these initial sales. These requirements

are set out in the HE Capital Funding Guide (CFG). Our approach to shared ownership sales will be in line with the HE guidance in the CFG and general policy statements.

The key issues are detailed below and form part of our allocation policy:

- Priority categories. The government has removed all priority groups for assistance. The only exception is with Armed Forces personnel and priority must go to serving military personnel and former members of the British Armed Forces discharged in the last 2 years.
- Applicant income. For all HE grant funded Help to Buy shared ownership, £80,000 is the maximum household income threshold. Only in exceptional circumstances will HE consider applications from households with incomes above the maximum threshold.
- Registered Providers (RP) must encourage purchasers to buy the maximum share they can afford, but only if this is sustainable.
- RPs must ensure a rigorous affordability check is carried out which includes looking at savings and outgoings, to assess the sustainability of the purchase.

## **Applicant eligibility**

GUHG will operate a separate database for shared ownership properties and as part of the application process, collect the following information from each applicant:

- current housing circumstances
- reasons for wanting shared ownership housing
- current economic status
- current income and financial commitments with savings and capital details
- household size and composition including pets
- disability
- ethnicity
- declaration of any relationship with subsidiary and/or Board members or member of staff.

## **Who can buy a shared ownership property? – qualifying criteria**

Shared ownership is intended for people who cannot afford to buy a suitable home.

To qualify for a shared ownership property, applicants must meet all of the following general qualifying criteria:

- **Help to Buy agent approval** – for ALL developments in receipt of grant funding, applicants must register with and be approved by the relevant Help to Buy agent.

A Help to Buy agent is a government appointed body that provides a one stop shop service to people interested in any of the low cost home ownership schemes available across a specific area. The Help to Buy agent will process all applications to determine eligibility for the low cost home ownership schemes. The Help to Buy agent will keep details of eligible applicants on a central register and make them available to providers that have low cost home ownership schemes available.

- **Applicant/s does not currently own another property** or are able to discharge their interest in property prior to completion on a shared ownership home.

Existing owners must have written support from the relevant local authority that the applicant has a housing need before being accepted onto the scheme. This does not apply to those applicants purchasing Older Persons shared ownership who are existing home owners.

Existing owners / shared owners are expected to have accepted an offer on their current property and be progressing with the sale prior to buying through shared ownership. The sale must have completed prior to the purchase of the shared ownership property. In exceptional cases where an applicant is prevented from accessing or selling their existing home an application may be considered but only with the prior written agreement of HE.

- The **applicant/s income or savings is not sufficient to buy a suitable property** on the open market but the applicant/s have sufficient savings to cover the mortgage deposit and other purchasing expenses (i.e. legal fees) for shared ownership.
- The **applicant/s meets the necessary affordability criteria** and satisfactorily demonstrates their ability to afford the monthly outgoings of rent, mortgage and any service charges required under shared ownership.
- The applicant/s has the **required capital for the purchase. This** is also taken into account when assessing their eligibility. This applies to one off lump sums only and not to other payments, such as pensions, which are still classed as income.
- **Applicant/s household income(s) do not exceed the maximum threshold**, which is currently a household income of over £80,000 pa.

The sales team MUST check that no conflict of interest exists. A conflict of interest could be the applicant or member of the applicant's household:

- is a member of staff or a Board member
- is related to a member of staff or Board member of GUHG, or to a person who has had such position within the previous twelve months
- has been employed by GUHG in the last twelve months.

Any conflict of interest will be identified prior to a formal offer and a specific process will be followed to seek authority to proceed. An email template will

be completed and sent to the Executive Director of Operations or the Chief Executive, giving details of the applicant and how they are related to the Board/staff member, where the applicant is registered within the priority order for the site. The email, will include information about application dates, family composition of the household, locality assessment and confirmation that the qualifying criteria has been met and the allocations policy has been correctly followed. The details, submitted in respect of any conflict of interest, will be anonymised.

No other information should be required unless the allocation is unusual in nature or if the allocation is not in accordance with policy. Full reasons explaining the proposed offer must be given.

The Executive Director of Operations / Chief Executive will then email the details to the Homes and Services Committee, with a deadline for a response.

## **Exceptions to qualifying criteria**

In some circumstances, applicants who do not strictly meet the above criteria may be considered for shared ownership. This will be on the basis that the applicant has no other reasonable housing option, which will have to be supported by substantial written evidence and agreement from the HE or appropriate local authority.

Such exceptional circumstances might be:

- Existing homeowners who are in the process of discharging their interest in another property due to a relationship breakdown, and whose equity interest and / or income are insufficient to support a further outright purchase.
- Owner occupiers, including existing shared owners, can have access to the scheme on condition that they have a priority need for accommodation, a local authority has assessed that it is not reasonable for them to continue to occupy their current accommodation and they cannot afford to buy a property that is suitable for their needs.

## **Marketing**

Marketing of new schemes should commence at an early stage in the development process; the date marketing commences will be recorded as the release date. This will allow sufficient time to target marketing towards those in the priority groups.

## **Priorities for allocation**

After meeting the general qualifying criteria, applicants will be ranked in accordance with the priority criteria set out below. Priority will go to the following groups, set in this priority order:

1. Serving military personnel and existing tenants of a local authority or RP.
2. Applicants currently on a local authority or RP waiting list or housing register for housing.
3. Those that will address housing problems in local and regional housing markets, for example first time buyers.

On occasion there may be specific priorities for individual schemes, which differ from those listed above. If this is the case, an allocation statement may be produced, which will detail the following information:

- nomination rights granted to the local authority or other sponsoring body
- specific conditions required as a result of planning approval, such as rural exception site local connection criteria
- a list of priority categories
- a list of selection criteria to be used to assess applicants within each priority category.

## **Selection of applicants**

Applicants will be offered homes in order of the priorities for allocation, using the following selection criteria and order:

a) Suitability of the homes for sale compared to household size. The general principle is that larger households will be offered larger homes to maximise occupation but applicants will be allowed to have one additional bedroom over and above the household requirement.

b) A locality assessment to give priority to those applicants that currently live, have employment, relatives, a dependant child/children in an educational establishment (or a formal offer has been received from the educational establishment) closest to the new development.

If the number of applicants meeting the selection criteria exceeds the number of homes available, priority will be given to those with the earliest application date.

Please note staff members making applications for shared ownership housing will not be able to make applications prior to the release date of any new shared ownership scheme or development.

Once applicants have been ranked according to the above criteria, the properties will be offered to applicants on this basis. Each applicant will have to meet the affordability criteria and affordability assessment for the specific property, before they can reserve a home.

Applicants who have indicated that a possible conflict of interest exists, will have been assessed by this stage, and offered a property if approval is obtained and they fulfil all other criteria.

## **Affordability criteria & assessment**

As part of their role, the Help to Buy agent undertakes an initial affordability assessment and provides the applicant with an 'indicative mortgage level'.

In order for GUHG to complete a more in depth financial assessment and guard against the possibility of fraudulent applications, each applicant will be required to provide some or all of the following information:

- proof of earnings (photocopy of last 3 wage slips)
- proof of savings (e.g. photocopy of bank account statement)
- details of any outstanding loans and debts
- proof of current residency (e.g. a utility bill)
- proof of identity (e.g. photocopy of passport or drivers license)
- proof of landlord (e.g. rent book or letter of confirmation).

The credit history of applicants may be checked with a credit-referencing agency. Applicants that have un-discharged County Court Judgments against them may not be considered. Furthermore, if an applicant is offered a property, our solicitors may carry out a Land Registry search to ensure that the purchaser does not own another property.

Upon receipt of a completed application form and after a basic prioritisation of potential applicants GUHG staff will undertake a standard financial assessment. For new build properties where a mortgage is required to purchase the property we will use an external mortgage specialist to carry out the assessment in accordance with HE requirements. The Independent Financial Advisors (IFAs) carrying out this assessment will do this prior to GUHG making any offers of shared ownership accommodation. The assessment will evaluate the ability to afford shared ownership set against outright ownership and the costs associated with the home they are interested in buying.

GUHG will confirm whether applicant/s meets the required affordability level to proceed with a purchase once we have the full IFA sustainability assessment that complies with HE requirements.

## **Initial percentage share and subsequent staircasing**

It is an HE requirement for all RPs to encourage purchasers to buy the maximum share they can afford and sustain. GUHG must sell shares flexibly in accordance with the purchaser's specific circumstances. HE recommends that shared ownership schemes should be based on an initial percentage purchase between 25% and 75%. GUHG will aim to adopt a flexible approach to the minimum (and maximum) initial purchase allowed. Normally purchasers will be allowed to staircase to 100%, although for certain schemes restrictions may apply.

## **Offer of a property**

Once an applicant has been offered a property, they will be expected to accept the offer within a reasonable timescale and reserve the property. This reservation involves forwarding details of their chosen solicitor and a holding fee of £500, in the form of a cheque or BACS payment.

Applicants will then be expected to have exchanged contracts by the stated exchange deadline. The reservation fee may not be refundable if the applicant withdraws from the purchase prior to exchange of contracts or if the offer is removed by GUHG if exchange of contracts has not been achieved by the exchange deadline.

Completion should occur as soon as possible following exchange of contracts.

## **Resales**

Shared ownership leases enable GUHG to nominate suitable applicants when leases become available for resale, through the nomination provisions within the standard lease.

Where a successful nomination is not made, (within the nomination period stated in the lease), the existing shared owner will be free to sell their share through the open market. The lease includes a mechanism to set the price paid for the share, based on a current formal market valuation. The lease will allow GUHG the right to approve the potential purchaser before any change of ownership and GUHG's consent to the assignment is required before a property can be sold.

This consent will be issued if the prospective purchaser:

- meets the general eligibility criteria
- meets the affordability criteria for the property
- has a genuine reason to purchase the property with the intention of occupying it as their sole or principal home.

## Other related policies

Complaints Policy  
Data Protection and Confidentiality Policy  
Equality, Diversity and Customer Care Policy  
Risk Management Policy and Framework  
Shared Ownership Sales Procedure  
New Business and Development Strategy  
Homes England Affordable Housing Capital Funding Guide  
Shared Ownership Allocation Pro Forma

<b>Customer Consultation:</b>	Policy readers 2017
<b>Equality Impact Assessment:</b>	initial screen
<b>Person responsible for review:</b>	Director of Development and Commercial
<b>Supported by:</b>	Sales Manager
<b>Ratified by:</b>	Leadership Team – virtual November 2018
<b>Date policy reviewed:</b>	November 2018
<b>Date of next review:</b>	November 2021