

Shared Ownership Sales Policy

1. Aim

- 1.1 To provide guidance on Onward's approach to the sale of shared ownership homes.
- 1.2 To deliver a fair and effective shared ownership sales service, consistent with Onward's values and that meets funding and regulatory guidance.

2. Scope

- 2.1 The policy applies to Onward's staff and external agencies involved in the sale, marketing and management of Onward's shared ownership homes. For clarity and in line with the Capital Funding Guide through this policy the 'provider' is Onward Homes, and the 'advisor' is the specialist shared ownership mortgage advisor.
- 2.2 This policy applies to shared ownership applicants and customers. It is intended to cover the initial first tranche sale.
- 2.3 The policy includes both shared ownership homes developed with grant or via a Section 106 agreement, including both general shared ownership and Older Persons Shared Ownership (OPSO) homes.
- 2.4 For properties being sold under the Homes England Programme 2021-26, the policy will apply to applicants who are looking to purchase between 10% and 75% of the overall market value.
- 2.5 The policy does not cover resales or staircasing or areas related to day-to-day leasehold management such as income collection or service charge administration. These areas are covered by the homeownership policies.

3. Policy detail

3.1 General approach and influence

- 3.1.1 Onward's approach to shared ownership will follow the guidance set out in the Homes England Capital Funding Guide and will also be guided by relevant industry codes, Council of Mortgage Lender guidance and individual scheme and planning requirements.

3.2 Shared ownership lease

- 3.2.1 The standard model Homes England lease will be used as the basis for all shared ownership leases. None of the fundamental clauses will be altered, but additional covenants may be included to reflect specific management requirements (such as satellite dishes, permission to have pets etc) relating to the Head Lease/Transfer Agreement or as advised by the Leasehold Management team.

3.3 Marketing

- 3.3.1 Onward will market and sell homes in a fair manner and in accordance with the Consumer Protection and Unfair Trading Regulations (2008). Where homes are reserved off plan, applicants will be provided with as clear and accurate information as possible regarding the homes being sold at the time of reservation. Applicants are also provided with guidance on Shared Ownership

at initial point of enquiry so that they are aware of the scheme the homes are sold under.

3.3.2 Homes will be marketed using an illustrative share which may be above the minimum share that is available to buy.

3.4 **Valuations**

3.4.1 Onward will obtain an independent valuation from a qualified and registered Royal Institute of Chartered Surveyor (RICS) for all new homes at initial sales stage. The value for the percentage of share sold will be based on this open market value. Sale values for same property types on the same site may vary, informed by positioning, parking arrangements, outlook and garden sizes.

3.4.2 The valuation will be valid for 6 months and a new valuation or covering letter from the valuation surveyor extending the valuation period will be obtained when required. If an applicant has made an offer or reserved a property, then the valuation at that point (assuming it has not expired) will be deemed valid for a further 3 months, allowing the purchase to continue with certainty of the valuation not changing.

3.5 **Applicant eligibility**

3.5.1 Shared Ownership is aimed at people that are in housing need who are otherwise unable to purchase an appropriate property on the open market. Applicants for shared ownership properties will be assessed using the following criteria: the Homes England Capital Funding Guide, and in the case of Section 106 developments, any relevant planning agreement with a local authority (such as local connection criteria). All applicants will need to complete a shared ownership application form and to speak to a specialist shared ownership mortgage advisor.

3.5.2 **Eligible groups for shared ownership.** Groups considered eligible include:

- a. **first time buyers;**
- b. **existing shared owners** who want to move and who have sold their property at the point they purchase;
- c. **Applicants are forming a new household** after a relationship breakdown and are selling their home / interest in their home on the basis that they have no legal interest in their former property or mortgage obligations at the point they purchase
- d. **over 55's in unsuitable accommodation** may be eligible on the basis they otherwise satisfy the requirements and will have sold their home by the time they purchase.
- e. **Other homeowners with local authority nomination.** In some exceptional circumstances a current homeowner may be able to purchase if they have a nomination from the local authority supporting their purchase
- f. **Existing homeowners:** owner occupiers can, in exceptional circumstances, have access to shared ownership, subject to the conditions set out in the Homes England Capital Funding Guide. They must have an offer for the sale of their current home and written confirmation of the sale agreed.

All applicants must be 18 years or over.

3.5.3 Older Person Shared Ownership (OPSO) eligibility

OPSO applicants must be aged over 55 at the point they purchase. OPSO applicants would likely be existing homeowners and would need to have sold their home prior to completing their purchase. Onward may decide not to accept reservations from applicants if there is a lack of certainty over the sale of the applicant's home or related timescales.

Onward will use discretion and Homes England guidance in considering an applicant's circumstances and determining what is an appropriate level of capital for a purchaser to retain for general living expenses, service charges and care costs.

3.5.4 Ineligible applicants

Onward will be unable to sell to applicants who:

- a. have had rent arrears in the past 12 months, unless this is linked to a legally documented disrepair claim against their landlord or the level of arrears was very nominal or temporary (e.g. linked to an admin error).
- b. would be named on an existing mortgage or property deeds when the sale of the shared ownership property is completed. This includes holiday homes and properties outside of the UK;
- c. appear that they are unable to meet the cost of the rent and mortgage payments for a home that meets their needs. If obtaining a mortgage must have a minimum surplus monthly income of 10% (or 20% if purchasing a sub 25% share) after the mortgage payments and other essential living costs are taken out as stated in their budget planner in accordance with Onward's Monthly Surplus Income Policy.
- d. are deemed by Onward to present too much of a risk in sustaining rent and/or mortgage payments. For instance, due to outstanding County Court Judgments against them or other outstanding credit issues, such as unsatisfied defaults or adverse credit as in accordance with Onward's Adverse Credit Policy
- e. clearly doesn't need shared ownership in order to access the local housing market, due to level of income, savings levels, ownership of stocks, shares, land and other assets.
- f. if the household size, relative to the property size will result in what would be considered statutory overcrowding.
- g. if Onward is unable to verify the source of any significant cash contribution being used to purchase the property in accordance with Onward's Money Laundering and Anti-Fraud policies.
- h. If the applicants are non-UK citizens without indefinite leave to remain and cannot demonstrate they are able to sustain home ownership in the long term (as opposed to being refused access to shared ownership due to immigration status alone).

- i. Households earning over £80,000 a year.
- j. If the applicants are not intending to live in the property.

3.6 **Prioritising**

- 3.6.1 The only priority group identified by Homes England for shared ownership is **Qualifying Armed Forces personnel**, in accordance with the Homes England Capital Funding Guidance. Such applicants will still need to be eligible for shared ownership and satisfy the affordability criteria.
- 3.6.2 Applications may also be prioritised on Section 106 Shared Ownership or rural exception sites in accordance with the local authority's planning requirements, such as prioritising people who have a local connection to the area.
- 3.6.3 Onward will offer a range of percentage share options (between 10% and 75%) to accommodate different applicant's circumstances.
- 3.6.4 In the event that demand exceeds supply if there are no applicants with any clear priority e.g. armed forces or specific 106 criteria then applicants, in accordance with regulatory guidance and Onward's first come first served policy.

3.7 **Affordability**

- 3.7.1 Affordability is assessed in accordance with Homes England Capital Funding Guidance to determine the initial share to be purchased and in accordance with Onward's Surplus Monthly Income Policy. The range of applicable share percentages are determined by the relevant Shared Ownership model.
- 3.7.2 All applicants must be assessed for affordability by a suitably qualified or regulated specialised shared ownership mortgage advisor who have been appointed to Onward's panel.
- 3.7.3 Onward expect applicants who are obtaining a mortgage to have a minimum of 5% deposit from their own sources and may refuse applicants who do not.
- 3.7.4 If an applicant seeks advice from a mortgage advisor that is not on Onward's panel, then it will be at the discretion of Onward whether to accept this. Onward can refer an applicant to an advisor on their panel for another assessment.

3.8 **Cash Purchasers**

- 3.8.1 Cash purchasers are not precluded from purchasing providing they can demonstrate that they are unable to buy a suitable property on the open market and meet the eligibility requirements of shared ownership.
- 3.8.2 All applicants must be assessed for affordability by a suitably qualified or regulated specialised shared ownership mortgage advisor who have been appointed to Onward's panel to provide confirmation of the lack of availability and/or suitability of a mortgage for the applicant.
- 3.8.3 Onward will also carry out an affordability assessment and credit check on the applicant and all partners/spouses based on the indicative initial share to be purchased to determine whether such an applicant is able to proceed and that any purchase is sustainable. The assessment could be carried out by an external agency appointed by Onward. Applicants will need to demonstrate their income is sustainable and outgoings are reasonable by providing documents such as bank statements. ONS data may be used in some circumstances to determine level of outgoings.

- 3.8.4 A budget planner must be completed on all cash buyers. For anyone buying less than a 25% share there needs to be a minimum of 20% net income remaining over. The budget planner must be based on the household composition and include realistic figures for all expenditure, backed up by bank statements where necessary
- 3.8.5 If a cash applicant has sought the advice of an independent financial advisor giving more personalised advice on the share they can purchase - for example on pensions and investments, this advice will not be overridden by Onward Homes though we will require evidence of this advice in accordance with the Capital Funding Guide.
- 3.8.6 All cash applicants must provide a full set of supporting documents, including proof of income and source of funds. Where an applicant is wanting to retain a significant sum of money Onward would request the rationale for this from the applicant. Onward may decline applications where the applicant wishes to retain what is considered to be an unreasonable level of savings, and where the reason for which has not been clearly explained or justified by the applicant.
- 3.8.7 In the event of an applicant with adverse credit history, please refer to Onward's Adverse Credit policy.
- 3.8.8 The final decision on whether to accept an applicant will be made by Onward, taking into account all the information available.

3.9 Applications from Onward staff or relatives of staff

- 3.9.1 Onward will avoid any unfair advantage being given to Onward staff and Board members or their relatives applying for shared ownership.
- 3.9.2 All applicants will be required to complete a form declaring any possible conflict of interest (Register of Exemptions Form).
- 3.9.3 Onward staff, Board members or their relatives will not be able to reserve properties in advance of marketing.
- 3.9.4 Any applicants with a declared connection to Onward Homes will require approval from the Senior Leadership Team before being able to proceed with a purchase.

3.10 Mortgage approval

- 3.10.1 Onward will request a copy of the applicant's mortgage offer and will need to provide their approval to ensure that the mortgage offer is consistent with the information provided at application and is in line with the supporting documents provided by the advisor prior to reservation. If there are any discrepancies from the original application, Onward reserves the right to cancel the reservation or request the applicant seeks an amended mortgage offer.

3.11 Rent and service charge setting.

- 3.11.1 New shared ownership rents will usually be set at 2.75% of the unsold equity. Shared ownership rent will rise on the 1 of April each year (or as otherwise agreed in the shared ownership lease) by the Consumer Price Index (CPI) + 1%. Buyers will also be required to pay Onward for buildings insurance and (if applicable) service charges along with an administrative fee.
- 3.11.2 In some instances, if an estate charge is due to a third-party managing agent, the lease may be set up so as to make the shared owner responsible for paying this directly to the managing agent, as opposed to via Onward.
- 3.11.3 No rent will be charged on the remaining 25% unsold share of OPSO properties

if a purchaser owns 75% but will be calculated as per general shared ownership if a share lower than 75% has been bought.

3.12 Handover

- 3.12.1 The remainder of the current month (pro-rata) and the following next month's rent and service charge payments will be required as part of the completion monies required by Onward.
- 3.12.2 Purchasers will be provided with a Home User Guide, gas and electrical certificates, warranty information and keys at handover of their property upon completion.

4. Responsibility and monitoring.

- 4.1 The Head of Sales and Director of Growth and Regeneration (or equivalents) will be responsible for ensuring the policy is complied with, monitoring and updating the policy every two years.