

POLICY TITLE	New Build Homebuy/Shared Ownership
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OFFICER RESPONSIBLE FOR REVIEW	Home Ownership Manager

NEW BUILD HOMEBUY/SHARED OWNERSHIP

1 POLICY STATEMENT

- 1.1 Key strategic priorities for Erimus Housing (Erimus) and Tees Valley Housing (TVH) are the provision of affordable quality homes in communities where people want to live, and the growth and development of our asset base to provide opportunity and choice for current and future residents.
- 1.2 Erimus and TVH supports the development of shared ownership as one element of promoting mixed and sustainable communities, and our policy for shared ownership allocations represents the current guidance relating to this issue from the Homes and Communities Agency (HCA).
- 1.3 The policy and scoring system ensure that homes are offered to customers in a fair and consistent manner in accordance with national policy and best practice, and incorporate any necessary local variations in policy.
- 1.4 Erimus and TVH will provide applicants for shared ownership with full information on estimated costs, rights, responsibilities and the obligations of being a shared owner, and all applicants will be advised to seek independent financial advice regarding their financial advice regarding their financial circumstances.
- 1.5 The policy will be monitored and reviewed, as appropriate, when strategic, procedural or legislative changes occur or any significant changes are made by the HCA to New Build HomeBuy.

2 REFERENCE MATERIAL

- 2.1 The following reference material has been considered when compiling this policy:
 - National Audit Office, (2006) A Foot on the Ladder LCHO Assistance;
 - HCA – New Building Homebuy;
 - Chartered Institute of Housing – Whose House is it Anyway?

Websites:

- Audit Commission – www.audit-commission.gov.uk;
- HCA – www.homesandcommunities.co.uk;
- National Housing Federation – www.housing.org.uk;
- Department for Communities and Local Government – www.communities.gov.uk

3 DEFINITIONS

- 3.1 New Build HomeBuy: This is a Government initiative which allows the buyer to purchase a proportionate share of a new property, built with public sector subsidy. The minimum share purchased will be determined on a scheme by scheme basis.
- 3.2 Affordability: We have referred to the HCA's guidance that housing costs for shared ownership schemes should have a net income cap, which is recommended at a range of 45-50% of net income, depending upon individual circumstances.
- 3.3 Rental element: Erimus and TVH will charge rent at up to 3% on the remaining equity held in the property. This will be calculated on a scheme specific basis.
- 3.4 Staircasing: Purchasers may buy additional shares in their home as and when they can afford to do so. The minimum additional share is 10% of the remaining unsold value of the property.
- 3.5 Market Value: The purchase of further shares will be at the open market value of the property at the time of purchase.
- 3.6 Shared Ownership: This is used in this policy as a generic term for Low Cost Home Ownership (LCHO) such as traditional shared ownership schemes, New Build HomeBuy, Leasehold Scheme for the Elderly (LSE), Shared Ownership for the Elderly, Shared Equity Schemes and Discount for Sale (DFS).
- 3.7 Section 106 Agreement: Local planning obligation for affordable housing.

4 POLICY CONTENT

4.1 Objectives

- 4.1.1 Shared ownership properties will be developed by Erimus and TVH to help people living in housing need to purchase a home of their own.
- 4.1.2 Purchasers must have insufficient income or available resources to be able to afford the outright purchase of satisfactory housing at current market prices, and must have sufficient savings or income to meet the associated cost of purchasing the initial share in the property and pay the rental element without financial hardship.
- 4.1.3 We recognise that for many customers, home ownership is an aspiration not a need as they could sustain rented accommodation in their current circumstances. It should also be acknowledged that for many people even purchasing a property through a LCHO scheme is not affordable.

- 4.1.4 The aim of the scheme is to meet defined housing needs identified by the Local Housing Authority or the Regional Housing Board, and develop a mixed tenure sustainable community through the inclusion of people who may otherwise be unable to afford to purchase a suitable property in the required location.
- 4.1.5 Erimus and TVH will maintain an effective database of qualifying shared ownership customer, and will monitor and review schemes to ensure that future shared ownership developments meet the needs of the communities in the areas in which we operate.
- 4.2 Policy Principles
- 4.2.1 New Build Shared Ownership will be developed in accordance with Erimus and TVH Growth and Development Strategy, and we will bid for National Affordable Housing Programme (NAHP) and other funding initiatives for shared ownership, as appropriate.
- 4.2.2 New LCHO developments will be subject to the Chief Executive and the Board being satisfied about the long-term viability of the scheme and that total scheme cost is in line with the Business Plan.
- 4.2.3 Homes are sold as leasehold properties on shared ownership terms, these can be houses, apartments or bungalows, and property sale prices will be based on independent valuations of market value at the initial sales stage and on any subsequent 'staircasing'. Where a property remains unsold six months after the initial valuation, the valuer will be asked for an update to ensure that the property is still being marketed at the correct price. Properties cannot be offered for sale below their open market valuation.
- 4.2.4 Erimus and TVH may install fixtures and fittings that exceed the normal lettable standard or the HCA's Design and Quality Standards in shared ownership properties to help marketability.
- 4.2.5 Purchasers must purchase the maximum share they can afford and sustain. The initial share sold to the leaseholder must be a minimum of 25% and a maximum of 75% purchased at the market value of the property. Owners will pay rent to Erimus and TVH on the remaining share they do not own (except in the case of shared equity, LSE and DFS schemes where no rent is charged on the unsold equity retained by Erimus and TVH). We will ensure that any rent payable will be calculated to be affordable in line with the HCA's rent setting guidance.
- 4.2.6 The minimum share, rent payable and equity share arrangements will be determined on a scheme by scheme basis.
- 4.2.7 Where rent is charged on the unsold share of the property, it will not exceed 3% for any individual scheme, and annual rent increases will not exceed the provisions as stated in the lease.

4.2.8 Where services are provided to shared ownership properties, these will be referenced in the lease and charges will be set and administered in accordance with current legislation the production of annual audited account. Where sinking funds are collected for maintenance and major repairs provisions, these will also be included in the terms of the lease and administered in accordance with current legislation and audited annual fund statements issued.

4.2.9 Erimus and TVH will issue leaseholders with all relevant information (i.e. provision of A Home Information Pack if required, property guarantee details, and terms and conditions of the lease). All leaseholders will be issued with a copy of the Leaseholders Handbook.

4.2.10 Erimus and TVH will meet its initial contractual and statutory repairing obligations toward shared ownership properties. Once the usual defect period has expired, the shared owners have full repairing responsibility and become liable for all maintenance costs on the property, even if they only have the minimum 25% equity share. In the case of flats, Erimus and TVH will remain responsible for repairs and maintenance to the exterior of the building and to any communal facilities.

4.2.11 Erimus and TVH will sell the purchaser additional shares at the appropriate market value, to enable them to 'staircase' up to outright ownership of the property. The exception to this will be shared ownership schemes for the elderly and Rural Restricted Staircasing schemes which will be limited to a maximum % ownership for designated elderly person's properties and for rural/section 106 schemes, to ensure the property remains affordable for future applicants needing LCHO.

4.3 Applications

4.3.1 All initial applications for schemes funded through the NAHP must be through Time2Buy, the HomeBuy Zone Agent for Tees Valley and County Durham. The Zone Agent will compile details of eligible applicants based on the Zone Agent application criteria as specified by the HCA or Department of Communities and Local Government (CLG).

4.3.2 Eligible applicants will then be forwarded to Erimus and TVH for assessment in accordance with the following eligibility policy principles and the criteria contained at Appendices 1, 2 and 3.

4.4 Eligibility

4.4.1 When assessing the viability of shared ownership sites, affordability will be a key issue. Affordability will be calculated using household income as a main driver.

4.4.2 Applicants are eligible for shared ownership if they meet three tests of suitability. These tests are:

- Unable to afford satisfactory housing at current market prices;
- Able to afford a shared ownership property without hardship;
- A suitable occupancy level.

- 4.4.3 If an applicant does not meet all three requirements, they should not be considered as suitable for shared ownership.
- 4.4.4 Erimus and TVH will give priority to customers who meet the key priorities of the Regional Housing Board, the Regional and Sub-Regional Housing Strategy, and the local policy and priorities of the Strategic Housing Authority.
- 4.4.5 The table at Appendix 1 sets out the priority criteria for shared ownership, the circumstances of priority applicants, along with details on the specific aims of shared ownership in terms of meeting needs and enabling applicants to obtain access into owner occupation in a new build property.
- 4.4.6 If there are more applicant eligible for a scheme than there are Shared Ownership Scoring Sheet attached at Appendix 2. The scoring weighting and marks awarded will be determined on a scheme specific basis, to ensure that priority is awarded to applicants meeting the strategic aims and objectives of each scheme who will contribute to the sustainability and viability of the development.
- 4.5 Affordability
- 4.5.1 Affordability criteria have taken account of the Regional Housing Strategy and guidance of the Regional Zone Agent, and are calculated using the HCA's Affordability Calculator (see Appendix 3).
- 4.5.2 We have set the maximum percentage of total net household income which can be used for 'housing cost, at 50%, based on the cost of a 25 year mortgage. In the case of joint applicants, both applicant's income and expenditure will be considered.
- 4.5.3 Where Erimus and TVH is providing affordable housing under a Section 106 Agreement, this may override or increase the significance of one or a number of factors considered by the association when making an offer of home ownership. Under no circumstances can Section 106 priorities be allowed to override the affordability criteria.
- 4.6 Occupancy Levels
- 4.6.1 Erimus, TVH and Time2Buy will determine the housing needs of each applicant in terms of the property size and type, taking into account the number of people in the household, their age and gender, and other family circumstances, e.g. where the applicant has divorced or separated and children visit on a regular basis.
- 4.6.2 We will ensure that the properties are not overcrowded and the level of occupancy is in-line with the criteria set out in Appendix 1. Minimum occupancy rates will be assessed on a scheme by scheme basis to meet local housing needs and ensure balanced sustainable communities.
- 4.6.3 We will ensure that properties are not overcrowded or under occupied and, therefore, meets local housing needs or prevents further reduction in housing conditions.

4.6.4 'Suitability' may also include 'location factors' such as the need to be close to local support networks (family or public/social agencies). However, it is not intended to assist people simply to move to a better standard of property or a more affluent area.

5 EQUALITY AND DIVERSITY

5.1 Assistance will be provided to customers who need help in completing the application process both for the Zone Agent, Erimus and TVH in-line with the local eligibility criteria. This includes assistance for those applicants who have language or literacy difficulties, and those with special needs i.e. applicants with physical disability related needs, major medical needs and older/vulnerable people. Where required, a home visit will be arranged.

5.2 Erimus and TVH will provide a customer information guide, which will be readily available in a range of formats on request.

6 CUSTOMER INVOLVEMENT AND CONSULTATION

6.1 Consultation has been undertaken with board members and any comments received incorporated in the policy document.

6.2 The Residents' Panel has also been consulted and has had an input to this policy.

7 MONITORING REVIEW

7.1 Monitoring

7.1.1 Erimus and TVH will review this policy, procedures and staff training needs at regular intervals in order to ensure best practice, achieve measurable results and continuous service improvement.

7.1.2 This policy and procedure will be automatically reviewed following policy or legislation change, as required by the HCA or CLG.

7.2 Review

7.2.1 Stakeholder groups will be involved and consulted in any review of this policy in-line with Erimus' and TVH's policy on tenant participation and consultation.

8 RESPONSIBILITY

8.1 It is the responsibility of the Chief Executive through the Head of Housing Services and the Home Ownership Manager to ensure that:

- All staff are aware of Erimus and TVH policies;
- All staff are trained on the policies;
- Monitoring of records is maintained;
- Customers are adequately informed of the policies;
- Appropriate action is taken against employees whose actions are inconsistent with this policy.

- 8.2 Erimus and TVH will develop procedures which will ensure effective implementation of this policy and provide training for staff to ensure they fully understand the wider issues surrounding shared ownership, and the surrounding legislative framework and procedures.
- 8.3 The regeneration directorate will be responsible for overseeing or co-ordinating the process, and will formally communicate with other relevant internal departments and personnel to ensure those involved in delivery are aware of their responsibility.
- 8.4 The Head of Housing Services will ensure that officers involved in the implementation of this policy are suitably skilled to deliver the required procedures to any agreed timescales.

PRIORITY CRITERIA FOR SHARED OWNERSHIP

Criteria	Aim	Definition
Tenant or owner occupier in areas of regeneration/demolition	Meets the needs of local communities in distress	Applicant resides in a property that they rent from a public or private sector landlord or are an owner occupier in a designated demolition area
Unable to afford satisfactory housing at current market prices	Meets needs and aspirations of potential homeowners by making home ownership affordable	Applicant would be unable to afford the 100% perceived value of shared ownership property being offered based on three times joint applicants annual salary or 3.5 times single applicants annual salary
Able to afford shared ownership property without hardship	Ensures short, medium and long term affordability of shared ownership	<p>Household outgoings on mortgage and rent should be between a range of 45 - 50% of net income. We assume that net income is equivalent to 74% of gross income (this takes account of tax and national insurance commitments).</p> <p>The applicants/household average monthly pay measured over the preceding three months after tax and all other deductions; plus any tax credits or other benefits relating to children, or disability and any deposit towards a mortgage will be considered.</p> <p>Other financial commitments ie less any outgoings for Hire Purchase, loans or minimum monthly payment for credit card bills will also be taken into consideration.</p> <p>The cost of the mortgage should be calculated at 95% LTV over 25 years at the current standard variable mortgage rate available from shared ownership lenders. This interest rate and mortgage term should be reassessed on an annual basis based on actual completions.</p>

		In the case of joint applicants, both person's income and expenditure should be considered and they should then become joint owners of the property. See Appendix 3 for an example of the Affordability Calculator.
First time buyer	Meet the needs of first time buyers who are unable to afford to purchase a home at current market rates	Has never owned their own home
Restructuring households	Meets the needs of customers who have to sell their home and supports Regional Housing Boards criteria for affordable housing	Have, or are in the process of, separating from a partner and are being forced to leave or sell their family owned home. Any legal interest should be surrendered in this home prior to purchase. This separation may be related to harassment or violence from a partner or immediate family member
Public Sector or RSL tenant or local connection	Meets the needs of Local Authority (LA) and RSL partners, and complies with national policy by increasing stock turnover and therefore reducing waiting lists	Are currently housed by a LA or RSL. Additional weighting will be applied to tenants living within the LA area in which the scheme is located when compared to applicants from other LA areas. It is, however, recognised that applicants from outside the LA area may have strong local connections or may bring skills to the LA area that are currently lacking and would therefore benefit the local community. These applicants will have a higher level of priority than those with no connections
Waiting list of LA or RSL	Meets the needs of LA and RSL partners by reducing waiting lists for social housing	Are currently accepted onto a waiting list for housing by their LA or RSL. Additional weighting will be given to applicants from within the LA area in which the scheme is located compared to applicants from other LA areas. It is, however, recognised that applicants from outside the LA area may have strong local connections or may bring skills to the LA area that are currently lacking and would therefore benefit the local community
Occupancy level	Ensures that properties are not overcrowded or substantially under occupied, and, therefore,	Maximum occupancy rate will be determined by the maximum permitted number of persons per property, based on scheme development criteria.

	meets local housing needs.	<p>Minimum occupancy rates will be assessed on a scheme by scheme basis to ensure balanced sustainable communities. (As a rule, one to three persons, including under-18s, are sustainable for a two-bedroom property. Households of two or more (including children) will be considered for a three-bedroom property, depending on the unit size.)</p> <p>Officers must establish if housing the number of persons (including children) in the property would lead to overcrowding, in which case they may reject the application</p> <p>Joint applicants must become joint owners of the property. (A deed of trust providing rights of occupation for a qualifying applicant is unacceptable as an alternative to becoming a joint owner)</p>
Disability	Scheme meets the needs of customers who would be unable to afford suitable accommodation on the open market	Unable to purchase suitable accommodation that is fit for purpose or can be adapted to fit applicant(s) requirements as identified by an Occupational Health Officer. Those people with learning disabilities will also be considered if affordability criteria are met
Unsuitable current accommodation	Provides accommodation to applicants where their present accommodation does not meet their current or projected needs	<p>The definition of unsuitable is used in a wide sense here and includes for example: applicant(s) living in a property that lacks basic facilities, is in poor condition or is overcrowded as defined above; accommodation which does not meet an applicants needs due to age, disability or over crowding</p> <p>Under occupation where the property is unmanageable and frees up family housing; lack of amenities or personal circumstances, and the applicant is unable to afford suitable accommodation on the open market</p> <p>Also included in this category are customers who may be the recipient of harassment, ASB or violence from neighbours</p>

Key Worker status	Meets the needs and aspirations of key sections of the community and supports national policy	As defined by the Housing Corporation in addition to any RHB priorities
New Graduates from universities & colleges	Meets the needs of the RHB in line with the Regional Economic Strategy priority for graduate retention	Retains graduates from universities and colleges in line with RHB priorities.
Relationship to place of employment	Enhances quality of life and reduces environmental impact of long travel to work.	The purchase of shared ownership property will bring applicant(s) closer to their place of work when previously they had to travel for over one hour each way on a daily basis or where an applicant would have to relocate to more suitable accommodation and this would mean moving a significant distance from their current place of employment due to house prices. This is particularly important in relation to rural areas or relocations

SHARED OWNERSHIP SCORING SHEET - SAMPLE**Shared Ownership Scoring**

Directions for Use: Simply enter the letter "y" in lower case in to the relevant options box to generate scores

Criteria	Option (Only enter "y")	Score	Notes
Unable to afford satisfactory housing at current market prices			
Able to afford Shared Ownership property without hardship			
Occupancy Level			
First Time Buyer			
Restructuring Households			
Public Sector or RSL Tenant Local Connections No Connections			
Waiting List of LA or RSL Local Connections No Connections			
Disability			
Unsuitable Current Accommodation			
Key Worker Status			
New Graduates from universities and colleges			
Savings			
Relationship to place of employment			
Tenant or Owner Occupier in areas of regeneration/demolition			
Rural Ties			
TOTAL			

Affordability calculator

Net income as % of gross =

74%

INDIVIDUAL PURCHASER AFFORDABILITY

<u>Variables</u>	
Mortgage interest rate	6.50%
Rent	2.75%
Share purchased	50%
Service charge pa	£1,320
Mortgage period (years)	25

Value	£190,000	Costs as % of net income	Income multiple required
Household income	£34,000		
Deposit towards purchase	£5,000		
Other financial commitments (pcm)	£0		
		45%	2.99

Example

An example of how this might work in practice.

An applicant for Shared Ownership/New Build Homebuy has an income of £34,000 and also has a deposit of £5,000 to put towards the purchase of the home.

The home they are seeking to purchase has a value of £190,000 a rent charge on the retained equity share of 2.75% and a service charge of £1,320 p.a.

So assuming an interest rate of 6.50%, and a mortgage repayment period of 25 years the individual can afford a 50% share as this would require a minimum income of £34,000 p.a.

Applying the principle of not exceeding 45% of net income the applicant's costs as a proportion of their net income will be 45% or equivalent to an income multiplier of 2.99 making the purchase in this example affordable.