

**Policy checklist**

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**Introduction:**

This policy sets out PPHA's approach to allocating our affordable homes, specifically shared ownership homes.

Shared ownership is a form of affordable housing which can be developed by use of grant funding, under section 106 agreements or provided as additionality by PPHA.

The purpose of the policy is to explain how Shared Ownership homes are allocated. The policy ensures that all legal, regulatory and planning obligations are considered when allocation SO Homes. S106 homes allocation may differ due to requirements outlined within the S106.

PPHA will also undertake affordability assessments by a qualified advisor to ensure purchaser can:

- Afford the purchase and meet monthly housing costs
- Ensure purchasers are maximising their shares where possible.

This policy details how we consider affordability assessments, adverse credit and purchaser affordability.

**Eligibility & Affordability:****Eligibility:**

For purchasers to be eligible for Shared Ownership, All purchasers must:

- not be able to purchase a property to meet their needs in the open market;
- be at least 18 years of age
- not exceed the total household income affordable housing limits as set out in the Homes England Capital Funding Guide
- Have a minimum £5,000 available (in addition to any deposit) to cover the costs of buying a home;
- Not knowingly give false or misleading information (in these circumstances the applicants registration fee will not be reimbursed).

PPHA will continue to monitor and adhere to rules set out within the Homes England Capital funding guide when allocating its SO homes.

**Affordability:**

According to the Homes England Capital Funding Guide, Registered Providers have a greater degree of flexibility when undertaking applicant affordability assessments, but levels of affordability must be confirmed with the Independent Mortgage advisor in line with lender criteria. The maximum household income permitted is £80,000.

A budget planner will also be completed for all applicants, detailing anticipated monthly expenditure including utilities and other bills. A minimum surplus income of 10% of the gross monthly household income will be required after the stress testing exercise.

Applicants with excess savings are encouraged to increase their contribution to the purchase to increase their equity or reduce their monthly costs. Any consideration to retaining funds over the amount of £20,000 will require manager approval and will be assessed on a case-by-case basis, taking into account any supporting evidence.

**Affordability Assessments**

PPHA and any nominated agent adopt a two-stage approach when assessing affordability/suitability for our affordable home ownership products. These services are provided by a regulated, qualified advisor from our panel of advisors. The customer will be notified by PPHA or its nominated agent of the advisor at time of application.

**Stage 1: The Initial Assessment**

The Qualified Advisor will request details of the customer's income and expenditure and will assess, based on the current mortgage market and the monthly rent and service charge of the property that the customer are interested in, what share is affordable. If the customer passes this stage, the qualified Advisor will advise PPHA/The Nominated Sales Agent on the scheme of the pass. This is a free service and must be completed prior to viewing of the home.

**Stage 2: The Full Assessment**

Once we have provisionally offered a home the customer will proceed to complete Stage 2: The Full Assessment. This is a more detailed assessment of the customer's income and expenditure, circumstance and preferences including any known or likely future changes that will impact income and/or expenditure. This more detailed assessment will also involve a budget planner. This must be completed by the nominated Qualified Advisor. The customer is not obliged to use the advisor for the mortgage.

For new-build and resale homes outside of London (Homes England), financial qualification is determined by the qualified advisor in line with lender criteria. Approval is based on the mortgage payments being no more than 30% of the applicant's net household income after expenditure, and ensuring that rent is stress-tested based on predicted increments over a 5-year period.

PPHA Staff or its nominated agents are not qualified to provide financial advice and so will always advise the customer obtains advice from someone who is suitably qualified and experienced in shared ownership mortgages.

**Adverse Credit:**

PPHA will not consider applicants with adverse credit.

Adverse credit refers to any missed or non-payment on an individual's credit report. The following types of adverse credit will show up on a report:

- Bankruptcy – a legal proceeding involving a person or business that is unable to repay outstanding debts
- County Court Judgements (CCJs) – an order from the County Court instructing the customer to repay a debt
- Individual Voluntary Arrangements (UVAs) – a formal agreement between the customer and the customer's creditors that helps repay what they can afford towards their debts.
- CAIS – late payment history or higher percentage of debt on cards/loans

A multi-agency credit report will be required to be sent to the Qualified Advisor as part of the Stage 2 Full Assessment.

For the customer to be approved with Adverse Credit the following criteria must be met:

- No missed mortgage/rent arrears within the last 12 months
- Bankruptcy that has been discharged over 3 years ago (subject to Individual Assessment)
- No County Court Judgements (CCJs) within the last 36 months and they must be satisfied prior to the mortgage application
- Individual Voluntary Arrangements (IVAs)s that have been discharged over 3 years ago and who have no residual debt (subject to Individual Assessment).
- No more than 2 consecutive late payments in the last 24 months

**Existing Property:**

PPHA will not consider applications for their Shared Ownership Homes for any purchasers who own or part own a home either in the UK or abroad unless:

Applicants can provide confirmation that the applicant's current home is in the process of being sold (an offer/memorandum of sale/legal documentation will be required); or

Applicants must provide confirmation that they are in the process of removing their name from their current mortgage.

**Joint Applicants**

Couples who are married or in a civil partnership must make a joint application and become joint legal owners of the property with the only exception being:

- That one applicant is unable to obtain a mortgage or the financing required to purchase the home. PPHA may consider allowing a sole application at their discretion.

**Allocation of homes:**

Often there is high demand for our Shared Ownership properties with multiple Customers interested in those available.

This policy deals with how we offer and allocate our Shared Ownership homes to eligible Customers. In accordance with regulatory requirements, our Shared Ownership homes are offered on a first come, first served basis.

This is based upon the purchaser who is first to pass their financial qualification assessment, submit the necessary documentation to our nominated sales agent. Documentation included but is not limited to:

- Budget Planner
- Financial documentation (ID, Payslips, Bank Statements & Credit Report)
- Completed AML
- Reservation Form
- Reservation Fee

Under no circumstances will PPHA or its nominated agent prioritise purchasers in any other manner than “first come, first served”.

The only exemption to the “first come, first served” policy is for military personnel. Military personnel are defined as:

- Regular service personnel (including Navy, Army and Air Force)
- Clinical staff (with the exception of doctors and dentists)
- Ministry of Defence Police Officers
- Uniformed staff in the Defence Fire Service who have completed their basis (phase 1) training;
- Ex-regular service personnel who have served in the Armed Forces for a minimum of six years, and can produce a Discharge Certificate (or similar documentation) as proof, where they apply within two years (24 months) of the date of discharge from service; or
- They are the surviving partners of regular service personnel who have died in service, where they apply within two years (24 months) of the date of being bereaved. Read about surviving partners in the MOD surviving partners guidance.

There will be some service personnel, such as the Gurkhas and those from Foreign and Commonwealth countries, who qualify under the criteria above but do not have indefinite leave to remain in the UK which may therefore disqualify them from eligibility.

**Application from PPHA Employees/Relation of PPHA Employee**

PPHA will undertake additional enquiries to check if:

- The applicant is employed by PPHA; or
- The application is a relation to someone employed by PPHA.

Any applications with the above descriptions will be placed on hold and subject to approval by the Head of Sales & Group Directors.