Southway
Housing Trust

Shared Ownership – Sales Policy

SER-POL-41

Version 4.0

Date approved: 3 December 2024

To be Approved by: Parent Board

1. Policy Statement

1.1 This policy outlines Southway Housing Trust's (Southway's) approach to the first sale and allocation of low-cost home ownership homes through the 2018-21 and 2021-2026 Affordable Homes Programmes.

1.2 Affordable home ownership provides a solution to the housing needs of those who unable to access social and affordable rented housing, or able to buy or rent an appropriate home on the open market.

1.3 Southway Housing Trust is the legal owner of the shared ownership properties; however the homes are marketed using the Gecko brand.

2. Aims

2.1 To provide an efficient, transparent, and fair system for the acceptance and processing of sales for shared ownership.

2.2 To ensure shared ownership homes are sold to households who require that option and can sustain home ownership.

2.3 To comply with all financial, legal, and regulatory requirements, including those set out in the applicable Homes England model shared ownership lease and it's Capital Funding Guide.

2.4 To operate the sale and management of shared ownership homes in keeping with the CIH Shared Ownership Charter.

3. Shared Ownership Offer

3.1 Southway offers the following types of low-cost shared ownership:

3.2 <u>Help to Buy: Shared Ownership 2016-2021 Capital Funding Guide</u>

New build properties where buyers can initially purchase between 25% and 75% of the lease, whilst paying rent on the remaining amount.

Shared owners of houses will be on a 125 – 250 year leasehold basis, until such time as they purchase 100% interest in the property. At this time, the Shared Owner will have the opportunity to acquire the freehold.

Buyers purchasing an apartment that staircase to 100% will become leaseholders of Southway.

Whilst shares can be offered of between 25% and 75%, Southway may seek to market new homes at a minimum threshold to ensure financial scheme viability. Decisions will be taken on a scheme-by-scheme basis with 35%share used for financial appraisal purposes.

3.3 <u>Shared Ownership 2021-26 Capital Funding Guide</u>

New build properties where buyers can initially purchase between 10% and 75% of the lease, whilst paying rent on the remaining amount.

Staircasing from 1% increments permitted opposed to previous 10% increments. This increases flexibility for purchasing more shares in the future. Marketing collateral, Reservation documentation & Key Information document highlight this additional update to customers.

£500 claim for repairs allowance available in first 10 years. This gives prospective buyers more assurance & support as opposed to 16-21 model.

Shared owners of houses will be on a 990–999-year leasehold basis until such time as they purchase 100% interest in the property. At this time the shared owner will have the opportunity to acquire the freehold.

Buyers purchasing a flat that staircase to 100% will automatically become leaseholders of Southway.

Whilst shares can be offered of between 10% and 75%, Southway may seek to market new homes at a minimum threshold to ensure financial scheme viability. Decisions will be taken on a scheme-by-scheme basis with 35% hare used for financial appraisal purposes.

3.4 <u>Older People's Shared Ownership (OPSO)</u>

Homes specifically for people aged 55 or over. The model works in the same way as general shared ownership, but buyers are only able to purchase a maximum 75% of the property value. Once a leaseholder has purchased a 75% share they pay no rent on the remaining 25% equity they have not purchased.

Marketing

3.5 Southway will approach the sales and marketing of homes in accordance with the Consumer Protection and Unfair Trading Regulations (2008) and any other relevant regulatory or legal requirements.

Prospective purchasers will be provided with clear and accurate information on the properties being sold.

All grant funded shared ownership properties will be added to the Gecko website.

3.6 Digital marketing, direct mail, social media, press articles etc. will be used where appropriate. A specialist external Affordable Property Marketing Agent is used to support marketing efforts, who were previously used for Geckos Rebrand, new website, and re-launch of all social media platforms. A new Marketing Strategy will be implemented created and reviewed quarterly.

3.7 When necessary to achieve sales, incentives may be considered such as paying purchasers' legal fees, or offering flooring, additional white goods, or items of show home furniture.

4. Valuations

4.1 Southway will obtain a valuation from a Royal Institute of Charted Surveyors (RICS) qualified, independent valuation surveyor for all new homes at initial sales stage.

4.2 Sale values for the same property types on the same site may vary, informed by, for example, positioning, parking arrangements, outlook and garden sizes, on the basis that this is aligned with the RICS valuation advice provided.

4.3 Valuations will also be sought for resales and other transactions as required.

5. Shared Ownership Eligibility and Affordability

5.1 All applicants for shared ownership properties must complete a Shared Ownership Application form and will be assessed using the Homes England Capital Funding Guide.

For Section 106 developments, any relevant planning agreement with a local authority (such as local connection) may apply further criteria.

5.2 Households earning over £80,000 a year will not be eligible for shared ownership.

5.3 An independent financial advisor / mortgage advisor will undertake an initial headline affordability assessment at application stage. This will identify the most affordable share that an applicant can purchase,

5.4 The budget planner will be used on all applications and applicants will be encouraged to purchase the most affordable share available to them in line with the budget planner.

5.5 Eligible Groups for Shared Ownership are:

- First time buyers - this includes those who previously owned a property but no longer do so.
- Existing shared owners -Upon reservation, the customer will need to demonstrate that they have agreed a sale on their current home, which will be reviewed on a case by cases basis- they will also be required to have sold their property at the point they purchase.
- Relationship breakdown applicants - who are selling their home or interest in their home may be eligible if they have no legal interest in their former property or mortgage obligations in any other property at the point of purchase.
- Over 55s who need to move to a shared ownership home as they’re living in unsuitable accommodation.
- Homeowners with a local authority nomination. In exceptional circumstances a current homeowner may be able to purchase a shared ownership home if they have a nomination from the local authority due to exceptional housing need.

5.6 <u>Older Person Shared Ownership (OPSO) eligibility criteria is:</u>

Applicants must be aged over 55 at the point they purchase.

Applicants, if existing homeowners, would need to have sold their home prior to completing their purchase.

Applicants are expected to use most of their capital towards purchasing their new home.

5.7 Officers will use discretion and follow Homes England guidance regarding an applicant's circumstances to determine what level of capital a purchaser should retain for general living expenses, service charges and other costs.

5.8 Applicants will not be eligible for shared ownership if:

a) They have had rent arrears in the past six months, unless this is linked to a legally documented disrepair claim against their landlord, or the level of arrears was very nominal or temporary

b) they are 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) they are deemed too much of a risk in sustaining rent and mortgage payments, due to outstanding County Court Judgements or other outstanding or recent issues.

d) the household size, relative to the property size will result in statutory overcrowding.

e) the applicants refuse to purchase the most affordable share they are assessed on, and Southway is not satisfied with the reasons offered for this.

f) If Southway is unable to verify the source of any significant cash contribution being used to purchase the property in accordance with the Trusts Fraud and Bribery policy.

g) If the applicants are non-UK citizens without indefinite leave to remain, as the applicant would be unable to demonstrate they can sustain home ownership in the long term.

6. Shared Ownership Applicant Priority

6.1 Generally, applicants will be prioritised on a first come first served basis. The following exceptions apply:

- Armed Forces personnel are given priority for Shared Ownership by Homes England; this includes serving and former military personnel discharged in the last two years.

- On Section 106 Shared Ownership or rural exception sites prioritisation may be linked to the local authority's planning requirements.

6.2 Southway may prioritise and target marketing towards existing Southway customers if this approach is aligned to broader strategies, such as Age Friendly and Asset Management.

6.3 Additional eligibility criteria may be required when linked to funding or stakeholder requirements; for example, homes that are adapted and would benefit a specific user group.

Southway Staff and Relatives

6.4 Southway will prevent an unfair advantage being given to people who work for Southway, for a company employed by Southway or who are related to Southway staff / Board members ahead of other eligible customers.

6.5 To ensure transparency, Southway staff will not be able to reserve properties in advance of marketing.

6.6 An application from a Southway staff member, or those with a close connection to Southway, will need to be approved by the Strategic Director of People and Places or the Chief Executive.

6.7 Applicants would then need to satisfy the eligibility and affordability criteria as per any other applicant and will not be given any preferential service.

6.8 Southway will generally restrict the number of properties that can be purchased by staff or those with a declared connection to Southway to one third of the total properties per phased release.

7. Reservation of a Property

7.1 Southway will act in accordance with Homes England Capital Funding Guide in administering the reservation process.

7.2 Before taking a reservation, (a £500 fee will generally apply) Southway will require:

- Confirmation of eligibility from via review of the Shared Ownership Application Form,
- Confirmation the applicant meets any Section 106 criteria
- A completed Sustainability Calculator, demonstrating affordability.
- Any relevant supporting documentation as per above.

7.3 If the applicant requires a mortgage to purchase, then Southway will require a Mortgage Decision in Principle as part of the supporting documents to secure a reservation.

7.4 Where the buyer is a cash buyer, Southway will carry out relevant checks to ensure that the cash buyer requires shared ownership to access sustainable home ownership, and that they are still purchasing the most affordable share available.

7.5 A Reservation Agreement (subject to contract) that includes details of the property, its purchase price and the lease and rental charges along with warranties, defects and other service and estate charges will be provided.

7.6 If a home is reserved off plan (prior to build completion) the purchaser will be provided with comprehensive information about the property and its planned completion date and any variations that may occur after the initial reservation.

8. Shared Ownership Leases

8.1 Southway's legal documentation will comply with the requirements of Homes England and the Council for Mortgage Lenders (the CML), to meet both grant funding and lender requirements.

8.2 Southway will use the applicable model shared ownership leases offered by Homes England with no amendments to the fundamental clauses. The leases may have non-fundamental clauses amended to include scheme specific information including any applicable service charge provisions.

8.3 Southway will provide the relevant Key Information Documents – as required by the Capital Funding Guide – to customers in order to provide a clear, plain-English explanation of the product to buyers. Sales Advisors will require proof of the purchasers Solicitor has receipt of these documents and confirmed the purchasers have read these.

8.4 There are two types of leases currently in use:

Shared Ownership - Capital Funding Guide 2016-2021

And

Shared Ownership- Capital Funding Guide 2021-2026

8.5 Shared ownership rent will be set in accordance with the Capital Funding Guide or S106 agreement for the unsold equity. Shared ownership rent will rise on the 1st of April each year by CPI +1%, based on the preceding September CPI rate (or as otherwise stated in the shared ownership lease).

8.6 Responsibilities under each lease are detailed in the Shared Ownership and Re-Sale Management Policy and associated

9. Handover and After Sales

9.1 The handover and aftersales process will be used to ensure that customers are aware of their own and the Trusts responsibilities in relation to:

- Rent and service charge payments
- Repair, maintenance and health and safety
- Defects reporting and service standards
- Any other scheme or property specific information

9.2 Satisfaction with the sales process will be collected and used to inform lessons learned.

10. Equality and Diversity

10.1 Southway will provide an equal and accessible service to all of its prospective shared ownership customers and an Equality Impact Assessment has been completed to support this.

10.2 This Policy, and related publications of Southway, can be provided on request in other formats (e.g. in an alternative language, Braille, large print, or audio).

11. Related Policies and Procedures

- Shared Ownership Sales and Marketing Procedures
- Shared Ownership Management Policy
- Shared Ownership Management Procedures

POLICY REVIEW HISTORY	
To be completed during each review	
Previous versions (Version number – approved by – approval date – title if different) v1.0 – Parent Board – 19/09/2017 v2.0 – Parent Board – 18/09/2018 v3.0 – Parent Board – November 2021 v4.0- Parent Board -November 2024	
Date of last EIA:	November 2024
Review lead by:	Fiona McCloskey, Senior Sales Advisor
Main points or amendments made and reasons ▪ Wording for affordability assessments changed from ‘maximising shares’ to ‘most affordable shares ▪ Removal of Consumer Protection for Homebuilders- to be reviewed in 2025 Q1 ▪ Removal of Help to Buy agent- replaced with Shared Ownership application form	
Next review due:	**November 2026**
Approval level:	**Parent Board**