

Habitare Homes Limited: Minimum surplus income policy

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Policy Owner:	Board
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Approved by:	Board

1 | Introduction

- 1.1. Habitare Homes Limited (“**Habitare**”) will ensure that all purchasers of shared ownership homes have completed an independent affordability assessment and are able to afford the homes they are purchasing. This policy applies to every affordability assessment carried out with a prospective purchaser when seeking to apply for a Habitare shared ownership home.
- 1.2. Resale allocations will follow the same principles and in accordance with the terms of the lease.

2 | Scope

- 2.1. This policy applies to all staff whether employed directly by Habitare, a partner/contractor, and any other individual who is responsible for visiting properties owned on behalf of Habitare or its managing agents.

3 | Purpose

- 3.1. The purpose of this policy is to:
 - Ensure that Habitare sells properties in a fair manner that meets legislative and regulatory requirements
 - Ensure that customers are aware of the process and costs of owning their home prior to expending any cost themselves
 - Ensures compliance with the Homes England Capital Funding Guide

4 | Definitions

4.1. Shared ownership

A tenure which allows the purchaser to buy a starting share and rent is paid on the equity that Habitare retains. The new Shared Ownership model introduced for the

Affordable Homes Programme (AHP) 2021 to 2026 permits shares between 10% and 75% which differs from the previous model that permits shares between 25% and 75%. Rents can be charged at up to 3% of the unsold equity. Habitare charges 2.75% in line with Homes England recommendations and the standard approach in the market.

4.2. Independent Financial Advisor

A qualified and experienced professional who conducts financial mortgage assessments with experience in the area of shared ownership mortgages. In exceptional circumstances, prospective purchasers may seek advice from an alternative advisor, provided they meet the criteria detailed in the policy.

5 | Relevant Legislation

This Policy should be read in conjunction with the legal and regulatory documents listed below:

- Homes England's Capital Funding Guide
- Any specific conditions required as a result of planning approval

6 | Our responsibility

- 6.1. All shared ownership applications received by Habitare will be considered in an impartial, equitable, and consistent manner in accordance with Homes England guidance. This ensures no prospective purchaser is disadvantaged by Habitare's interpretation and application of the guidance
- 6.2. We will ensure all prospective purchasers, sales agents, and mortgage advisors are aware of our policy approach when offering a prospective purchaser a shared ownership home and will make a copy of this policy available on our website
- 6.3. Prior to incurring costs towards a shared ownership purchase, a financial assessment will be undertaken to determine eligibility and affordability. This will be undertaken free of charge by a suitably qualified and experienced mortgage advisor.
- 6.4. Prospective purchasers must have a minimum of 10% surplus income at the end of each month following the assessment of all elements of their income and expenditure. This is established through a comprehensive budget planner, completed by the Independent Financial Advisor.
- 6.5. Habitare and its sales agent will ensure the share level being purchased is suitable for the prospective purchaser's affordability, needs, and circumstances as presented by the Independent Financial Advisor.
- 6.6. Independent Financial Advisors must ensure that the mortgage a prospective purchaser can secure represents no more than 30% of a purchaser's net income after accounting for firm expenditure commitments, rent, and service charges.

- 6.7. The 10% minimum surplus income as detailed within this policy will be based on the net income available for mortgage purposes as derived from the calculation below:
- Step 1 – gross household income (A)
 - Step 2 – deductions from gross income (B)
 - Step 3 – known commitments (C)
 - Step 4 – housing costs (excluding mortgage) (D)
 - Step 5 – net income remaining for mortgage purposes ($E = A - B - C - D$)
 - Step 6 – mortgage cost ($F =$ no greater than 30% of E)
 - Step 7 – other essential expenditure (G)
 - Step 8 – The minimum surplus income ($E - F - G$ must be greater than 10% of E)
- 6.8. Habitare will not require a prospective purchaser to take out a mortgage using a particular mortgage advisor and will not receive financial incentives from advisors in return for inclusion on their panel. All necessary anti-money laundering checks will be undertaken by the mortgage advisor, the prospective purchasers' solicitors, and our appointed selling agents.
- 6.9. Habitare will not penalise prospective purchasers reliant on income from benefits. Prospective purchasers who are self-employed or on zero-hour contracts will be assessed based on their ability to satisfy certification requirements in line with lender policies.
- 6.10. Applicants will need to qualify with Homes England's HomeBuy Agent and meet the criterion which applies at the time of qualification. At present this includes:
- A household income of less than £80,000
 - Demonstrate they are investing the majority of their savings and investments in the purchase, but avoiding hardship and taking account of individual circumstances
 - Be unable to purchase a suitable property on the open market
 - Prospective purchasers subject to immigration control must demonstrate their ability to afford and sustain home ownership long-term, with finance provided by a qualifying lending institution

7 | Policy Monitoring and Performance

- 7.1. The Board of Directors of Habitare has overall responsibility for this policy.
- 7.2. This policy will be reviewed every 2 years or when there is a change in circumstances or the introduction of new legislation.

Version Control

Date	Amendment	Version
July 2024	New Policy Implemented	V1.0