

Shared Ownership Surplus Income Policy

Department	Flagship Homes
Policy Owner	Head of Service
Approved Date	22/08/2024
Date for Review	July 2025
Approving Body	Flagship Leadership Team
Associated Legislation/Regulation	Homes England's Capital Funding Guide – updated May 2024
Equality Impact Assessment Date	14 August 2024
Version Number	1.1

Purpose / Principles

This policy defines the criteria and methodology for assessing the surplus income of prospective buyers to Flagship Group's Shared Ownership program. The minimum surplus amount was derived from the input of mortgage brokers and in line with mortgage lenders' best practices. The purpose of this policy is to ensure that:

- Prospective buyers maintain a minimum of 10% surplus income after all housing costs and financial commitments. (Applicants will be individually assessed)
- Financial assessments prevent overcommitment and promote long-term financial sustainability in homeownership.
- All assessments and decisions are made transparently and consistently, with a clear explanation provided to applicants regarding the outcome.

Roles / Responsibilities

The Head of Service is responsible for monitoring the relevant guidance and legislation to ensure Flagship Group meets its legislative and regulatory obligations.

The Shared Ownership Sales Manager is responsible for implementation of the policy and related procedures with the Sales Advisors.

Main Content

The Surplus Income Policy is designed in compliance with the guidelines provided by Homes England. Adherence to this policy ensures that Flagship operates within the framework set by Homes England.

This policy applies to all prospective buyers seeking to purchase a home through the shared ownership scheme managed by Flagship. It is designed to ensure that every prospective buyer undergoes a thorough and equitable financial assessment, supporting the principle that shared ownership should be accessible and sustainable for a diverse range of potential homeowners.

In exceptional circumstances, the standard application of the policy might not adequately reflect a potential buyer's financial situation. In these rare cases, policy waivers or modifications may be granted to accommodate unique customer situations, subject to a rigorous review process and the approval of the Head of Sales and Marketing.

Flagship expects most potential Buyers to have a minimum of 10% surplus household income after all the shared ownership rent, mortgage, service charge costs and known and essential commitments. In some circumstances, this may be more due to e.g. the applicant's age or deposit size. Flagship will use discretion in such instances, looking at the reasons why it appears the potential buyer is not purchasing an optimum share but will rely on the mortgage advisor's commentary.

For potential buyers who fall within the required age range to obtain a mortgage, Flagship will seek written confirmation from the mortgage advisor that the potential buyer is purchasing the optimum share.

Applicant Affordability Assessment - Process Considerations

- Potential buyer's gross income and financial commitments are assessed to determine their disposable income.
- Net income minus all known commitments in most cases leave a minimum surplus of 10%. (please see the formula later in this policy)
- The policy accommodates fluctuations in financial circumstances, ensuring potential buyers are not stretched beyond their financial capacity, considering future foreseeable changes.
- There is no set maximum surplus income limit to allow flexibility for potential buyers with varying financial circumstances.
- Ensure that the assessment process remains adaptable to different individual financial situations.
- Document all decisions and the justifications for each case to ensure transparency and accountability.
- Maintain records of the financial assessment, mortgage advisor's recommendations, and any special considerations.
- Regularly review and update the assessment process to align with changes in the Homes England Capital Funding Guide and other relevant regulations.
- Use feedback from potential buyers and mortgage advisors to improve the process continuously.
- The mortgage advisor will prepare the financial assessment using the documentation collected from the potential buyer, ensuring alignment with Flagship's published policies and affordability methodology.
- The sales manager will review and sign off the final assessment. Then, a formal offer is made to the applicant with details of the share purchase agreement and a KID2 issued prior to reservation or notification of approval to assign a lease (resales)

Detailed Formula to Calculate Surplus Income:

(A) Gross income (including guaranteed overtime)

(B) Less gross deductions (tax, National Insurance, student loan, etc)

(C) Less-known commitments (loans, credit cards, childcare, etc)

(D) Less housing costs of the Shared Ownership purchase (rent and service charges)

$(A - B - C - D) =$ income available to support a mortgage, other essential expenditures (identified through a budget planner) and to meet Flagship's 10% minimum surplus income policy.

Self-employed potential buyers can apply for Shared Ownership provided they satisfy the certification requirements regarding their income as required by providers, mortgage advisors, and lenders (as appropriate).

This process ensures a thorough and fair assessment of each potential buyer's net surplus, aligning with regulatory guidelines, Homes England audit requirements and Flagship's commitment to providing sustainable housing opportunities.

EIA statement

An EIA was completed on this policy on 14/08/24 and all identified negative impacts have been mitigated.

Training statement

The surplus income policy will be implemented with the Shared Ownership Sales Advisors by the Shared Ownership Manager. Training on the Capital Funding Guide and the future updates will be provided and refreshed annually, or during an update by our training team, whichever is sooner.

Measuring Effectiveness

We will monitor the impact of this policy and associated procedures and processes by the number of complaints, appeals and outcomes. Additionally, we will monitor compliance with this policy through internal review whereby the Shared Ownership Manager undertakes a sense check with sales advisors periodically.

Complaints

Flagship is committed to handling complaints and appeals about shared ownership applications and allocations fairly and transparently. By adhering to these complaints and appeals procedures, Flagship ensures that all potential buyers and residents have a clear and fair process for addressing their concerns and seeking resolution.

Potential buyers may appeal against our decision not to offer them a home if they feel we have not considered all relevant information or have made the decision unfairly. Appeals must be made to the Shared Ownership Manager at Flagship Homes within five working days from the date of notification of the decision not to accept a potential buyer or a decision not to make an offer.

Flagship will not hold any homes while the appeal is being considered. However, if the appeal is successful, we will seek to offer a suitable alternative property if it is available.

Applicants intending to appeal this decision may raise a formal complaint using the link on our website, where our complaints policy is also available.

Review Period

This policy is updated as required and formally reviewed every year by the Head of Service. It is approved by the Flagship Leadership Team on behalf of the Flagship Group.