

Shared Ownership Affordability Policy

1 Purpose

Metropolitan Thames Valley (MTVH) is committed to providing a range of affordable housing options that meet the aspirations of customers looking to access home ownership.

This policy outlines the Affordability Policy and approach for Metropolitan Thames Valley Housing (MTVH) in terms of its methodology and approach, to minimise risk to MTVH; its' assets and its' operations, for conducting affordability assessments for customers looking to buy a new or resale shared ownership home, and use of appointed Mortgage Advisors (MA), authorised and regulated by the Financial Conduct Authority (FCA).

2 Scope

The policy will apply to homes sold by SO Resi, the shared ownership brand for MTVH in relation to shared ownership for new build homes, resales, and right to shared ownership transactions on behalf of:

- Metropolitan Thames Valley Housing (MTVH)
- SO Resi Partnership Clients in contract at the time of marketing and sale **

This policy will be administered by SO Resi sales and aftersales teams with support from the appointed MA who will assess individual customers' financial circumstances to achieve SO Resi's objective to ensure that all customers purchasing a home are affordable, proceedable, and sustainable *** and carry out all Anti-money laundering checks as part of the review process.

** refer to individual SO Resi Partnership Client affordability policies in terms of any limitations to maximum affordability and site-specific protocols.

*** sustainable at the point of purchase, not being able to predict the future economic landscape in terms of mortgage interest rates and any economic challenges.

The Policy applies when:

- Customers are looking to purchase a new build or resale shared ownership property.
- The New Build Sales and Aftersales Team are responsible for delivering new and resale transactions.

The objectives of this policy are:

- Customers are buying homes that they can afford and sustain.
- Customers meet the qualification and affordability criteria set out in the Capital Funding Guide as determined by Homes England (HE) or the Greater London Authority (GLA), ensuring access to documentation for audit.
- To minimise financial risk to MTVH and its stakeholders via anti-money laundering checks, and through an inability for customers to meet their housing costs, resulting in future rental arrears, lender repossession, or lease forfeiture.
- To provide stakeholders with evidenced based data to support future scheme appraisal or challenge.

Any purchase of an MTVH home must adhere to this policy. This applies when customers use the services of the appointed mortgage advisor to obtain their mortgage or seek to obtain their mortgage advice elsewhere.

3 Our Commitment

- To protect MTVH's assets by ensuring a clear and robust policy that details the approach to assessing the affordability of customers who wish to purchase with a mortgage or with cash.
- To ensure that all customers are aware of our affordability policy when offering them a shared ownership home and prior to them expending any personal cost.
- To ensure the affordability of homes is in line with the Capital Funding Guides, published by Homes England (HE) and the GLA and meets the requirements of the FCA in terms of MA appointment.
- To ensure that monitoring is in place to demonstrate compliance with all regulatory Capital Funding Guide requirements.

4 Our Approach

4.1 Assessing Affordability

MTVH will market developments based on Royal Institute of Chartered Surveyors (RICS) Valuation at a 'target' minimum share, for example at 25%, but subject to the funding programme, and assessment, will accept customers wishing to proceed at shares from 10%. For resales, the minimum share being offered by the Leaseholder in occupation will be offered, with customers able to purchase the share affordable for them.

The customer household gross income must not exceed £80,000 pa (£90,000 in London). Customers will undertake an affordability assessment conducted by an MTVH appointed Mortgage Advisor (MA).

MTVH will seek to ensure that customers purchase the maximum suitable share they can afford (in line with HE or GLA affordability methodology and the MA recommendation).

MTVH and the Mortgage Advisor will:

- Adhere the Homes England or Greater London Authority affordability methodology in place at any time, although for resale transactions, some flexibility may be considered to ensure that existing shared ownership leaseholders, are not unduly restricted in being able to sell their home.
- Collect evidence of identity, income, savings, and will complete a credit check, budget planner and anti-money laundering checks on behalf of MTVH. Customers will be informed in advance of the documentation requirements.
- Determine the share affordable to the customer based on the assessment and documentation provided, providing MTVH with a sign off pack, containing the supporting documentation, household budget, a declaration of affordability, a mortgage Agreement in Principle (AIP), for MTVH's consideration and approval, prior to property reservation.

Cash only purchases will be considered on an individual basis:

- The principle is that cash only purchases will be acceptable where "cash rich, income poor" circumstances apply (for example someone who cannot take out a mortgage due to age, someone who's religious beliefs prevent them from seeking a traditional mortgage, or someone with an inheritance but with a low income).
- Reasons for using cash will be explored, as they may be exceptions to these assumptions, with the use of a budget planner, credit file and will consider future lifestyle requirements, for example, if a customer is a cash buyer due to age and imminent retirement (or other life event).

- For customers where a cash proposal is from a household with income sufficient to obtain a mortgage (other than in cases detailed above) then acceptance will depend upon them obtaining the maximum mortgage possible within the affordability methodology to increase the share they are buying
- Should the cash available plus maximum potential mortgage equal or exceed the value of the property on offer, the customers will be considered ineligible for shared ownership on the basis that they can afford to buy a home on the open market.

4.2 Surplus Income Policy

For customers, buying with a mortgage, a surplus income of 10% minimum of net income after mortgage costs, stress tested rent, service charges and other household and lifestyle income, based on the proposed purchase will be required and evidenced via a budget planner.

For customers who are wishing to buy sub-25% shares, there will be a surplus income of 20% minimum of net income after stress tested rent, service charges and other household and lifestyle income, based on the proposed purchase. This approach, especially for cash buyers on lower incomes, will guard the customer against economic factors that could impact their ability to afford the property in the event of any change to their income. Each application will be considered individually.

Evidence of income and expenditure must be realistic, considered acceptable by mainstream lenders and will be verified via bank statements. When considering available income, this should be from a credible source, applying a simple rule of 'has the income passed through HMRC', being the overarching guideline, albeit not exhaustive e.g. overseas income could be considered and may not have passed through HMRC.

The surplus % will protect the customer against possible increased costs or unforeseen circumstances that have not been budgeted for. MTVH may exercise discretion when a mortgage cost to net income ratio exceeds 30% (outside London) or when a debt to net income ratio exceeds 45% (in London). For both examples the 10% minimum residual buffer of net income after all mortgage, rent, service charge costs are applied will apply for customers buying with a mortgage and a 20% minimum buffer of net income for sub-25% buyers.

4.3 Mortgage Deposits

MTVH will consider a mortgage loan to value of no more than 95%. Every applicant will be expected to be able to provide at least 5% of the share value from their own available resources and be able to provide evidence of the source of funds.

Whilst some lenders may accept 100% mortgages, MTVH feel it is important for the customers to commit monetarily to demonstrate their desire to own a property and mitigate them and MTVH against negative equity risk. For this reason, MTVH will not accept 100% mortgages.

4.4 Lender Criteria and Adverse Credit

MTVH want customers to borrow responsibly ensuring they can sustain future payments of their home. By using regulated mortgage advisors, this ensures that customers have access to 25+ shared ownership lenders and take a case-by-case approach to prevent customers being exposed to adverse lenders. MTVH will aim to ensure that customers use reputable lending sources and avoid known specialist lenders.

When reviewing a customer's ability to sustain mortgage and rent payments, we will consider if the applicant has had any adverse credit. The business reason for this is that the applicant's inability to manage finance commitments creates a higher risk of mortgage default and rent arrears. If there are exceptional circumstances that explain the adverse credit and evidence can be provided to corroborate, MTVH will use its discretion to decide if the reasons and evidence provided sufficiently mitigate any risk.

MTVH adopt the following adverse credit protocol that ensures that customers are using reputable lending sources and avoiding specialist lenders. In addition, we will not accept any mortgages where the total fees, when paid up front, exceed £1,250, this excludes valuation, intermediary advice, and legal fees.

MTVH will not dictate which mortgage lenders buyers use. However, through our mortgage advisors, we will seek to ensure arrangements are affordable and sustainable, meeting Homes England and Greater London Authority affordability criteria. There will inevitably be a variance in mortgage interest rates that customers can obtain depending on their circumstances and deposit size.

The following criteria applies to:

All Customers:

- No County Court Judgements (CCJ's) or Defaults that remain unsatisfied, of any age.
- No CCJ's or defaults within last 2 years over £300 in total.
- Individual voluntary arrangements (IVA's) or a bankruptcy discharged 3 or more years ago, or registered over 6 years ago and satisfied, with no further issues.
- Debt management plans paid off over 12 months ago will be considered.
- No mortgage arrears in last 12 months.
- Previous repossession over 3 years ago is acceptable, provided no outstanding debt to lender and no other credit issue in the last 3 years.

Employed Customers:

- Last 3 months payslips and corresponding bank statements
- Last 13 weeks' payslips (weekly) and corresponding bank statements
- For those employed less than 3 months, latest payslip along with corresponding bank statement and contract of employment, subject to individual lender discretion.

Self-employed (Sole traders) Customers and Directors:

- Last 3 years self-assessments from HMRC and corresponding tax overviews (Previously known as SA302)
- For self-employed sole traders less than 3 years, minimum 12 months of above.

Zero-hour workers:

- 12-month payslips to current date and last 3 months bank statements

4.5 Incentives and Discounts

MTVH may offer customers incentives to reserve homes. They are offered at MTVH's discretion and commonly offered to help to secure a sale, especially for the last remaining properties on a development. Incentives will be agreed in writing between the parties on a case-by-case basis.

Incentives will not exceed the UK finance guidance, being no more than 5% of the value of the initial share being purchased.

No discounts on property prices will be offered by MTVH. Properties are sold at Royal Institute of Chartered Surveyors valuation and reviewed quarterly up to the point of reservation.

5 MTVH Employees, Board Members and Agency Staff

MTVH operates clear codes of guidance relating to the allocation and sale of properties, set out in the **MTVH Provision of Housing to Staff Policy**. This is to ensure transparency and fairness as such, employees, Board members and/or their close relatives who may be eligible to purchase a shared ownership home, will not benefit from any advantage if securing properties owned by MTVH.

6 Reporting Requirements

Regular reporting is provided to Homes England, Greater London Authority and to local authority partners upon request, to demonstrate compliance with the Capital Funding Guide and S106 requirements and all legislative and regulatory requirements.

7 Background Legislation

- General Data Protection Regulation (2018)
- Financial Conduct Authority (FCA)
- Consumer Protection Regulations (CPRs)
- Consumer Protection from Unfair Trading Regulations (2008).
- Anti-Money Laundering Regulations (2017).

8 Our commitment to Equality, Diversity and Inclusion

In implementing this policy MTVH will not discriminate against any colleague, customer, or stakeholder on the grounds of their sex, sexual orientation, gender reassignment status, ethnic origin, age, religious belief, disability, marital status, and pregnancy/maternity. An Equality Impact Assessment has been completed for this Policy and is retained by the Policy Team.

9 Key Policy Information

Policy Owner	Director of SO Resi - Development and Sales
Author	Sales and Marketing
Approved by	Director of SO Resi - Development and Sales
Effective from	July 2024
Approach to review	This Policy & associated Procedures will be reviewed as required by the owner for changes in legislation, regulation, and operational need. Any amendments will be appropriately consulted on and signed off before being clearly communicated to customers and colleagues. Next expected review is 5 years from the 'Effective date' of this document.
This is a controlled document maintained and accessible via MTVH's intranet, The Hub. When viewed outside of the intranet, this document should be checked against the master copy held by MTVH to verify that it is the current version, or it shall be considered uncontrolled.	