

Partnerships Policies & Procedures



Shared Ownership Sales Monthly Minimum Surplus Income Policy

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| 1. | Policy objectives |
| 1.1 | The aim of this Policy is to set out The Group’s position on the minimum surplus income an applicant must have to ensure the shared ownership home being purchased is affordable and sustainable. |
| 1.2 | This Policy does not cover shared ownership properties inherited from Watford Borough Council under the 2007 stock transfer. |
| 1.3 | This Policy applies to Watford Community Housing Group, including its subsidiary and joint venture companies. |
| 2. | Legislative or regulatory requirement |
| 2.1 | <p><u>Legislative:</u></p> <ul style="list-style-type: none"> • Homes England (HE) Capital Funding Guide • Data Protection Act 2018 and General Data Protection Regulation 2018 (“together Data Protection Law”) • Housing Act 2004 • Section 106 Agreements (terms may be set out by the area’s LA) |
| 2.2 | <p><u>Regulatory:</u></p> <p>RSH Governance and Financial Viability Standard 2015 (2.1): “Registered providers shall adopt and comply with an appropriate code of governance.”</p> <p>National Housing Federation Code of Governance (2020)</p> |
| 3. | Scope and definitions |
| 3.1 | <p><u>Scope</u></p> <p>This Policy applies to customer applications when purchasing a shared ownership home. To ensure a customer can afford and sustain home ownership, affordability will be assessed based on a monthly minimum surplus income requirement.</p> <p>The minimum amount of surplus income is an amount of money that a customer should have at the end of each month once housing costs, other commitments and expenditure have been accounted for.</p> |

| | These costs will be established as part of the affordability assessment using a budget planner carried out by an Advisor. The Advisor will consider all elements of the applicant's income and expenditure during the assessment. | | | | | | | | | | | | | | |
|-------------------------------------|---|------|---------------------------|-----------------|---|---------------------|--|----------------|---|------------------|---|-------------------------------------|---|---------------------|---|
| 3.2 | <p><u>Definitions</u></p> <p>Shared Owner: a person who has purchased an equity share in a shared ownership property. Although the property may not be owned outright, the shared owner has the responsibility of a full owner-occupier. In flats the shared owner has the responsibility of lessee including liability for service charges and contributions for major works</p> <p>Local Connection – prospective purchasers may have to live, or work, in a specific locality to qualify</p> <p>Monthly Surplus Income - amount of money that a customer should have at the end of each month once housing costs, other commitments and expenditure have been accounted for.</p> <p>Advisor – Regulated, qualified Mortgage Advisor or Independent Financial Advisor</p> | | | | | | | | | | | | | | |
| 5. | Monthly Surplus Income Calculations | | | | | | | | | | | | | | |
| | <p>The Monthly Surplus Income calculations as specified by Homes England is shown below:</p> <table border="1"> <thead> <tr> <th>Item</th> <th>Example/Explanatory Notes</th> </tr> </thead> <tbody> <tr> <td>A. Gross Income</td> <td> <ul style="list-style-type: none"> Gross monthly pay to include the relevant amount of any overtime, commission or bonus as determined by an Advisor. Any Universal Credit or benefit income Any guaranteed maintenance payments </td> </tr> <tr> <td>B. Gross Deductions</td> <td> <ul style="list-style-type: none"> Income Tax National Insurance Pension Contribution Student Loan Other payslip deductions </td> </tr> <tr> <td>C. Commitments</td> <td> <ul style="list-style-type: none"> Credit commitments to include personal loans, PCP, HP, etc Credit and store cards Childcare costs Care costs </td> </tr> <tr> <td>D. Housing Costs</td> <td> <ul style="list-style-type: none"> Stress tested rental figure Service charge </td> </tr> <tr> <td>E. Net Income for Mortgage Purposes</td> <td>E is the remaining income once B, C and D have been deducted from A</td> </tr> <tr> <td>F. Mortgage Payment</td> <td>The indicative Mortgage Payment as determined by the Advisor.</td> </tr> </tbody> </table> | Item | Example/Explanatory Notes | A. Gross Income | <ul style="list-style-type: none"> Gross monthly pay to include the relevant amount of any overtime, commission or bonus as determined by an Advisor. Any Universal Credit or benefit income Any guaranteed maintenance payments | B. Gross Deductions | <ul style="list-style-type: none"> Income Tax National Insurance Pension Contribution Student Loan Other payslip deductions | C. Commitments | <ul style="list-style-type: none"> Credit commitments to include personal loans, PCP, HP, etc Credit and store cards Childcare costs Care costs | D. Housing Costs | <ul style="list-style-type: none"> Stress tested rental figure Service charge | E. Net Income for Mortgage Purposes | E is the remaining income once B, C and D have been deducted from A | F. Mortgage Payment | The indicative Mortgage Payment as determined by the Advisor. |
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| | | <p>Where possible, the Mortgage Payment (F) should not exceed 30% of E</p> <p><i>NB: This may be exceeded in cases where the Advisor feels that there is a justification for doing so and where the customer is still subsequently able to satisfy the provider's budget surplus policy.</i></p> |
| | G. Essential Costs | <ul style="list-style-type: none"> • Council Tax • Utilities • Food • Fuel and Travel • Insurances • Other |
| | H. Surplus Income | <p>This is the figure remaining once F and G have been deducted from E. This figure should be a minimum of 10% of the original figure A (gross income).</p> |
| 6. Minimum Surplus Income Requirements | | |
| 6.1 | <p>The minimum surplus income is the minimum amount of your gross income that you should have remaining after commitments. The Group's minimum surplus income is a minimum of 10%.</p> | |
| 7. Adoption & compliance monitoring | | |
| 7.1 | <p>This Policy will be monitored and reviewed considering any significant changes implemented by the HE.</p> | |
| 7.2 | <p>The Policy shall be reviewed every 3 years or earlier as policy/legislation dictates.</p> | |
| 8. Diversity and Inclusion Considerations | | |
| | <p>WCH will act fairly and consistently in the application of this Policy and will not discriminate against any person on the grounds of their age, race, ethnicity/nationality, gender, religion, sexual orientation, marital/civil partnership status, pregnancy status or disability.</p> | |
| 9. Data Protection Considerations | | |
| 9.1 | <p>The Group will process personal information relating to prospective and current shared owners through the application and subsequent management of the shared owner's property. When doing so, the Group will handle customer's names, addresses, contact details, proof of identity and any other necessary information. The legal basis for processing this information is to support the contract with the shared owner.</p> | |
| 9.2 | <p>The Group will keep all information secure and confidential and will process it in accordance with both Data Protection Law and WCH's Data Protection Policy. We will</p> | |

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| | hold information only for as long as reasonably necessary and always within the maximum timescales set out under the Group's Retention Policy. |
| 9.3 | A general privacy notice to shared ownership applicants summarising the information we collect directly and via third party agents who may market these properties on our behalf, how we process it during their relationship with us and who we may share it with (such as professional advisers), and why, during this time is known as the 'Leaseholder, Freeholder and Garage Tenant Privacy Notice'. Copies of the Privacy Notice are available from the WCH website or the Company Secretary, Governance & Regulation Manager. |
| 9.4 | The Group may use the services of a sales and marketing agent to progress initial shared ownership sales enquiries to full completion via solicitors acting for both parties. In this context, the sales and marketing agent will be acting as a Data Processor for the Group and, as such, will be subject to The Group's Data Processor due diligence process. |
| 10. | Related documents |
| | Shared Ownership Policy & Procedure Adverse Credit Policy Cash Purchasers Policy First Come First Served Policy |
| 11. | Approval |
| | Approved by: EMT |
| | Date of approval: August 2024 |
| | Review date: August 2027 |
| | Policy 'owner': Assistant Director of Partnerships |