

Shared ownership policy

Eligibility, applicant priority, and affordability

This document sets out ReSI Housing's policy on eligibility, applicant priority, and affordability, and this will be provided to the applicant before a property is allocated.

ReSI Housing operates a first come, first served policy for the allocation of shared ownership homes to applicants. ReSI Housing does not operate a shared ownership waiting list but there may be occasions where priority may be given over other applicants, for example, applications from Military or Defence personnel, local connection requirements as part of planning obligations, or for dwellings in protected rural areas.

Where an applicant responds to the marketing of a scheme, we and our agents will ensure that they are given an opportunity to view available properties on a first come, first served basis.

Prior to and during the viewing, applicants are treated as initial enquirers. This policy will be made available to them, along with the shared ownership key information document, and details of the information that will be required from them for the initial affordability check.



Shared ownership aims to help people that are in housing need.

Prospective purchasers of newly available properties will be able to consider any share ranging from 10% to 75% of the full open market price. Purchasers who are buying from existing shared owners will usually consider the % share owned by the current shared owner.

In all cases, an applicant's gross household income, must not exceed £80,000 (£90,000 in London). Incomes and funds available must be sufficient for the purchase to be affordable and sustainable, but not at or above the level of being sufficient to acquire the property at the full open market value. Existing homeowners will be expected to have sold their home prior to or at the time of the purchase of the shared ownership property.

The eligibility and initial affordability check will be undertaken by a financial adviser.

When the applicant has chosen their preferred home and has been deemed eligible, the home will still be marketed but will be stated as "allocated" and unavailable to other initial enquirers for a period of two weeks while the applicant completes a full affordability assessment by the financial adviser.

On successful completion of the affordability assessment, the applicant will usually have an additional week to reserve the property. The property will still be marketed but will then be deemed as "reserved" and unavailable to other viewers.

A reservation will be held for up to four weeks for the applicant to appoint a conveyancer, receive an acceptable mortgage offer, organise the deposit and exchange contracts at which point the property is deemed as "sold" and taken off the market.

If at any point the applicant no longer proceeds, then the property will be placed back on the market and unallocated enquirers will be contacted in date order under our first come first served policy.



Financial advisers

Financial advisers help to ensure that the purchase of a shared ownership home is sustainable for the applicant, their lender, and ReSI Housing. The subsidy (financial assistance from government agencies or planning obligations) helps to set the rent below market rates.

Financial advisers recommended by ReSI Homes will provide applicants with an assessment free of charge. An applicant may choose their own financial adviser or mortgage broker, and ReSI Housing will accept an initial affordability check from a regulated adviser or broker.

Financial advisers must adhere to this policy and ensure that ReSI Housing complies with the relevant requirements in the [Homes England Capital Funding Guide](#) or [GLA Capital Funding Guide](#).

ReSI Housing reserves the right to ask one of its panel of approved financial advisers to undertake the full affordability assessment at no cost to the applicant.

ReSI Housing's panel of approved financial advisers meet the following criteria:

- Regulated by the Financial Conduct Authority
- Demonstrate at least three-years of experience in providing advice to shared ownership applicants (supported by references)
- Have procedures in place that align with Homes England or GLA requirements
- Understand and apply ReSI Housing's affordability policies
- Are able to provide services that include budget planning, and checks on identity, income, credit status, immigration status, and anti-money laundering

Affordability criteria

The affordability assessment uses a budget planner which includes the minimum information set out in the Homes England Capital Funding Guide, or GLA requirements. This will help ReSI Housing and its agents consider the application under the following criteria:

First criteria

Shared ownership is a subsidised affordable housing offer which is restricted to those who cannot afford to buy at open market prices. The affordability assessment will show the total amount of funds available to the applicant in bank accounts, savings, and gifts from family and friends.

A significant amount of these funds, added to a standard mortgage of 90% loan-to-value, with payments at 30% of net-of-tax mortgageable-income after other financial commitments, should not exceed the open market value of the allocated property.

Second criteria

The applicant should use a significant amount of their funds available, and the maximum mortgage that they can afford to acquire the largest first-tranche share.

The applicant will be permitted to retain a reasonable level of savings for emergencies, as well as to cover any known foreseeable events

Third criteria

The purchase should be sustainable for the applicant.

The mortgage payments should not exceed 30% of the net-mortgageable income defined as:

- Gross household income of all adults and from all sources
- Less income tax and national insurance
- Less other financial commitments such as student loan repayments
- Less the service charge
- Less rent¹

Fourth criteria

The applicant's borrowing should not expose ReSI Housing to excessive risk when providing the applicant's lender with loss protection.

In most cases this will mean that the loan-to-value of the applicant's borrowing will not exceed 90%.

Fifth criteria

The applicant should be able to show a "buffer" for unexpected costs in the budget planner, prepared with the financial adviser.

The budget planner must show a minimum surplus of 10% of net household income after other financial commitments. For households with low incomes, where 10% may not provide enough buffer, the surplus should be at least £200 per month, whichever amount is higher.

1. Rent on the share retained by ReSI Housing assumes 5% (CPI) or 6% (RPI) rental increases for the next 5 years.

Referral to a director

ReSI Housing recognises that individual household circumstances can vary considerably, and that there can be borderline cases against the affordability criteria. In these cases, a financial adviser can recommend that the share to be purchased will be affordable, or where a sales agent recommends that the purchase should proceed. In these circumstances, the application will be reviewed by a director, and in all cases where:

- The loan-to-value is over 90%
- The purchase is with cash only
- The mortgage principal includes the consolidation of other non-housing debts, or
- The net-of-tax household income from all sources is less than 75% of the national median household disposable income published by the Office of National Statistics (currently this is a net income of £24,400 pa)²

Those making referrals to a director should note that ReSI Housing:

- Will not accept applicants borrowing at a loan-to-value of higher than 95%
- Will not accept applicants with uncleared adverse credit history

Resales, staircasing and refinancing

The above criteria, and need for referral to a director, apply to applicants for newly available housing and to applicants seeking to buy into shared ownership through the assignment of an existing lease (known as resales).

ReSI Housing reserves the right to require a full affordability assessment for purchases of additional shares (known as staircasing) or for the refinancing of a loan secured on the property.

Mortgage approval

The shared ownership lease requires ReSI Housing to offer the applicant's lender a degree of protection against losses the lender may incur if the shared owner is in serious arrears or defaults on the loan.

For the lender to be protected, the mortgage offer must be approved by ReSI Housing.

ReSI Housing requires that the lender must be a regulated mortgage provider, and that the terms of the mortgage, including any fees, are those used in the full affordability assessment.

2. GOV.UK - Average household income, UK: financial year ending 2022 (median is £32,300)



Valuation

All shared ownership sales by ReSI Housing, including interim and final staircasing, require a valuation acceptable to ReSI Housing. Valuations must be to RICS Red Book standards dated within three months of the date of reservation.

The valuation is also a requirement of a resale to ensure that the price is fair to both the selling and the buying shared owner.

ReSI Housing may extend the valuation validity period in exceptional circumstances, usually where these are not in the control of the applicant.

Key information documents

All applicants for newly available properties will be provided with the following three key information documents:

- Information about shared ownership
- Information about the shared ownership property
- Summary of costs of the shared ownership home

Applicants will sign an acknowledgement of receiving these documents before the property is allocated.

At the reservation stage, we will send the key information documents to the buyer's solicitor along with the Memorandum of Sale. Written confirmation from the buyer's solicitor will be required stating that documents have been provided to the buyer.

This policy will be reviewed every two years or earlier as required. Last reviewed in July 2024.