



## Shared Ownership Policy and Procedure

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## Section 1: Introduction and Scope

1.0 This document sets out our policy and approach to managing and maintaining our shared ownership properties. This policy is informed by our organisational goals, legislation, regulation, and best practice.

This chapter does not reflect all elements of general programme requirements and should be read in conjunction with the other chapters of the Homes England Capital Funding Guide (CFG).

The scope of this policy covers:

Gentoo Group	X
Gentoo Homes and Development	X

## Section 2: General Applicant eligibility

2.1 Shared Ownership aims to help people that are in housing need who are unable to afford to purchase a suitable property for their needs on the open market. Applicants are subject to various eligibility and affordability requirements.

2.2 Shared Ownership purchasers are encouraged to buy the maximum share they can afford from the outset. However, the various costs involved in purchasing and the costs of moving should be considered. This will depend on individual circumstances and there may be legitimate reasons why some purchasers should be allowed to retain a higher level of savings than others. For example, to meet future health and care costs or other financial commitments.

2.3 Shared Ownership providers are responsible for assessing and confirming the eligibility of applicants. Gentoo must ensure that a further rigorous financial assessment is carried out considering savings, access to capital or any other assets, and outgoings, to assess the affordability of the purchase.

2.4 To be eligible to purchase a Shared Ownership home applicants must have a gross household income of less than £80,000 and be otherwise unable to purchase a suitable property for their housing needs on the open market.

Gentoo are required to conduct our own assessment of individual applicants to:

- ensure that they meet all eligibility criteria
- assess what share they can afford
- ensure that their purchase is affordable and sustainable

The assessment as to what share purchase an applicant can afford must be undertaken by a suitably qualified, experienced, and regulated mortgage advisor or financial advisor.

Where there are long delays between initial application and exchange of contracts, Gentoo must ensure that applicants continue to meet the eligibility criteria, as their circumstances may have changed (for example, an applicant may have changed jobs or formed a new partnership).

## Section 3: General Principles

3.1 Gentoo should consider all Shared Ownership applicants receive an impartial, equitable and consistent manner in accordance with Homes England's guidance. Gentoo must ensure that no applicant is disadvantaged in their interpretation and application of the guidance. The ultimate responsibility for a decision on whether to accept an application rest with the Gentoo.

3.2 Gentoo will have clear information and policies in respect of how they consider Shared Ownership applications with key factors considered in our decision making. Once a decision has been made on an application, Gentoo will be transparent and open in providing a suitably detailed and reasoned explanation to the applicant.

3.3 Gentoo are required to offer the full range of applicable share percentages as determined by the relevant Shared Ownership model. Gentoo must ensure that the share level being purchased is suitable for the applicant's affordability, needs, and circumstances as presented by the advisor, and be able to evidence this. Gentoo should follow the advice provided by the advisor in respect of all mortgage matters and should not undertake any activities for which they are not regulated (e.g., giving financial advice).

3.4 Gentoo must ensure that applicants for grant funded Shared Ownership homes are considered on a first come, first served basis except where the Government has determined priority groups or locations. The process by which Gentoo will meet this condition of funding should be clearly set out and readily available to applicants and other relevant parties.

## Section 4: Gentoo Affordability Policy

4.1 Gentoo will ensure that all cases meet Homes England affordability guidance as detailed in the Capital Funding Guide. Ensuring all purchases are affordable and sustainable.

We will work to the policy that the customer must have a minimum of 10% of their net mortgageable income remaining after all deductions and the stress tested rent.

In addition to the Homes England affordability, we would also expect the customer to have a minimum of 10% of their total net income remaining on the IFA (Independent Financial Adviser) budget planner. This falls in line with mortgage compliance affordability. Gentoo is unable to suggest a share that does not fall within these parameters, as we would not deem it affordable or sustainable.

It is expected that the expenditure will be realistic for the household composition. Anything which is below perceived average (ONS) spending will be verified via bank statements and an explanation provided.

All income used for the assessments must be considered sustainable. The IFA has a list of acceptable income. If it falls outside of these categories, and would not be considered acceptable by mainstream lenders, the IFA may exclude the income from the assessment.

The application must be considered affordable and sustainable. If a change in circumstances is expected, Gentoo need to be confident that the property is affordable in the future.

It is reasonable to assume that buyers of sub 25% will be lower income applicants. The exception to this assumption is where the deposit value restricts the share size i.e. the income allows a higher share, the deposit value lowers the share size.

## Section 5: Specific policies

5.1 There are two policies (as below) that Homes England requires all providers to publish for Shared Ownership homes either in receipt of grant funding and / or forming part of one of its Affordable Homes Programmes.

- A first come, first served policy for the prioritisation of eligible applicants (see section 6B.2 of the CFG for more detail)
- A monthly minimum surplus income policy for applicants. This relates to the minimum amount of surplus income – expressed in monetary and / or percentage terms - that an applicant should have available per month after accounting for all their housing costs, other commitments and expenditure as established by their budget planner.

## Section 6: Sales – First Come, First Served Shared Ownership Policy

This policy applies to every allocation of a shared ownership home to a prospective customer.

Gentoo will ensure all prospective customers are aware of our policy approach when offering them a shared ownership home.

Gentoo will ensure all prospective customers are aware of the process prior to expending any cost to themselves.

This principle was established by the Government and represents a condition of Homes England funding for Shared Ownership homes.

This chapter does not reflect all elements of general programme requirements and should be read in conjunction with the other chapters of the Homes England Capital Funding Guide (CFG).

As demand for our shared ownership homes often outstrips supply, it is imperative that Gentoo are clear in how we allocate and offer our shared ownership homes to prospective customers.

Gentoo will follow current regulatory guidance and offer our shared ownership homes on a first come, first served basis.

Our first come first serve policy at Gentoo is based upon:

- At Point of Enquiry – We will base the allocation on whoever made the enquiry first to Gentoo Sales Team.
- At Point of a Passed Initial Assessment – We will base the allocation on whoever passes the initial assessment with a panel firm to carry out the affordability assessment on behalf of Gentoo. Applicants will not be allocated a property until the financial assessment has been completed.
- At Point of Passed Initial Assessment and Agreement in Principle (AIP) – We will base the allocation on whoever passes the initial assessment and provides an acceptable Agreement in Principle first. The Agreement in Principle will need to be checked by the mortgage adviser to ensure that it is valid.
- At Point of Full Sign Off – In order to progress to reservation of a shared ownership property the applicant must provide all required documents, including a valid Agreement in Principle. The allocation and reservation process will be done in order of a successful sign off. Gentoo will be required to retain information from the advisor and related sign-off sheets for compliance audit purposes.

Gentoo reserve the right to hold a property for a limited time if an applicant requires special consideration and cannot complete the assessment process in the usual timeframe.

OPSO (Older Person Shared Ownership) properties can be held or reserved prior to full assessment as an external care procedure is required which may take differing periods of time for each applicant due to factors outside of their, or Gentoo's, control.

In some instances, there may be additional rules dictating the allocation of our properties. This can include:

- A Local Connection – applicants may have to live, or work, in a specific locality to qualify
- Applicants in certain jobs may take precedence, such as working for the Ministry of Defence

In these cases, applicants that fit this criteria will be given priority.

## Section 7: Sales – Surplus Income Policy

7.1 Gentoo work with specialist shared ownership mortgage brokers to qualify and financially assess each applicant prior to them reserving a shared ownership home.

In addition, we follow the Homes England guidelines to ensure any potential purchaser has a safety net of surplus income and is not over-reaching in their purchase and putting themselves in financial risk.

**Our required minimum surplus income is 10%.**

This is the minimum amount of your gross income that any applicant should have remaining after commitments.

Item	Example/Explanatory Notes
A. Gross Income	<ul style="list-style-type: none"><li>• Gross monthly pay to include the relevant amount of any overtime, commission or bonus as determined by a specialist mortgage broker.</li><li>• Any Universal Credit or benefit income</li><li>• Any guaranteed maintenance payments</li></ul>
B. Gross Deductions	<ul style="list-style-type: none"><li>• Income Tax</li><li>• National Insurance</li><li>• Pension Contribution</li><li>• Student Loan</li><li>• Other payslip deductions</li></ul>
C. Commitments	<ul style="list-style-type: none"><li>• Credit commitments to include personal loans, PCP, HP, etc</li><li>• Credit and store cards</li><li>• Childcare costs</li><li>• Care costs</li></ul>
D. Housing Costs	<ul style="list-style-type: none"><li>• Stress tested rental figure</li><li>• Service charge</li></ul>
E. Net Income for Mortgage Purposes	E is the remaining income once B, C and D have been deducted from A
F. Mortgage Payment	<p>The indicative Mortgage Payment as determined by the IFA.</p> <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 IFA feels that there is a justification for doing so and where the customer is still subsequently able to</i></p>

	<i>satisfy the provider's budget surplus policy.</i>
G. Essential Costs	<ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Utilities</li> <li>• Food</li> <li>• Fuel and Travel</li> <li>• Insurances</li> <li>• Other</li> </ul>
H. Surplus Income	This is the figure remaining once F and G have been deducted from E. This figure should be at least 10% of the original figure A (gross income).

## Section 8: Cash purchases

8.1 Cash purchasers should be assessed in accordance with the general principles set out in section 6B.1, of the CFG, that they are assessed according to their individual circumstances. Such applicants should still be referred to an advisor the same as other Shared Ownership applicants. However, the primary role of an advisor for cash purchasers is to confirm the lack of availability and / or suitability of a mortgage for the applicant.

8.2 Applicants may purchase their share in cash if they are unable to obtain a mortgage but have sufficient savings, or where no suitable mortgage product is available. For example, if an older person could not take out a mortgage due to their age, or someone with a lower income could afford the rental (and any service charge) element but not a mortgage. This would also include circumstances where an applicant cannot take out a standard mortgage for religious reasons.

8.3 An exception to this may be if mortgage products are unavailable due to an applicant's adverse credit history. In such cases, providers should refer to the advisor's feedback and to their own policies to determine if such an applicant can proceed and that any purchase is sustainable.

8.4 As there is no mortgage required Gentoo may choose to check the affordability of the rent and any service charges using their own internal approach and policies.

8.5 The starting point for determining the suitable share purchase for a cash purchaser should be the percentage that the applicant wishes to buy. If the applicant is seeking to withhold what could be considered a significant level of savings, Gentoo should establish their rationale for this and make an appropriate judgement. Applicants must be allowed to retain a reasonable level of savings for emergencies and to cover unknown foreseeable events. Gentoo may wish to refer to Money Helper for more information and advice on savings.

8.6 Gentoo may decline applications where the applicant wishes to retain what it considers to be an unreasonable level of savings, and where the reason for which has not been clearly explained or justified by the applicant. Where Gentoo is

declining a share purchase or requiring the applicant to purchase a higher share than the applicant has requested, the reasons should be documented on the sign off sheet and shared with the applicant.

As with the sign off sheet for applicants purchasing with a mortgage the content of this template represents Homes England's minimum requirements.

## Section 8: Legislation

Homes England Capital Funding Guide

## Section 9: Version Control History

Version	Reason	Issuer	Date
1.0	Issued to reflect the CFG requirements	Helen Boyle	08/07/2024