

shared ownership policy

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1. Policy Statement

- 1.1. This policy sets out believe housing's approach to shared ownership; sale, resale and management. believe housing is committed to providing a range of affordable housing options for customers and shared ownership is one of these options, consistent with our vision of a life without barriers and doing the right thing for our customers.
- 1.2. This policy is set within the context of government guidance on shared ownership contained within the Homes England Capital Funding Guide, as well as other relevant statutory and regulatory frameworks including land and property legislation, consumer protection and planning requirements.
- 1.3. This policy is a summary of the key parts of the Homes England (HE) guidance on shared ownership and how believe housing will implement it in respect of its own shared ownership homes. It is not intended to override or supersede any aspect of that guidance which will in all cases take precedence over this policy.
- 1.4. A lease is agreed between believe housing and the shared owner on completion of the purchase. This lease is the legally binding contract between the shared owner or leaseholder and believe housing and governs the relationship between the shared owner and believe housing.

2. Policy Aims

- To set out how believe housing will approach the sale, resale and management of shared ownership homes
- To set out how we will approach the right to shared ownership granted as a result of funding through the Homes England Affordable Housing Programme 2021-26 (HE AHP 21-26)
- To ensure compliance with the Homes England Shared Ownership Capital Funding Guide (CFG) and other statutory and regulatory requirements.

3. Scope

- 3.1. This policy applies to all shared ownership properties developed, sold and managed by believe housing, except those set out in paragraph 3.3 below. All shared ownership homes will be managed in accordance with the requirements of the HE AHP 21-26. This will apply not just to homes funded through this programme but shared ownership homes funded through earlier programmes or through other sources of funding.
- 3.2. The policy also applies to affordable rent homes where tenants exercise the right to shared ownership, set out in the HE AHP 21-26, and purchase a share of their home.
- 3.3. This policy does not apply to shared ownership properties built, acquired or in the management of believe housing before 1 April 2021. These properties will be managed according to the provisions of the relevant leases.

4. Shared ownership policy

Introduction

- 4.1 Shared ownership is when the provider, believe housing, agrees to sell a share of a property to a purchaser who then becomes a leaseholder, paying rent to the provider on the share of the property that they don't own. The provider and the shared owner enter into a lease agreement that sets out the rights and responsibilities of both parties. The shared owner usually, but not necessarily, funds the initial purchase through taking out a mortgage.
- 4.2 The shared owner can purchase additional shares in the property, called 'staircasing'. The rent payment on the remaining share is then adjusted downwards, taking into account the purchase of a larger share of the property.
- 4.3 The shared owner is responsible for general repair, maintenance and improvement of the property with the exceptions and financial contributions detailed below. Repair and improvement by the shared owner require the permission of believe housing.

Eligibility and initial purchase

- 4.4 Eligibility for shared ownership is determined by government and set out in the shared ownership section of the HE Capital Funding Guide. In summary, to be eligible applicants must:
 - Be at least 18 years old
 - Have an annual household income of less than £80,000 per annum (outside London)
 - Demonstrate they would otherwise be unable to purchase a property suitable to meet their housing needs on the open market
 - Demonstrate they can afford and sustain the purchase
 - Not own another home in the UK or abroad.
- 4.5 Applicants can either express an interest in purchasing a share of a home that is advertised on the open market or take up their right to shared ownership if eligible. Market sale can either be a first-time sale by believe housing or a resale by an existing shared owner. Subject to some exceptions, tenants have the right to shared ownership if they are tenants of homes that were funded through the HE AHP 21-26. This right applies to all affordable rent properties funded through HE AHP 21-26. It does not apply to Rent to Buy homes funded through this programme.
- 4.6 People can apply as sole or joint applicants. If applying as joint applicants, both applicants must meet the eligibility criteria and affordability will be assessed on the financial circumstances of both applicants. They will become joint owners of the home. Applications can be made by just one member of a household and they will be assessed individually for eligibility and affordability and they will be the sole owner of the home. The only exception is that the financial eligibility assessment will be made on joint household income, which must be less than £80,000.

Applicants expressing an interest in shared ownership will be signposted to the local Help to Buy agent who will carry out the initial eligibility assessment. believe housing will then carry out further financial assessment to ensure that the purchase is affordable.

- 4.8 Once applicants have passed the eligibility and affordability assessments, they will be able to reserve a home. This will be done on a 'first come, first served' basis, depending on completion of the assessment process, not the date on which the first expression of interest was made. The only exception is areas where there is an under-supply of shared ownership homes, when priority will be given to serving military personnel or applicants discharged from military service in the previous two years. Applicants to purchase a shared ownership home will secure their interest in the property upon payment of the reservation fee of £300.
- 4.9 Potential purchasers will be encouraged to purchase the maximum share that is affordable, in accordance with HE guidance. The minimum initial purchase is 10%; the maximum is 75%. believe housing will endeavour to sell shares flexibly, taking into account individual circumstances and affordability.
- 4.10 Leases are based on the appropriate HE model leases, containing the relevant fundamental clauses and additional clauses setting out the believe housing approach to shared ownership and any relevant local or scheme requirements. The duration of leases will be 990 years except in limited circumstances allowed by the CFG.
- 4.11 Shared owners are able to take in lodgers but are not permitted to sublet their homes without the permission of believe housing.
- 4.12 The purchase price will be based on the market value of the property, as determined by an independent RICS valuation (undertaken by an independent valuer external to the organisation).
- 4.13 All applicants interested in a shared ownership purchase will be sent key information, as required by HE, which sets out key responsibilities, processes and costs.

Staircasing

- 4.14 All shared owners have the option to increase their share in their home, called "staircasing" once they have made their initial purchase. Shared owners will be able to staircase over time to 100% ownership except where specific restrictions apply, such as in rural and older persons schemes. Further detail on the restrictions that apply in these instances is contained in the HE Capital Funding Guide.
- 4.15 Shared owners can purchase additional shares of 5% or more, or alternatively they can take advantage of "gradual staircasing", the option of purchasing a 1% additional share which exists for the first 15 years of their period of ownership.
- 4.16 Staircasing purchases of 5% or more are carried out based on an independent RCIS valuation. Purchasers have three months from the date of the valuation to complete their purchase, though believe housing will reserve the right to extend this to six months if there

have been delays outside the control of the purchaser. believe housing reserves the right to charge an administrative fee at the completion of each 5% or more staircasing purchase.

- 4.17 Shared owners also have the option to buy 1% each year (gradual staircasing). The price of each 1% share is based on an estimated valuation linked to the original purchase price, adjusted each year upwards or downwards in line with local house price inflation. believe housing will not charge administration fees on shares bought as part of this gradual staircasing model.
- 4.18 Gradual staircasing is an option that is available for the first 15 years of ownership. It is limited to 1% a year and this cannot be rolled over from one year to the next. A new 15 year period is provided to new shared owners on resale.
- 4.19 believe housing will provide shared owners with an updated valuation (for the purposes of 1% gradual staircasing only) at least once per year, and at any other point the shared owners requests to purchase an additional 1%.
- 4.20 The rent on the remaining share is adjusted following each staircasing transaction, including 1% staircasing, to take into account the acquired percentage.
- 4.21 Shared owners will receive a Memorandum of Staircasing following the purchase of each additional share.
- 4.22 believe housing will not consider “reverse staircasing” or seek to use recycled capital grant fund or new grant to assist shared owners in mortgage difficulties except in exceptional circumstances, and if it considers it to be the best option for both parties.

Rents and service charges

- 4.23 Rent is set at the initial purchase point based on the percentage of the property that remains in the ownership of believe housing. believe housing will set rents at a maximum of 3% of the initial market valuation.
- 4.24 Upon resale, the rent level charged to the new owner stays the same level that charged to the previous owner. It is not rebased according to the value that is achieved at resale.
- 4.25 Rent increases each year will be no more than the rate of RPI + 0.5%. The reference month for the rate of RPI will be September. The annual rent increase will apply from the first Monday in April each year and will be communicated to owners 30 days in advance. Rents will not decrease, even if there is a negative rate of RPI.
- 4.26 The rent charged to the owner will be adjusted at each staircasing event to reflect the additional percentage purchased.
- 4.27 Service charges will be made where applicable and these will be set out in individual leases. Irrespective of the equity percentage of the shared owner, they are liable for 100% of the applicable service charges. In some circumstances, there will be provision for establishing a

sinking fund, for example shared ownership of flats. This will be established at the initial purchase and be included in the terms of the lease. Sinking funds will not be used to fund any works, expected or unexpected, in the first 10 years after the property is built.

- 4.28 Arrears will be managed in accordance with our arrears procedure and the requirements set out in the lease agreement.

Repairs and maintenance

- 4.29 The shared owner is responsible for general repair, maintenance and improvement of the property except in the first 10 years of the commencement of the lease where believe housing will be responsible for external and structural repairs and for a financial contribution for some general repairs up to a maximum of £500 per annum, subject to some rollover as detailed below. Following this 10 year period, or if they staircase to 100% ownership before that time, the purchaser will take on full responsibility for all repairs and maintenance. Shared owners will be able to claim up to a maximum of £500 in repairs and maintenance costs each year to support with the repair or replacement (if faulty and not covered by warranty) of elements within the home that are their responsibility to maintain and repair. Detail on respective responsibilities will be contained within the lease.
- 4.30 Any portion of repair and maintenance costs over and above £500 will be the responsibility of the shared owner. A maximum of £500 worth of unused repairs expenditure can be rolled over into a following year, but not subsequent years. The accumulated allowance will be transferred on a transfer of ownership (resale). After each repair claim paid, we will provide a statement showing the updated remaining repair allowance.
- 4.31 believe housing is responsible for assessing whether repairs claimed are essential and genuine and can inspect the property if it is deemed necessary. believe housing is not liable for repairs where there has been a breach of lease such as deliberate or avoidable damage or would not arise if the shared owner fulfilled their obligations to carry out general repairs and maintenance works. Normal health and safety requirements (e.g. gas servicing, electrical testing) are the responsibility of the shared owner.
- 4.32 Shared owners are permitted to use a Trustmark approved tradesperson as well as the repairs team at believe housing. There will be systems in place to enable shared owners to submit details of planned repairs and believe housing will accept or reject these claims within seven days, provided we have been supplied with sufficient supporting information and evidence. Fast track processes will be available for emergency work. Agreed repair work costs will be reimbursed within 21 days and shared owners will be provided with an updated statement of the repairs allowance, following the claim.
- 4.33 If a claim is declined, we will set out why in writing within seven days from receiving supporting information of the claim, advising of the right to dispute the decisions and setting out the complaints handling process. Claims for work carried out by contractors who are not Trustmark approved are not likely to be accepted except in exceptional circumstances and then only with prior agreement. Costs incurred as part of DIY work will not be paid.

Improvement works are not eligible, nor are replacements to a higher specification, unless this is unavoidable and has our prior agreement.

Resale

- 4.34 When a shared owner has not staircased to 100% and wishes to sell their share, the lease requires them to offer the property initially to believe housing to nominate a qualifying buyer to assign the lease to or nominate to buy back the property. If believe housing doesn't nominate within a four week period then the shared owner can, subject to believe housing's consent, market and sell their lease. It is not our intention to manage a waiting list of prospective purchasers nor buy back shared ownership properties except in exceptional circumstances. Upon sale there will be an administration fee payable to believe housing to recover our costs associated with the sale process.
- 4.35 There is also the provision for believe housing to be offered the right of first refusal when shared owners have staircased up to 100% and own the property outright. It is not the intention of believe housing to take up this offer of purchase. We will consider, at our discretion, the purchase of properties from shared owners in exceptional circumstances.

5. Roles and responsibilities

- 5.1. The Director of Development is responsible for the development and initial sale of shared ownership homes. The Director of Development is also responsible for valuations, staircasing, and the resale process.
- 5.2. The Director of Finance is responsible for the setting of rents and service charges and other fees.
- 5.3. The Director of Repairs is responsible for the delivery of the repairs function for shared ownership homes, including approval and checking of repair claims, reimbursement of costs and updating of owners' repair allowances.
- 5.4. The Director of Corporate Strategy and Assurance is responsible for leases and conveyancing.
- 5.5. The Director of Assets and Compliance is responsible for answering general enquiries related to shared ownership and approval for improvements and alterations.

6. Monitoring and review

- 6.1. The development of shared ownership homes and their sale and resale will be monitored and reported annually. This will include the number of tenants who exercise their right to shared ownership.

6.2. This policy will be updated to reflect changes in government policy on shared ownership by the Executive Management Team, and will be reviewed in three years by Board.

7. Links to other policies and procedures

- 7.1.1. Tenancy policy
- 7.1.2. Rent and service charges policy
- 7.1.3. Repairs policy
- 7.1.4. Tenancy management policy
- 7.1.5. Leaseholder management policy