

## Home Ownership Procedure

### 1.0 Introduction

1.1 This procedure document should be read in conjunction with the Home Ownership Policy.

### 2.0 Scope

2.1 This procedure applies to all Wrekin Housing Group employees handling and allocating In-Reach / Shared Ownership Products - primarily the Legal and Home Ownership Teams.

### 3.0 Procedure statement

3.1 This procedure applies to any applicant seeking to acquire an In-Reach property. It outlines how the Group will handle applications and allocate Shared Ownership / In-Reach properties.

### 4.0 Shared Ownership Allocation criteria

4.1 Shared Ownership properties will be allocated according to:

- **Legal Requirements** - Applicants must meet the criteria set out in the Section 106 agreement that will generally relate to residency and affordability. If there are no applicants that meet the residency requirements in the Section 106 agreement, the homes will be allocated to applicants who meet the affordability criteria set out below.
- **Affordability** - the Group will undertake a financial assessment of applications to ensure that the applicant is able to meet the costs of the shared ownership property but is unable to afford the purchase of accommodation at open market prices. Applicants will undertake a credit reference investigation and applicants who are bankrupt or who have undeclared County Court Judgements against them will not normally be considered. Applicants will need to demonstrate that they have sufficient savings or affordable borrowing facility to pay for legal fees, valuation fees, and any stamp duty or mortgage arrangement fees. In order to be eligible, applicants must have a combined household income of less than £80,000 per year and be unable to purchase an appropriate home without assistance.

### 5.0 Applications

5.1 The Group will market opportunities in a range of appropriate ways. This includes but is not limited to, social media, Find A Home, adverts placed in the press and scheme open days, so to reach the target audience.

- 5.2 Shared ownership opportunities will be promoted at least 6 months before practical completion with the intention to secure a shared owner. In this first instance, properties will be offered to the applicant who meets any local connection criteria specified in the Section 106, who are the most financially able to purchase a share in the property based on an independent financial assessment and who is able to provide references demonstrating satisfactory conduct of any previous tenancies.
- 5.3 All affordable homes allocated for shared ownership in accordance with the Affordable Homes Programme 2021-26 (except those exempted by the Government) will be subject to the new definition of shared ownership. Under this definition, home buyers can purchase an initial minimum tranche of 10% of the property.
- 5.4 In the event that a shared owner cannot be secured, the property will be advertised as a rent to buy In-Reach tenancy. This will be subject to the necessary consent or permission being obtained from the local planning authority beforehand. Applicants will be financially referenced on the basis of being able to demonstrate capacity to pay a full market rent to ensure affordability to purchase a minimum 25% share in the property (or the minimum percentage stipulated by the Local Authority) within 3 years.
- 5.5 Under the terms of the In-Reach scheme, applicants will be required to provide an appropriate tenancy deposit, held under the Government regulated *My Deposit* scheme. Applicants will be required to provide the appropriate references and undergo the financial assessment within a set time period that will be clearly set out for each scheme. Failure to provide all such references will result in the application being refused.
- 5.6 In the event that the tenant is not in a position to purchase the 25% share within 3 years, the Group's Head of Housing will review the tenancy including any change in circumstances and intentions to purchase and determine the future of the tenancy in line with paragraphs 5.7 and 5.8.
- 5.7 Where the tenant can provide evidence of savings but needs a little more time, the Group will allow a variation to the current tenancy allowing the tenant an additional 12 months to purchase a 25% share.
- 5.8 Where the tenant's circumstances have changed due to loss of work, maternity or other events which have a detrimental effect on the tenant's ability to secure a mortgage or save for a deposit, a new In-Reach tenancy will be offered, allowing the tenant an additional 3 years to purchase a 25% share in the property.

## 6.0 Rent Setting

- 6.1 For the purposes of shared ownership, the definition of 'affordable' is the provision of homes at a maximum initial shared of 75% of the property and a minimum 10% share. With current levels of mortgage interest, this requires rent to be calculated at 2.75% of the unsold equity.

6.2 Rents will be reviewed annually in line with the terms of the lease for shared owners. In-Reach tenancies are reviewed in line with the Group's Rent Setting Policy. The percentage rate used for the calculation of the unsold equity will be reviewed at least annually.

## **7.0 Applications for improvements and repairs**

7.1 Shared owners will be required to apply in writing for approval to make improvements to the property. Approval will be subject to the Group receiving the appropriate documentation and in line with the Landlord's Permission Procedure.

7.2 If the shared ownership property was developed after April 2021, it will be subject to the new definition of the product. The Group will meet the cost of repairs and maintenance for the first ten years from the point of initial sale (with some limits as set out in the Capital Funding Guide).

## **8.0 Applications for further lending**

8.1 Shared owners will be required to apply in writing for our approval to increase any lending secured against the property.

## **9.0 Arrears**

9.1 All rent due will be collected in accordance with the lease/tenancy agreement and in line with the Group's Tenancy Debt and Income Management policy. Arrears will be monitored regularly and tenants will be contacted to make appropriate arrangements to clear any outstanding debt. A welfare benefit service will be made available to shared owners where appropriate.

## **10.0 Staircasing**

10.1 The purchase of additional shares ('Staircasing') will be permitted up or down in tranches of a minimum of 10% (subject to a maximum that may be set out in the section 106 agreement) or 1% for properties purchased under the Affordable Homes Programme 2021-26, but not more than once in any calendar year (without the Group's consent, which may be given by EMG on a discretionary basis and to decreases if there is financial hardship). The Group will reserve the right in cases of increases to require a full application in the same manner as the original application. In cases of decreases, the Group will always require such an application. This is subject to any Section 106 requirements.

10.2 Under the post April 2021 new definition of Shared Ownership, home owners subject to the new requirements can increase their share in the property in smaller increments, starting at 1% per annum. No fees can be charged for these acquisitions and property value will be based on the House Price Index.

## 11.0 Resales

- 11.1 In the event of a resale and in accordance with their lease, the shared owner must offer the property to the Group to buy back or obtain consent to sell on the open market. The Home Ownership Team will decide whether to buy back the property or provide formal consent in writing, granting permission to sell on the open market. If the property is an area of regeneration / redevelopment, the Area Investment Manager will be informed.
- 11.2 Any prospective new owner must meet the eligibility criteria set out in the lease, Capital Funding Guide, or S.106 Agreement. Any appointed agent will be made aware of the required criteria by the Home Ownership Team. Any new incoming purchaser must have their eligibility assessed and passed by the local Help to Buy agent.
- 11.3 The Home Ownership Team will coordinate and provide the information required for the sales pack. This will include the service charges and breakdowns, balance on the account and building insurance information. When the sale is complete, the Group will await the Notice of Transfer from the purchaser's solicitors. Payment cannot be taken or the system amended until this is received. When the notice is received, the Finance Team will update Cadre and a new direct debit for the new shared owner will be set up.

## 12.0 Re-purchasing properties sold through In-Reach and the Right to Buy / Right to Acquire

- 12.1 The Group is occasionally approached by owner-occupiers who have purchased their property under Shared Ownership, the Right to Buy or the Right to Acquire, with a view to the Group re-purchasing the property from them. Cases may arise where a former tenant has difficulty maintaining their mortgage payments and they require a buy-back on the basis that they again become tenants.
- 12.2 The Group will not normally re-purchase a property sold under Shared Ownership, the Right to Buy or the Right to Acquire but does have a right of first refusal. The Group will only consider an option to re-purchase a property where it is an advantage to do so. For example, if the valuation and the potential rental income make it an attractive option or if the property is less than two years old and there are good management reasons to repurchase.
- 12.3 Each request will be based on its individual merits and a report, which will include a full appraisal of the proposal drawn up by the Development Team, will be presented to the Executive Management Group. The Executive Management Group have the same delegated authority for these purchases as under the Asset Renewal policy for Section 106 purchases.

## 13.0 Other low cost / affordable home ownership schemes

- 13.1 Other low cost / affordable home ownership schemes will be allocated and dealt with in the same way as shared ownership to the extent possible, but subject to the

requirements of the relevant local authority and any planning conditions. The relevant Home Buy Agent will need to be involved in the allocation and assessment of applicants where Homes England grant is utilised in the development.

13.2 The Rent to Buy scheme will be managed in line with all home ownership products detailed within the policy while also adhering to all relevant guidance and procedures set out within government policy.

#### 14.0 Lease Extensions – how to apply

14.1 Whilst there is no statutory obligation to extend a Shared Ownership Lease, the Group will look at any application to do so and will consider granting extensions on these leases on a voluntary basis if:

- There is currently a shared ownership lease with the Group;
- There are no breaches in the terms of the lease.

14.2 All costs in relation to the lease extension will be met by the shared owner. This will typically include:

- Valuation Fees;
- The Group's administration costs and legal fees;
- The premium;
- Solicitors fees.

14.3 If the Group were to consider any lease extension, the shared owner would be advised to seek independent legal advice and to seek more information about lease extensions on the Leasehold Advisory Service website at [www.lease-advice.org](http://www.lease-advice.org)

14.4 The shared owner instructs an independent valuer from the Panel of Surveyors ([Panel of Surveyors.pdf \[pdf\] 139KB](#)) or obtains a separate Royal institute of chartered Surveyors (RICS ) Valuation . Estate Agency valuations are not acceptable.

14.5 The valuer will ask for a copy of the lease. This should have been provided when the original share was purchased but a copy can be obtained from land registry for a small fee - <https://www.gov.uk/government/organisations/land-registry>.

14.6 Once the valuation report is received by the Group, it will confirm the premium to the shared owner and ask if they wish to proceed with the lease extension. If the decision is to proceed then the shared owner will be advised to instruct their solicitor and the Group will prepare the new lease.

14.7 All new build properties, subject to the new definition of Shared Ownership post April 2021, will be issued a minimum 990 year lease term.

## Summary of changes table

Revision history			
Author	Summary of changes	Version	Authorised by & date
Andy Johnson	Policy review - separating policy from procedure	1. April 2021	EMG – April 2021
Simon Thompson	Procedure updated to reflect the Right to Shared Ownership	1.1 – September 2021	EMG – 2 <sup>nd</sup> September 2021
Nina Johnson	Procedure reviewed in line with review date.  Combining the Right to Shared Ownership Policy / Procedure	2.0 – March 2024	EMG – XX/XX/XXXX