Shared Ownership- Minimum income surplus policy

1. Purpose and scope

This policy applies to every allocation of a shared ownership home (including re-sale properties) to a prospective customer and ensures that Selwood Housing allocate shared ownership properties fairly and in line with Homes England Capital Funding Guide (CFG).

We will ensure all prospective customers are aware of our policy and process approach when offering them a shared ownership home and prior to them incurring any costs.

2. Underpinning principles

This policy ensures that grant funded shared ownership homes are allocated in line with the CFG.

The surplus income policy provides a buffer and will limit a buyer's exposure to shock payments. It has to be balanced so that it is not too high that it stops people from buying homes that can afford them, but not too low so that buyers are put at risk if there is economic uncertainty.

3. Policy details

Selwood Housing's minimum surplus income policy is based on a minimum percentage figure of net income after commitments and housing costs have been factored in. This approach creates tailored, individual shares for customers based on their real-life circumstances.

Selwood Housing's minimum surplus income is **10%.** This provides 90% to cover mortgage payments, housing costs, known financial commitments and other essential expenditure. These costs will be identified through the assessment (budget planner) that the mortgage advisor undertakes.

In considering the most appropriate percentage for the policy Selwood Housing took advice from our panel of mortgage advisors and 10% is in line with how they already work and is a measure they already use when assessing mortgage affordability.

Net income is calculated on the following basis:

- (A) Gross income
- (B) Less gross deductions (tax, National Insurance, student loan, etc)
- (C) Less known commitments (loans, credit cards, childcare, etc.)
- (D) Less shared ownership rent and service charges (these figures are stress tested)
- (A- B- C- D) = the income available to support the mortgage costs, other essential expenditure (identified through a budget planner) and to meet our 10% minimum surplus requirement

The CFG provides further guidance regarding the calculation which is used to determine the net income.

Homes England guidance also states that the mortgage an applicant is able to secure should be no more than 30% of their net income (subject to recommendation from the mortgage advisor).

4. Signposting

The following documents are to be read in conjunction with this policy:

Homes England Capital Funding Guide

Selwood Housing shared ownership policy

Staff buying shared ownership policy

Selwood Housing first come first serve policy

Shared ownership adverse credit policy

Shared Ownership- Minimum income surplus policy

Selwood Housing

MONITORING AND REVIEW

This policy will be reviewed in its first 12 months and every three years thereafter, unless a major change is required.

Decision-making record

Date	Meeting/Minute Reference	Version /Amendment
30 July 2024	GADC	V1
29th January 2025	GADC - changes to bring the policy in line with the other shared ownership policies.	V2

Policy owner: Frances Geary Head of new business and home ownership
Last updated: January 2025
Review date: January 2028