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## 1. Introduction

- 1.1 The purpose of this policy is to set out who is eligible for shared ownership, how we allocate properties and how we work with applicants to ensure they can afford the home they wish to purchase increase their equity share and resell their home.
- 1.2 This policy links to our Sales to Colleagues and Connected Persons Policy and Anti-Money Laundering Policy.
- 1.3 If there is any variance between this policy and a Section 106 agreement or nominations agreement, the Section 106 agreement or nominations agreement will take precedence.

## 2. Scope

- 2.1 This policy applies to the allocation and disposal of shared ownership new build, resales and staircasing transactions for properties owned by Peabody Trust and its subsidiaries, except for Town and Country Housing.
- 2.2 It applies to customers of our shared ownership properties; this includes applicants and existing shared owners.

## 3. Definitions

- 3.1 Shared Ownership is a part buy/part rent scheme that makes it possible for first time buyers and those that currently do not own a home, to purchase a home that otherwise would not have been affordable. The purchaser pays mortgage on the share they own and pay rent to on the remaining share.
- 3.2 Staircasing is a process where a shared owner purchases additional ownership shares in the lease.
- 3.3 Reverse (downward) staircasing is where a shared owner sells an agreed share of the lease back to us.
- 3.4 Resales is where a shared owner wishes to sell their shared ownership interest in the lease.
- 3.5 The Office for National Statistics' UK House Price Index (HPI) captures changes in the value of residential properties. It applies a statistical method to various sources of data on property price and attributes to produce estimates of the change in house prices.

## 4 Our approach

### 4.1 Valuation

- 4.1.1 We require a Royal Institution of Chartered Surveyors (RICS) qualified surveyor to provide Redbook valuation and will hold a current valuation until the point of exchange.
- 4.1.2 The pricing of properties as recommended by a RICS qualified surveyor will be approved by the Sales Director and Regional Managing Director – Development for

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Newbuild properties. Resale and Staircasing valuations will be approved by the Senior Post Sales Executive or Post Sales Manager.

- 4.1.3 We may require a second opinion if the first valuation is disputed, in this case the cost will be covered by Peabody.
- 4.1.4 A third opinion by the District Valuer may be sought if a second valuation is disputed by either party for resale and staircasing transactions.
- 4.1.5 Valuations for staircasing transactions may be extended by up to 3 months subject to manager's approval for delays outside of the control of the Shared Owner.
- 4.1.6 Valuations for staircasing and resales only include home improvements which are structural for the market value. This includes extensions and conversions which have been approved by us, others such as replacement bathrooms, kitchens, or flooring are not included.
- 4.1.7 Shared owners are responsible for arranging and paying for their own valuations for staircasing and resales either through our panel or an independent RICS qualified surveyor. Shared owners who are eligible for 1% staircasing can use the HPI valuation provided by us.
- 4.1.8 We will not accept any offers for a home that are less than or above the approved valuation figure unless this is a shared ownership resale home that is being marketed on the open market. In this instance, an offer may be higher than the RICS valuation, but not lower.

### 4.2 Eligibility for initial sales

- 4.2.1 Applicants must meet the eligibility criteria set out in the Capital Funding Guides at the time of sale.

### 4.3 Affordability

- 4.3.1 All affordability and financial eligibility checks will be carried out in accordance with the Capital Funding Guides. All shared ownership applicants are required to attend an interview with an Independent Mortgage Advisor from our framework of advisors.
- 4.3.2 Mortgage Advisors are required by the Financial Services Act 2021 to undertake identity checks for Anti Money Laundering purposes including proof of address, and the source of savings. Mortgage Advisors are required to advise the client appropriately about affordability of the home they wish to purchase. Where an applicant can secure a mortgage through an approved lender but has negative credit markers or an undischarged County Court Judgement (CCJ), approval to proceed can only be given by the Sales Director. Approval will be subject to a credit reference and a documented compelling case for the applicant.
- 4.3.3 We will accept a maximum of 95% loan to value (LTV) mortgage.
- 4.3.4 We will encourage purchasers to buy the maximum share they can afford and sustain. Key information (KID 1) is given to purchasers to provide detailed information of the costs involved

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in buying, owning and selling the home.

4.3.5 In exceptional circumstances we will accept a Shared Ownership applicant as a cash buyer in instances where no appropriate mortgage product is available, providing that;

- The purchase is affordable and should not exceed more than 40% of their net income.
- All other eligibility requirements are met and the applicant has demonstrated the means to afford and sustain shared ownership in the longer term.
- The share purchase has been maximised and the applicant is purchasing the largest share based on their affordability.

4.3.6 The reason for cash purchases must be validated and checked in line with our Anti-Money Laundering Policy.

4.3.7 We will not accept a Shared Ownership applicant as a cash buyer who are unable to obtain an appropriate mortgage products due to an adverse credit history.

4.3.8 Where an applicant can secure a mortgage through an approved lender but has negative credit markers or an undischarged County Court Judgement (CCJ), approval to proceed can only be given by the Sales Director. Approval will be subject to a credit reference and a documented compelling case for the applicant.

4.3.9 We will consider the use of all benefit income towards gross household income unless it is in relation to Children for example Child Tax Credits.

### **4.4 Affordability Methodology – London Only**

4.4.1 Applicants will be assessed by way of Affordability Calculator and a detailed assessment taking in to account any relevant mortgage lender criteria.

4.4.2 Applicants should spend no more that 40% of net household income on rent, service charge, mortgage and annual housing costs.

4.4.3 In exceptional circumstances we will consider affordability up to 50% of net household income provided that Applicants have a surplus of £750 or 15% of net monthly income after all other essential expenditure, whichever is greater.

### **4.5 Affordability Methodology – Home Counties Only**

4.5.1 Applicants will be assessed on gross household income minus any deductions, known commitments and housing costs to obtain the net household income.

4.5.2 Applicants must not spend more than 30% of net household income on mortgage costs.

4.5.3 After all other essential expenditure, Applicants must have a surplus of 10% of net monthly income.

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### 4.6 Allocations

- 4.6.1 Allocations will be made on a first come first served basis in accordance with the S106 agreement/ Local Authority nominations agreement or Capital Funding Guides, as appropriate.
- 4.6.2 Applicants must attend an initial affordability assessment with an Independent Mortgage Advisor from our framework of advisors and must complete a Shared Ownership application and a reservation form prior to an allocation.
- 4.6.3 Allocations will be made on a first come first served basis once all required documentation has been returned and provided that all eligibility and affordability criteria is met as set out in this policy. For avoidance of doubt, the home will be allocated to the applicant who has passed the financial assessment and submitted the documentation first.
- 4.6.4 If applicable, we will prioritise wheelchair users in the allocation of wheelchair adaptable/adapted units.
- 4.6.5 We will not allocate to applicants that are deemed to be overcrowded in line with statutory overcrowding rules as set out in the Housing Act 1985

### 4.7 Reservations

- 4.7.1 We require payment of a reservation fee which is held in a client account in accordance with Consumer Code for Home Builders. Terms and conditions for the reservation fee will be provided to the applicant prior to taking the reservation fee.
- 4.7.2 Key information documents (KID 2&3) are provided to the solicitor and purchaser with the Memorandum of Sale at the point of instruction of sale.
- 4.7.3 Reservation fees will be deducted from the purchase price at completion.
- 4.7.4 Refunds of reservation fees will be made in accordance with the terms and conditions and in accordance with the Consumer Code for Housebuilders.
- 4.7.5 Any incentives offered will be agreed at the point of reservation, in line with lender regulations and the Consumer Code for Housebuilders.

### 4.8 Completion

- 4.8.1 We require the buyer to pay the rent element, service charges<sup>1</sup> and ground rent for the period covering any remaining part of the calendar month when the transaction completes, plus the next full month. These are to be collected by the solicitor before the sale can be completed.
- 4.8.2 Anyone forming part of the application who already owns, or part owns, a home must sell it on or before completion of a shared ownership home.

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<sup>1</sup> Headlease terms will take precedence.  
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### 4.9 Staircasing

- 4.9.1 We allow the shared owner to purchase additional shares of the lease (staircasing) if they have no outstanding debt with us.
- 4.9.2 Shared owners can usually staircase to 100% ownership except where specific restrictions in the lease apply such as in rural areas and older people's shared ownership (OPSO) schemes. Where there are no specific restrictions, we follow the requirements set out in the Capital Funding Guides.
- 4.9.3 The lease sets out the permitted staircasing for the home. These can range from 1% to 25%. Valuations and affordability checks are carried out in line with this policy.
- 4.9.4 We may agree to lease variations such as permitting subletting on final staircasing. Shared owners must cover the cost of the deed of variation.
- 4.9.5 We consider partial and full reverse staircasing on an exceptional basis in line with the Capital Funding Guides and subject to approval by our Capital Management Group.

### 4.10 Resales

- 4.10.1 We will help the shared owner comply with their obligations in the lease and give advice about market sale if suitable nominees cannot be found. In practice this will usually mean that the shared owner will staircase to 100% and sell the home outright simultaneously.
- 4.10.2 The lease sets out any obligation to offer the home to us before placing on the open market. We have a four-week nomination period to market the home. If a new buyer has not been identified the home can be placed on the open market and sold either through shared ownership or outright.
- 4.10.3 Where a nominating body is required, we give five working days to nominate applicants unless there is an alternative agreed timescale.
- 4.10.4 The shared owner is responsible for the cost of valuations and legal fees (including ours). If we sell the home we charge a fee for marketing and facilitating the sale according to the terms set out in the intention to sell. This is usually 1%, plus VAT, of the sale price

## 5 Legislation and Regulation

- 5.1 Key legislation and regulation that affects this policy includes:
- Homes England Capital Funding Guide
  - Greater London Authority (GLA) Annual Monitoring Report
  - The Consumer Code for Home Builders
- 5.2 Disposals under this policy will meet the Regulator of Social Housing's criteria for disposals. This including notifying them of any other regulatory requirements.

## 6 Responsibilities

- 6.1 The Group Sales Director has overall responsibility for this Policy.

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6.2 The Regional Heads of Sales and Head of Sales Operations are responsible for ensuring that this policy is followed when processing sales applications and allocating properties to purchasers.

## Approval

<b>Version number</b>	D3
<b>Effective from</b>	<i>1<sup>st</sup> August 2024</i>
<b>Policy owner</b>	Group Sales Director, Lisa Crush