

Affordability Policy 2016-2019

Policy ref: Affordability policy for Shared Ownership homes

Policy author/policy holder: Head of Sales and Marketing

Date revised: Jan 2017

Approved originally by: ELT and KHA Board

Date approved: Dec 2015

Effective date: Jan 2017

Date of next review: Jan 2020

1 :: Purpose

This affordability policy describes how we will assess your financial circumstances in order to decide if you are eligible to purchase a Shared Ownership home and then sustain the costs of home ownership in the longer term.

This policy incorporates the revised Shared Ownership eligibility criteria which became effective on January 4th, 2016.

2 :: Scope and definitions

2.1 This Policy applies to:

- Applicants wishing to purchase Shared Ownership houses or apartments which have been constructed for sale by Knightstone
- Applicants wishing to purchase any Shared Ownership home being offered for resale or assignment, owned by Knightstone or a third party

2.2 Shared Ownership homes are intended for eligible people who cannot afford to buy a similar home on the open market. Households with an income of more than £80,000 a year are not eligible for the scheme. Armed Forces personnel are usually prioritised for the scheme although sometimes local connections and planning conditions may also apply. Other applications are dealt with on a first come first served basis. Please see our Allocations Policy for more details about this.

2.3 The policy has regard to our status as a charitable housing association. We take into account the guidance on housing need and affordability of customers for our homes, set out in Her Majesty's Revenue and Customs' Charity Commission guidelines. These guidelines require our policy to be based on affordability as well as ensuring those who can satisfy their housing need elsewhere are not assisted by Shared Ownership.

2.4 The process of assessing your financial circumstances forms part of our application process.

3 :: About this policy

3.1 The principle aim of this policy is to provide a route into affordable home ownership for eligible people who cannot afford to buy a similar home without assistance.

3.2 Policy details

3.2.1 The financial interview

We are not qualified or authorised to provide financial advice, so we will offer you a panel of independent mortgage brokers to choose from, all of whom are regulated by the Financial Conduct Authority, have a service level agreement with Knightstone and have dealt with mortgages and associated products for Shared Ownership in the past.

You can contact as many or as few of the firms listed as you wish but you will need to decide which firm to use. The independent mortgage broker will conduct an assessment of your finances on our behalf and then confirm to us what they believe is the maximum amount you are able to pay for a new home.

3.2.2 Supporting Information

You will need to provide your chosen independent mortgage broker with certain documents. The broker will advise you about this when you make your appointment but as a guide, the following list describes the minimum amount of documentation you will need to provide:-

- Proof of earnings (three months' wage slips).
- Proof of savings (e.g. building society pass book).
- Bank (and credit card) statements

After the financial interview (which may be conducted by 'phone or in person), we will also check your credit history with a credit referencing agency. Your application is unlikely to be successful if you have a County Court Judgement which is not supported by a 'letter of satisfaction'.

3.2.3 How we calculate 'affordability'

Our regulator, the Government's Homes & Communities Agency (HCA), stipulates that you must use a minimum of 25% of your net wage and 2.5 times your gross income as a minimum towards home ownership. There is also an upper limit of 45% of your net wage and 4.5 times your gross salary to ensure long term sustainability. These caps are absolute limits and cannot be breached. Within these limits, you will be expected to purchase the largest share you can afford to buy, which in some instances may be more than the share we are advertising as available.

If you are purchasing your share with cash, we will need to ensure that you have a legitimate barrier to obtaining mortgage finance to increase the amount you can spend and the mortgage consultant will still need to assess your application and confirm the barrier to obtaining a mortgage. We will also check that the rent, service charge and any other housing cost does not breach 45% of your net household income.

3.2.4 Calculating the cost of living

Estimates of the cost of living vary from person to person depending on their life style. We are happy to provide you with assistance in estimating your own living expenses should you require it. When we look at your completed application we will bear in mind the minimum figures we believe through our experience are necessary to cover everyday

expenditure such as domestic fuels and other utility bills, insurance, car costs and food. If the figures in your application are below these levels, we will insert our own minimum costs into the affordability calculation.

3.2.5 Existing debt

We will usually expect to see your bank account(s) being managed either in credit or within any agreed overdraft limits. You will also need to have savings, or have access to funds, of around £2,500 to cover the conveyancing and other associated costs of home purchase.

Student loan debts are acceptable, as are agreed loans where a repayment plan is in place and repayments are clearly affordable on the budget plan and the affordability calculator.

If your total household debt along the lines described above exceeds £15,000, or you have credit card/store card debt over £5,000, we think it is unlikely that home ownership will be sustainable for you but we will assess each application individually, whilst taking into account the criteria given in paragraph 3.2.3.

4 :: Service standards, monitoring and review

4.1 Our commitment to fair assessment

We will assess your financial position in relation to your application for a home as set out in this policy. We will always do our best to approve an application for home ownership but if it falls outside the affordability guidelines we work to, we may not be able to do this.

4.2 What to do if your application is refused

If your application is unsuccessful and you feel that it has not been assessed by us fairly, in the first instance please contact the Sales Team Leader at Knightstone so that your application can be reviewed. You can also use our Complaints Procedure if you are unhappy with the outcome of this review, a copy of which is available from any of our team or on our website: www.knightstone.co.uk.

4.3 Data protection

We will use and store the information you provide to us in accordance with Knightstone's Data Protection policy, a copy of which is available from any of our team or on our website: www.knightstone.co.uk.

5 :: Legal considerations

You are advised to appoint a solicitor and take legal advice before making any commitment to purchase a home.

6 :: Linked /associated policies and other references

Allocations policy
Data protection policy