

Shared Ownership Minimum Monthly Surplus Income Policy (New Build and Resale Homes)

Policy ref:

Policy author /holder Sales and Marketing Director

Date approved: 17 July 2024

Approved by: Executive Team

Updated and effective date: September 2024

Review date: July 2027

1 Purpose and anticipated outcomes

- 1.1 Before the formal offer of any New Build or Resale Shared Ownership home, we need to ensure that the home is affordable and sustainable to a potential purchaser and their surplus income is not such that it may be putting them at financial risk.
- 1.2 This policy sets out our required minimum monthly surplus income for potential purchasers who undergo an assessment with the advisor.

2 Scope and definitions

- 2.1 Our required minimum monthly surplus income is 10%. This is the minimum amount of income remaining after commitments have been taken into consideration.
- 2.2 The following table sets out the methodology used for arriving at a potential purchasers monthly surplus income.
- 2.3 The assessment methodology includes a stress tested rental figure over 5 years. The stressed rent calculation is used to ensure that applicants can afford their housing costs even if there are future increases in rent.

Item	Example/Explanatory Notes
A. Gross Income	<ul style="list-style-type: none"> • Gross monthly pay to include the relevant amount of any overtime, commission or bonus as determined by a specialist mortgage broker. • Any Universal Credit or benefit income. • Any guaranteed maintenance payments.
B. Gross Deductions	<ul style="list-style-type: none"> • Income Tax • National Insurance • Pension Contribution • Student Loan • Other payslip deductions
C. Commitments	<ul style="list-style-type: none"> • Credit commitments to include personal loans, PCP, HP, etc • Credit and store cards • Childcare costs • Care costs
D. Housing Costs	<ul style="list-style-type: none"> • Stress tested rental figure • Service charge
E. Net Income for Mortgage Purposes	E is the remaining income once B,C and D have been deducted from A
F. Mortgage Payment	<p>The indicative Mortgage Payment as determined by the advisor.</p> <p>Where possible, the Mortgage Payment (F) should not exceed 30% of E.</p> <p><i>NB: This may be exceeded in cases where the advisor feels that there is a justification for doing so and where the customer is still subsequently able to satisfy the provider's budget surplus policy.</i></p>
G. Essential Costs	<ul style="list-style-type: none"> • Council Tax • Utilities • Food • Fuel and Travel • Insurances • Other
H. Surplus Income	This is the figure remaining once F and G have been deducted from E. (Net Income – (Mortgage Payment + Essential Costs))

3 Service standards, monitoring and review

- We will report to the LiveWest Executive team on an annual basis providing an overview of application data for both New Builds and Resales homes.

4 Legal considerations

- Homes England Capital funding guide <https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>

5 Linked / associated policies and other references

5.1 Below is a list of linked or associated LiveWest policies and procedures and to which our employees, contractors and other individuals are required to comply, as appropriate:

- Homes England Capital Funding Guide for Shared Ownership
- Shared Ownership First Come First Serve Policy (New Build & Resales)

Version control

Version Ref	Date	By Whom?	Reason
1	July 2024	Sales and Marketing Director	New Policy approved by Executive Team
1.1	Sept 2024	Senior Sales Consultant	Minor update to wording