

# Shared Ownership Sales



Lead Director: Director of Development and Growth

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## 1 Introduction & Aim

Shared ownership is an affordable housing tenure and for many is the only route on to the property ladder. Shared ownership allows future home owners to purchase a percentage of a property and pay rent on the remainder, with the opportunity to staircase, increasing their ownership and potentially resulting in 100% ownership of the property (limited staircasing leases excepted), including acquisition of Cobalt's title in certain circumstances.

*Shared ownership – Where two parties have joint ownership in a property, usually via a housing association. Where the housing association is the seller the shared owner will purchase a share of the property anywhere from a 10% -75% and pay rent to the housing association on the percentage of the property they do not own. The higher share owned the less rent payable.*

## 2 Policy Statement

This policy highlights Cobalt's approach to the sale of our shared ownership homes, it will ensure that the delivery, sale and management of our shared ownership homes are implemented in line with government guidelines.

Cobalt will follow guidelines set out in Homes England Capital Funding Guide for shared ownership. This policy has been written in line with the 21/26 model lease for shared ownership to ensure Cobalt meets Homes England grant conditions and other funding requirements, including requirements of the Section 106 agreement where applicable. This policy applies to all those involved in the sale & management of our shared ownership homes and relates to the following:

- Marketing & promotion
- Staff & Relatives
- Valuations & Down Valuations
- Eligibility & Affordability
- Reservation & Key information documents
- Cash Purchasers
- Mortgage offer approvals
- Completion
- Staircasing & Resales
- Mortgage difficulties
- Repairs
- Rents & Service Charges
- Arrears & Possessions
- Tenancy management
- Customer Satisfaction

## **3 Policy Principles**

### **3.1 Marketing & Promotion**

Cobalt Housing will aim to market shared ownership homes 16 - 12 weeks prior to handover. We will do this by exhausting our own marketing platforms including websites, social media and site signage. Additional platforms will be used based on demand and need. Any possible S106 restrictions will be taken into consideration prior to marketing

### **3.2 Staff and Relatives**

Cobalt employees will not receive priority over others applying for share ownership homes. Cobalt employees will need approval from Executive Management Team/Board prior to purchase.

To prevent Cobalt employees or relatives receiving an unfair advantage all purchasers will be required to complete a declaration of interest form. Should a Cobalt employee or relative wish to apply their eligibility and affordability criteria will be the same as any other applicant.

### **3.3 Valuations & Down Valuations**

All shared ownership sales will require a RICS valuation. The valuation is to be carried out by an independent valuer. The result of this valuation will determine the full open market value of the shared ownership property and will be a reflection of the sales price. The RICS valuation will need to be updated every 3 months unless stated otherwise.

This approach is to be taken on for both Staircasing and Resale cases too. However, the responsibility for obtaining the RICS valuation will lie with the shared owner.

If a RICS valuation is less than the open market value of the property Cobalt reserve the right to refuse the valuation.

In cases where lender valuations are less than asking price Cobalt may challenge this decision by providing comparable evidence.

### **3.4 Eligibility & Affordability**

Cobalt will assess all interested applicants by requesting the completion of an application to confirm eligibility. Main eligibility criteria will include:

- The applicant must be at least 18 years of age;
- The applicant must not currently own a home ( in cases where the applicant is already a home owner but needs to sell e.g. because of a relationship breakdown, the applicant must have a buyer on their current home and be able to provide a memo of sale in order to reserve;
- The applicant's household income must not exceed £80,000.00 per annum;
- Shared ownership must be the only option for the applicant, and that they do not have the means to purchase a suitable property on the open market.

All eligible applicants will be required to complete a Homes England Calculator (HEC) and illustrate that result as part of their application. This will confirm affordability and determine what percentage share the applicant is able to purchase. The calculator is to be completed as part of an affordability assessment. The assessment must be carried out by a suitably qualified, experienced and regulated mortgage adviser or financial adviser who will encourage applicants to maximise their share and purchase what they

can afford. This will apply to both applicants who will be obtaining a mortgage to purchase their home and cash buyers.

Applicants will need to provide supporting documents to confirm affordability, this may be done by financial advisor. In cases where the financial advisor will not collect supporting documents, Cobalt will request:

- Proof of income
- Proof of ID
- Proof of residence
- Proof of funds to purchase

Although completing an affordability assessment with an experienced mortgage adviser who specializes in shared ownership is essential, applicants will not be required to continue using the mortgage adviser to obtain a mortgage. After the initial assessment applicants can choose to use their own mortgage adviser/ obtain their own mortgage. In line with the New Model Shared Ownership Lease 21/26 applicants can be initially assessed as affordable for shares from 10% - 75%. However, Cobalt will actively encourage customers to maximize their assets purchasing what they can afford to purchase rather than opting for the lowest share.

Social rented homes that have been delivered through the 21/26 model lease may be eligible for the Right to Shared Ownership. The same eligibility and affordability process will apply to tenants wishing to purchase via Right to Shared Ownership.

Two individuals can apply to purchase a home together, in order for an application to be joint both applicants must meet the eligibility & affordability criteria for shared ownership (see Eligibility & Affordability above).

Applicants may have the support from a gifted deposit or trust fund. However, this will be treated as a gift and the gifting member will not share in any ownership in the home nor will they be allowed to register any additional legal charge (mortgage).

### **3.5 Reservation & Key information documents**

Shared ownership homes are to be reserved on a first come first served basis; no priority is given unless the applicant is an Armed Forces personnel, or a former member of the British Armed Forces discharged within the past 2 years.

Once an applicant's eligibility and affordability to purchase a Shared Ownership property has been confirmed, Cobalt will then issue the buyer with a reservation agreement where details of their purchase and both solicitors will be listed. At this point Key Information documents will also be issued:

- Key information about the Shared Ownership home
- Summary of costs of the Shared Ownership home
- Key information about Shared Ownership

The point of issuing key information documents is to ensure that potential Shared Owners are aware of the costs and responsibilities of managing a Shared Ownership home. The Sales Team will complete and provide the key information documents to the applicant at the point of reservation (as well as at the point of consent in the context of any resale). The completed documents must accompany the Sales Memorandum (reservation agreement) sent to the Shared Owners' instructed solicitors who will be asked to certify that they have explained, and that the applicant understands the effect of the key information documents.

### **3.6 Cash Purchasers**

The same eligibility and affordability criteria will apply to cash purchasers, the same application and affordability assessments will need to be completed. Those wishing to purchase a share of a shared ownership home must:

- Otherwise not be able to purchase a home without shared ownership
- Must not own another property
- Must be able to afford rental apportionment on unsold equity of the home

Additional documentation will be required from cash purchasers to ensure the sale is in line with Anti-Fraud, -Corruption and -Money Laundering Policy and anti-money laundering protocols.

### **3.7 Conveyancing Process**

To reserve a reservation fee will be requested in order to instruct solicitors. The full reservation fee will be deducted from final figures on completion day. Should the applicant change their mind/ pull out of the sale in line with NHQB this fee is repayable. Cobalt will request that applicants appoint solicitors that have experience in dealing with Shared Ownership sales. Cobalt may signpost applicants in the direction of solicitors but will not recommend.

Cobalt will aim for a completion date 8 – 12 weeks following reservation (assuming handover dates are as anticipated). This will be highlighted to buyers and solicitors at point of reservation

Solicitors acting for Cobalt will liaise direct with the buyers solicitors & carry out necessary searches. The sales team will arrange access for surveyors to complete mortgage valuation as well as ensuring legal documentation is executed.

### **3.8 Mortgage Offer Approval**

Cobalt will consider mortgage offers once they have been issued by the lender and either approve them or not (ensuring customer information, property details, mortgage conditions, details of the sale and rates are as predicted). Cobalt can refuse mortgage offers that have added fees/ extra borrowing as these figures won't have been included upon initial affordability assessment.

The shared ownership 21/26 model lease does not prohibit extra borrowing.

### **3.9 Completion**

Where exchange of contracts prior to completion day is not an option i.e. if lenders will not exchange until handover has taken place although not preferred Cobalt will agree to simultaneous exchange/completion.

Upon completion shared owners will receive home user guides. Home user guides will include key information about the property, essential handover documents including gas & electric certificates as well as warranties for any gifted appliances. Home user guides will also contain a list of key Cobalt & Local Authority contacts for shared owners to refer to.

Post completion neighbourhoods will complete a CORE log for the sale, shared owners will be given a CORE notice information sheet on handover day outlining the process and providing opt out information.

CORE is a requirement as per the Capital Funding Guide, "*COntinuous REcording*" the purpose is to feedback to government information on our buyers. No specific information is reported other than details including age, buying status, available deposit etc.

### **3.10 Lease breaches**

If Cobalt are made aware of breaches or potential breaches of lease made by shared owners appropriate action will be taken. Shared owners should refer back to their lease before making any decisions that could suggest they are breaching the agreement of their lease. If unsure shared owners can resort to contacts listed in their home user guides to check.

### **3.11 Staircasing & Resales**

In line with the New Model Shared Ownership Lease 21/26 existing Shared Owners will be able to purchase shares in increments as little as 1% additional per year for the first 15 years. For 1% staircasing the value of the home is to be calculated from the Land Registry House Price Index. HPI valuations will be valid for 3 months.

For staircasing amounts larger than 1% the minimum share to be purchased is 5%. Shared Owners will need to obtain a RICS valuation. The RICS valuation will need to be instructed and funded by the Shared Owner.

The minimum lease term on all Cobalt's shared ownership homes is to be 999 years, unless Cobalt's title consists of a lease with a lower remaining term, in which case the reason behind the shorter term and the implication will be explained to the applicant and the potential costs involved with a future lease extension.

If a shared owner that has not staircase out to 100% ownership of the home wishes to sell they will be required to market the property as a Shared Ownership product for a minimum of 4 weeks (nomination period). During this 4 week period a suitable buyer would need to meet Homes England eligibility criteria set out in the Capital Funding Guide and be able to afford equal to or more than the share owned by the existing owner. After the 4 week period if the shared owner is unable to find a suitable buyer they are able to put the property on the open market for the full value.

If the property is sold for the full value the shared owner would perform back to back staircasing, allowing them to staircase to 100% ownership and sell the property outright simultaneously. The shared owner would then receive the value equal to their share owned at the initial point of resale, minus any deductions allowed by the Lease or legislation.

### **3.12 Mortgage Difficulties**

If a shared owner is at risk of their home being repossessed Cobalt may choose to use their Recycled Capital Grant Fund to act as a safety net for the customer. This would allow the tenant to either down ward staircase selling some shares back to Cobalt to reduce their payments or sell their full shares back to Cobalt becoming a tenant with no ownership of the home (flexible tenure).

### **3.13 Rents & Service Charge**

Shared owners will pay rent on the percentage of the property they do not own. Rent will be calculated by multiplying the full value of the unsold equity by 2.75%. This will also apply to how rents will be calculated when a shared owner staircases or re sells.

Rent reviews for shared ownership properties will be in accordance with the terms of the lease. Annual rent increases from October 2023 will be made by reference to the Consumer Price Index (CPI) +1%.

It is the responsibility of the shared owner to keep up to date with rental payments and maintain mortgage repayments. Failure to do so may result in repossession or forfeiture proceedings. However repossession or forfeiture will be the last resort following

exhaustion of all other appropriate options, other options may including downward staircasing or flexible tenure.

Downward staircasing enables the shared owner to sell their full share back to Cobalt, allowing them to stay in their home as a Cobalt tenant. Flexible tenure allows the shared owner to sell some of their shares back to cobalt to reduce their mortgage amount owed to their lender.

A building insurance fee will be taken monthly alongside rent.

Where applicable service charge/ estate charges may apply, shared owners will be notified of any additional charges prior to reservation as they will be taken into account when assessing affordability.

### **3.14 Arrears**

As per the lease shared owners will pay the rent apportionment monthly to Cobalt and be responsible for maintaining their mortgage repayments. Failure to do so could result in loss of home or downward staircasing (see 3.11)

Where shared owners are struggling to keep up with rental payments neighbourhoods team will offer support and arrears recovery action will be taken in accordance with Rent Payment and Arrears Recovery Policy.

### **3.15 Repairs**

Cobalt will be responsible for the essential repairs to the external fabric of the home and essential structural repairs to walls, floors, ceiling and stairs where the repair isn't covered by the building warranty.

Shared owners will be expected to appropriately maintain their home, the responsibility of heating servicing will lie with the shared owner and evidence of this will be required when requested by Cobalt.

Shared owners will be responsible for the repairs and maintenance of the home. An allowance of £500 per year will be given to Shared Owners to be claimed for essential repairs for the first 10 years. If the £500 is not claimed it can be carried over to the following year, the maximum amount that can be carried over is £500 meaning the total allowance available to be claimed will never exceed £1000. In the case where the repair costs are in excess of the available allowance it will be down to the Shared Owner to cover.

Cobalt will be responsible for assessing repairs to ensure that the claim is essential and genuine. Shared Owners will not be able to claim for DIY repairs or repairs carried out by non-professionals. Claims will not be able to be made against essential repairs that have occurred due to the negligence of the Shared Owner or any other occupiers or visitors to the home.

If a shared owner wishes to report a repair they would like to claim allowance for, Cobalt have 7 days to reply and have the right to approve or deny claim. If approved the shared owner should receive funds with 21 days from approval.

If claiming the repair allowance shared owners can choose from a list of approved Cobalt providers or they can appoint a trust marked approved trades person.

Repairs communication as well as monitoring of available allowance will be a shared responsibility between Development & Neighborhood teams.

Should the shared owner wish to make any changes to the home or need aids fitted or adaptations made, a written application to alter request, must be submitted to Cobalt.

A surveyor will then consider the request, to determine either refusal or approval. If a request is refused Cobalt will provide the shared owner with its reason.

### **3.16 Tenancy Management**

Shared ownership tenancies are to be managed by a designated neighbourhood service officer. Although shared owners will not receive the same service as affordable rent tenancies the officer will be responsible for the relationship between Cobalt and the shared owner acting as a main point of contact.

### **3.17 Subletting Requests**

Subletting is prohibited in the shared ownership lease agreement (other than in exceptional circumstances such as armed forces owners serving away from the area) and this is a fundamental clause.

### **3.18 Pets**

In houses pets are permitted assuming the cause no nuisance to the area/ neighbours. In flats/ housing with only a communal outdoor space pets are not permitted.

### **3.19 Customer Satisfaction**

Following completion sales will request a customer feedback survey from shared owners to monitor the service we are delivering and identify potential areas for improvement. Ensuring that we are compliant with Tenancy Satisfaction Measures post sale the responsibility of collecting customer data for satisfaction measures will lay with neighbourhoods team.

### **3.20 Risk Management**

Risks are to be managed with legal support, findings from external and internal audits will be able to provide us with assurance that our policies and procedures are working as they should to avoid financial risks for Cobalt. As well as financial risks teams will work collaboratively to ensure that we are providing an excellent service to our shared owners to avoid reputational risk.

### **3.21 Customer Satisfaction**

Customer satisfaction surveys will be carried out at completion and post-sale. Should complaints be raised sales and neighbourhoods will work collaboratively at service level to resolve this, if escalated the process in QP 2 complaints will be followed.

## **Risk Management**



The key risk associated with non-delivery of this Policy is:

Risk Register Ref:	Risk:
Ref TBC	Shared ownership plot not sold after 6 months
Risk Consequences:	Management and Mitigation:
Consequences of this risk include having stock plots for a long period of time reducing profit from rent & maintenance costs will rise.	To limit this avenue which we can explore including incentivising plots. Offering legal fees, flooring to prospective buyers making purchase more desirable. In addition, following approval from homes England we can consider switching tenure, e.g. From shared ownership to rent to buy.

Risk Register Ref:	Risk:
Ref TBC	Arrears, shared owners not keeping up with rent payments and or mortgage repayments.
Risk Consequences:	Management and Mitigation:
Rent loss, repossession	Neighbourhoods to support should a shared owner begin to build arrears following rent repayment and arrears recovery policy. Should a shared owner default on their mortgage lenders may apply to court. In this case Cobalt will seek legal advice in line with Capital Funding Guide.

## Regulatory & Legislative Compliance

Capital Funding Guide - 1. Shared Ownership - Guidance - GOV.UK (www.gov.uk)

Tenancy agreements: a guide for landlords (England and Wales): Tenancy types - GOV.UK (www.gov.uk)

Affordable Homes Programme 2021 to 2026 - GOV.UK (www.gov.uk)

Data protection: The Data Protection Act - GOV.UK (www.gov.uk)

## Links to Other Key Documents

POL 44 Rent Payment & arrears recovery policy.pdf (sharepoint.com)

QP 2 Complaints.pdf (sharepoint.com)

Document Library - POL 44 Rent Payment and Arrears Recovery Policy.pdf  
- All Documents (sharepoint.com)

## Governance of this Policy

<b>Equality Diversity &amp; Inclusion (ED&amp;I)</b>	<p>An Equality Impact Assessment (EQIA) has been completed and equality diversity &amp; inclusion has been considered through the process.</p> <p>Date 15/03/2024</p> <p>Customers will have access to this policy via Cobalt’s website, it will be reviewed in accordance with review dates.</p>
<b>Financial and Links to VfM</b>	<p>Shared ownership will generate profit for the business through initial sale purchase and ongoing rent collection. Any changes in this policy should not have a financial impact for the business.</p> <p>Loss of rent may occur should fall into arrears. Please see arrears and risk section in this policy as to actions that will be taken in this instance.</p>
<b>Privacy and Data Protection</b>	<p>Customer information will be handled in accordance with data protection act following GDPR legislation.</p>
<b>Health and Safety</b>	<p>No impact on health and safety.</p>
<b>Development and Consultation</b>	<p>This policy has been consulted with tenants at the tenant consultant panel as well as staff from neighborhoods, development and regeneration and finance.</p>

