

SAXON WEALD

SHARED OWNERSHIP ADVERSE CREDIT POLICY

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Latest Revision:

Next Review: August 2027

1.0 Introduction

- 1.1 This policy sets out our approach to assessing affordability for shared ownership and shared equity applications and determining high risk applicants with adverse credit. Our staff are involved in checking affordability assessments and approving mortgage offers. This includes the initial assessments carried out for new build shared ownership and general needs and retirement resales, as well as extra care shared equity resales.
- 1.2 Homes sold on the open market are a commercial, non-charitable activity that is exempt from this policy.

2.0 Definitions

- 2.1 New build shared ownership (NBSO) – Affordable Homes Programme pre-2021-2026 – Brand new homes available on a part buy/part rent basis. Shares are normally available between 25% and 75%, with a rent of 2.75% of the unowned share payable on the remainder. NBSO properties were built for general needs purchase.
- 2.2 New build shared ownership (NBSO) – Affordable Homes Programme post-2021-2026 – Brand new homes available on a part buy/part rent basis. Shares are normally available between 10% and 75%, with a rent of 2.75% of the unowned share payable on the remainder. NBSO properties are built for general needs purchase.
- 2.3 Shared ownership (general needs) resales – Existing customers selling the shares in their property. Minimum shares are set by what the current customer owns, and rent is payable on the unowned share. In most cases, new purchasers can buy 100% of the property (known as interim staircasing), providing that the property is not part of a Rural Exception site, whereby the maximum share available in perpetuity is 80%.
- 2.4 Older persons shared ownership resales (OPSO) – Existing customer selling the shares in their retirement living accommodation. Properties are exclusively for people aged over 55. The minimum share available is always 75% and rent is not payable on the unowned share. Interested parties need to register with Weald Living.

- 2.5 Extra Care Shared Equity Resales (ECSE) – Existing customers selling the shares in their retirement living accommodation. Properties are exclusively for people aged over 55 or 60. The minimum share available is always 75% and rent is not payable on the unowned share. Interested parties need to register to have a Scheme Manager assessment and complete an Expression of Interest (EOI) form. The sales team will complete an affordability assessment.

3.0 Relevant Legal and Regulatory Information

- 3.1 It is a requirement of Homes England that the Adverse Credit Policy is created, published and in use from 1 August 2024.
- 3.2 Homes England publish the main criteria for shared ownership and shared equity allocations within their Capital Funding Guide (CFG). As a registered provider, Saxon Weald must always adhere to the CFG.

Current link to CFG:

<https://www.gov.uk/guidance/capital-funding-guide>

4.0 Anti-corruption

- 4.1 This policy references our Anti-Corruption and Anti-Money Laundering policies which can be found on www.saxonweald.com. These set out the principles for and our approach towards the statutory, regulatory and corporate requirements relating to corruption and any associated legislation. It is underpinned by our corporate values and intends to ensure probity, transparency and accountability in all our business interests and activities.
- 4.2 We take a zero-tolerance approach to all forms of corruption. All associated persons have a duty to report suspicions of malpractice and corrupt activity, both in line with the Anti-Corruption Policy and the NHF Code of Conduct (2022), which we adopt.

5.0 Aims and Objectives

- 5.1 To ensure we allocate homes to people in housing need who cannot afford to purchase a property suitable for their needs on the open market, in the area they wish to or need to live, without assistance.
- 5.2 To ensure we allocate homes to people whose affordability indicates that they can sustain the costs of a shared ownership or shared equity purchase over the long term.
- 5.3 To establish an inclusive, flexible, non-discriminatory policy that is responsive to demand.

- 5.4 To determine efficient and transparent controls for the processing of affordability assessments for shared ownership and shared equity purchases.
- 5.5 To establish fair and effective mechanisms for checking and approving mortgages for those wishing to buy a Saxon Weald home.
- 5.6 To establish a fair and effective mechanism for assessing affordability for those wishing to purchase an extra care home with Saxon Weald.

6.0 New build shared ownership, (general needs and older person) resales

6.1 Applicant Eligibility:

- Applications must be assessed according to the eligibility criteria set out in Homes England's Capital Funding Guide (CFG), using the initial assessment sign-off sheet also contained within the CFG.
- Applicants are required to pay a deposit. A minimum 5% deposit is required on the share purchased and 100% mortgages are not acceptable when buying a shared ownership or shared equity home.
- Applicants must not be in mortgage or rent arrears, or in breach of their current lease or tenancy agreement at the time of application. Where an applicant is or has been in arrears for a short period due to a sudden change in circumstances, an administrative delay, or an error in recording the rent paid into their rent account, we may use our discretion to allow the case to proceed where it is satisfied that the rent is being paid and the applicant has sufficient income to support a mortgage loan.
- Applicants must show that they have no unsecured arrears. Individual assessments will be conducted by the mortgage advisor.
- Applicants must show that they do not have any County Court Judgements (CCJs) or registered defaults within the last 36 months. If the applicant has had CCJs or registered defaults in the past, they must be satisfied prior to the mortgage application.

They may be acceptable in the following situations:

- All CCJs/defaults were registered more than three years ago and satisfied prior to mortgage application.
- All CCJs/defaults were satisfied more than 12 months prior to application regardless of date of registration.
- The CCJs/defaults in aggregate amount to less than £300, regardless of date of registration, and were satisfied prior to mortgage application.
- Applicants must show that they have no Individual Voluntary Arrangements (IVAs) or discharged bankruptcy. IVA/bankrupts who have been discharged over three

years ago and who have no residual debt may be accepted, subject to an Individual Assessment.

- Applicants who have been repossessed will be automatically declined unless the mortgage advisor can provide evidence that they will be able to obtain a mortgage.

6.2 Affordability assessments:

- After the initial checks upon application to Weald Living, an initial assessment must be completed by one of our panel mortgage advisors for each sale. Following the initial assessment, the applicant is free to use a mortgage advisor of their choice or apply directly to a mortgage lender, however, our panel mortgage advisor must confirm that the application can proceed.
- Applicants will be encouraged to purchase the maximum share they can afford and sustain. Capital sums held by applicants will be considered when assessing long-term sustainability but should allow funds to be retained for costs associated with buying and moving home (e.g., legal fees, stamp duty, mortgage fees etc).

6.3 Key issues and checks:

- All mortgage lenders must be registered with the Financial Conduct Authority and, where required, regulated by the Prudential Regulation Authority and adhere to their rules regarding borrower's ability to repay loans. We reserve the right to decline any mortgage that does not meet these rules.
- Homes England does not support the principle that applicants should be barred from using unsecured lending to access shared ownership. Unsecured lending will not benefit from the Mortgagee Protection Clause as it is not secured against the home.
- Mortgage interest rates will be reviewed in line with typical lending rates on offer. Changes will be considered where the economic climate is stable, and the lending rates fluctuate in line with changes to the Bank of England base rate.
- Where the only mortgage rates available for purchasers are at levels considered high (as determined by the market), we can apply discretion and authorise exceptions. To allow this, the mortgage must have a fixed rate, and the decision must be supported by the applicant's mortgage advisor, with evidence confirming that the higher rate is clearly sustainable.
- Interest only mortgages are not accepted. We can use discretion and make exceptions where the applicant appears to have no other option. In this case, the applicant must be made aware of the need to plan to pay off the capital, and the interest only mortgage option must be supported by the applicant's mortgage advisor.

- Mortgage arrangements fees can be added to the loan amount providing this does not take the applicant over their share value/amount. We can authorise fees over this amount at our discretion, however evidence to support the applicant's affordability of this is required.
- The CFG states that the maximum mortgage term permitted is 40 years. There is no upper age limit in terms of mortgage borrowing for applicants.
- To the best of our ability, we will take every precaution to complete customer due diligence and check that the applicant's identity and financial status has been honestly and accurately declared. As detailed in both our Anti-Corruption and Anti-Money Laundering Policies, we take reasonable steps to discharge our responsibility to ensure independent financial mortgage advisors, solicitors and lenders complete rigorous credit and anti-money laundering checks on all applicants and report back any concerns.

7.0 Extra care resales

7.1 Applicant Eligibility:

- Applicants must complete an Expression of Interest form and Scheme Manager assessment prior to making an offer on a property and upon request must provide all supporting documentation.
- Applicants must be over 55 or in some cases, over 60 to be eligible for Extra Care properties.
- If it is determined that an applicant has a significant amount of savings, assets and sale proceeds available to them, we reserve the right to approach Homes England for approval to proceed with the sale. Permission to proceed will only be granted by Homes England if there are exceptional circumstances. There is no published Homes England guidance on the maximum amount and decisions are made on a case-by-case basis.

7.2 Affordability assessments:

- We will conduct a detailed cash affordability assessment. In the rare event that an applicant uses a mortgage to purchase the 75% share, the applicant will also need to have an affordability assessment completed by one of our panel mortgage advisors for each sale.
- Capital sums and assets held by applicants will be considered when assessing long-term sustainability but should allow funds to be retained for costs associated with buying and moving home (e.g., legal fees, stamp duty, estate agency and removal fees etc), and for unexpected future care costs. Decisions will be made on a case-by-case basis.

7.3 Key issues and checks:

- In the event of an applicant using a mortgage to purchase, please refer to point 6.3 above.
- Rigorous checks are carried out to ensure the applicant can afford to sustain the purchase.
- To the best of our ability, we will take every precaution to check that the applicant's identity and financial status has been honestly and accurately declared. As detailed in both our Anti-Corruption and Anti-Money Laundering Policies, we take reasonable steps to discharge our responsibility to ensure independent financial mortgage advisors, solicitors and lenders complete rigorous credit and anti-money laundering checks on all applicants and report back any concerns.
- We have policies and compliance mechanisms in place to check external partners are completing necessary anti money laundering and corruption checks. This supports our registration with HMRC for handling shared ownership re-sales and ensures we have proper oversight of the process and systems in place to report any concerns to mitigate any risks.

8.0 Exceptional circumstances

8.1 From time to time, ineligible applicants may present exceptional circumstances that support their application to purchase. In each case, permission to proceed must be sought from Homes England. Our staff must provide a detailed request to support the case, setting out the following:

- The applicant's reasons why the application should be allowed to proceed with adverse credit issues that have been identified through the affordability assessments and key checks outlined above.
- Our reasons for supporting the application.

9.0 Appeals and complaints

9.1 Potential purchasers that are not approved to progress at the application stage have the right to appeal against the decision. The Senior Sales Manager will review the original decision and provide a response within ten working days.

9.2 Complaints will be acknowledged and investigated in accordance with our Complaints Policy. We are not obliged to exhaust the procedure through to the final review stage for complainants where we do not have a legal or contractual obligation. If complaints are received from these sources, and where necessary, the Assistant Director – Development & Sales will provide the final response.

10.0 Data protection, information exchange and confidentiality

10.1 All correspondence with shared owners will be managed in accordance with General Data Protection Regulations (GDPR).

11.0 Value for money

11.1 Implementation of this policy is a requirement of Homes England following the announcement of the new affordability measures.

11.2 Shared ownership is a form of affordable housing which increases the opportunity for our customers and local people to become homeowners, subject to published eligibility and affordability criteria.

12.0 Monitoring and review

12.1 This policy will be reviewed at least every three years or when necessary, in response to changes in legislation or regulation.

13.0 Equality and diversity

13.1 Equality and diversity affect all aspects of our business and, as such, its principles are integral to everything we do. As a landlord and an employer, we recognise and respond positively to people's differences, while providing equality of opportunity in relation to the services and careers we provide and support.

13.2 This means that no person or group of people, either working for Saxon Weald or seeking housing, services, employment or contracts from us, will be treated less favourably because of their or their partner's, family's, friend's or associated person's protected characteristics, which are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race and ethnicity, nationality, immigration status, religion or belief, gender and sexual orientation. This includes individuals either already serving on or applying to join our Board.

Version	Amendment	By	Date
1.0	New policy	Paula Turner	August-24