

Shared Ownership Policy

Board/EG Approval:	August 2024	Responsible Board:	Ocean Housing Limited
Next Review:	August 2026	Responsible Executive:	Managing Director of Ocean Housing

1.0 Introduction

1.1 This policy sets out Ocean's approach to shared ownership:

- Resales
- Staircasing
- Repossessions/Buyback
- Mortgage/Remortgage
- Transfer of Equity
- Subletting
- Lease Extensions
- Property Improvement/Alterations
- Rents & Service Charges
- Allocations
- Lease term
- Shared Ownership Plus (*new shared ownership model lease*)
- Key Information Documents (KIDs)
- Buyer eligibility (first tranche sale and resale)
- Shared ownership advertising
- Cash buyers

1.2 The Right to Shared Ownership will be covered in a separate policy. The first Ocean tenants will become eligible for this in August 2024.

2.0 Objectives for our Shared Ownership Homes

2.1 Ocean owns a small but growing number of shared ownership properties across Cornwall. As the portfolio increases Ocean is committed to ensuring a valid and robust infrastructure to support the delivery of services required in the management of shared ownership properties, including those customers aspiring to own a shared ownership property as well as those who already do.

2.1 Ocean Housing has agreed the following objectives:

- To support shared ownership customers as and when they decide to move from their home and are looking to sell.
- To encourage and support shared ownership customers to staircase up to full ownership over time as their circumstances, and lease agreement, allow.
- To support shared ownership customers who are having difficulty sustaining their mortgage and/or rent payments and may be faced with the concern of losing their home.

- To support shared ownership customers seeking to switch their mortgage to an alternative lender.
- To support shared ownership customers whose circumstances, change for example, the breakdown of a relationship and may require assistance in transferring ownership from one party to another.
- To support shared ownership customers whose circumstances, change and may need to relocate for work commitments, to a locality where it would be difficult or unreasonable to commute.
- To support shared owners who wish to extend their lease.
- To administer the new requirements of the Shared Ownership Plus leases

3.0 Policy

3.1 Shared Ownership Resales

3.1.1 Customers looking to sell their shared ownership homes are usually required to offer it back to Ocean in the first instance before advertising their share for sale on the market. In most cases Ocean will decline an offer to repurchase the lease unless there is an operational advantage of doing so.

3.1.2 Ocean can if required provide a full resale service for shared ownership customers which will include marketing and advertising the shared ownership property. For all sales Ocean will carry out the verification of prospective buyers and offer reasonable assistance during conveyancing.

3.2 Shared Ownership Staircasing

3.2.1 Ocean is committed to our shared ownership customers creating long lasting sustainable homes through the purchase of further shares in their shared ownership property. Ocean will actively promote the purchase of further shares in line with its business objectives and particularly when it considers the housing market is right for such promotion and typically in a sound, consistently rising market.

3.2.2 Shared Ownership customers may buy further shares based on the full current market value of the property assessed by an independent surveyor accredited by the Royal Institute of Chartered Surveyors; this being in line with the lease requirements and Ocean's governance and regulations as a registered provider of social housing. Ocean will facilitate the purchase of additional shares through commissioning an independent valuation, confirming the premium payable by the shared ownership customer according to the percentage share they wish to buy as well as assist during conveyancing through to completion.

3.3 Shared Ownership Buy-Back and Repossessions

3.3.1 Buyback

- 3.3.1.1 Ocean will not typically repurchase the whole of a shared ownership customer's equity, however, if a shared ownership customer is having trouble in sustaining their mortgage/rent account it may consider the prospect of buying back some of a shared ownership customer's equity but not more than would leave the shared ownership customer with owning less than a 25% equity share.
- 3.3.1.2 Each case must be considered individually and the decision to repurchase a portion of a shared ownership customer's equity will only be approved where the difficulty is such that it presents a substantial risk that could lead to the loss of the property. Where there is a mortgage secured against the property Ocean will only proceed with the repurchase of shares where that lender also approves, and any payment made will be to the lender to discharge/reduce the mortgage debt. In all cases the ultimate decision will rest with the Managing Director of Ocean Housing and the Deputy Chief Executive.

3.3.2 Repossession by lender

- 3.3.2.1 Where there is a mortgage secured against the shared ownership property, the respective lender will have first refusal over the property in exercise of its rights under the mortgagee protection clause contained within the shared ownership lease. This means that the mortgagee will have first call of proceeds from selling the repossessed property to clear the mortgage debt and their associated accrued costs. Ocean will receive the balance of monies from any sale achieved by the lender.
- 3.3.2.2 In the event of a shared ownership property being repossessed by the mortgage lender, the property will firstly be offered back to Ocean at a premium typically reflective of the mortgage debt and accrued costs. Ocean will only consider accepting the offer to repurchase the shared ownership property when such offer is financially viable. In all cases the ultimate decision will rest with the Managing Director of Ocean Housing and Deputy Chief Executive.

3.3.3 Repossession by Ocean

- 3.3.3.1 Where a shared owner fails to fulfil their obligations to pay their rent and service charges and where it is the case that serious arrears accrue, the Income Recovery Procedure will be followed. If it is necessary for Ocean to obtain possession of a shared ownership property due to the tenant failing to fulfil any of their obligations under the shared ownership lease, Ocean will ensure full cost recovery including but not limited to any accrued arrears and associated costs as part of such recovery in accordance with the lease agreement
- 3.3.3.2 Following repossession Ocean will normally return the property for sale as a shared ownership property in order that it maintains its requirements so far as any planning and/or grant funding conditions provide. Whilst there is no statutory obligation to do so, Ocean will consider returning any surplus from the proceeds of any sale achieved to the former property owner.
- 3.3.4 Where a shared ownership property has received Homes England (HE) grant funding previously then Ocean retains the liability for that subsidy. If the financial

viability suggests that the property is sold by private sale by the mortgagee then, when that sale occurs, Ocean will accrue the grant within the property as Recycled Capital Grant Fund (RCGF) which must be used in accordance with HE's Capital Funding Guide.

3.4 Shared Ownership Mortgage/Remortgage

3.4.1 Ocean will recognise that shared ownership customers are permitted to part mortgage their equity share, at first tranche sale as well as resale, and, from time to time i.e. staircasing, transfer of equity and/or remortgage generally to obtain a better interest rate.

3.4.2 Ocean will not consent to the mortgagee protection clause for:

- Any mortgage rate which our assessment shows exceed the applicant's ability to afford the property.
- Interest only or self-certified mortgages (mortgages must be on a repayment basis with a term of no more than 40 years).
- Any mortgage which has a linked current account or reserve facility (also known as a drawdown or borrow back facility) as part of the product (as this has the potential to allow the re-borrowing of paid capital on an interest only basis).
- Any second charge secured borrowing against the shared ownership property.
- Any borrowing for the purposes of debt consolidation.
- Any mortgage product that is greater than 95% loan to value (share value). For avoidance of doubt, Ocean will not accept a 100% mortgage product.
- Any mortgage product where fees other than those typically referred to as the "product fee" are added to the loan.

3.4.3 Remortgaging with additional borrowing (further advance) will only be consented to under the mortgagee protection clause for:

- The purpose of additional shares (staircasing).
- Essential repairs that are not covered by the building's insurance. The additional borrowing in this instance must be supported and correspond with a quote for all works to be included, copies of detailed plans (if structural works are involved), planning permission and building regulations, if required.
- To enable one shared ownership customer to buy another shared ownership customers interest in the same property (Transfer of Equity – Joint to Sole).

3.4.4 Under this policy a further advance is defined as 'any funds secured over and above the current capital outstanding on the existing mortgage'.

3.5 Shared Ownership Transfer of Equity

- 3.5.1 Ocean recognises that from time-to-time shared ownership customers will experience changes in their circumstances such as the breakdown of a relationship or the formation of a new one. During these circumstances it may be necessary to carry out a Transfer of Equity, this being the legal term for the process where the ownership of a share or interest in a property is transferred from one entity person to another.
- 3.5.2 Ocean will typically consent to a Transfer of Equity; however, this will only be the case when at least one of the interested parties (shared ownership customers) is represented by a solicitor or legal representative to ensure the process is fulfilled fully and competently.
- 3.5.3 Ocean will not involve itself in the interested parties' financial arrangements so far as the separating of finances and/or assets is concerned. Shared ownership customers should seek their own independent legal and financial advice before completing a Transfer of Equity process.

3.6 Shared Ownership Subletting

- 3.6.1 Shared ownership customers are not generally permitted to sublet their property; however, consideration must be given to each request on a case-by-case basis, taking account of individual circumstances, particular consideration will be given to the following:
- Do the reasons for subletting genuinely stem from unavoidable need and are not primarily for speculation of gain.
 - Does the person(s) to whom the leaseholder sublets also satisfy the registered provider's criteria for the shared ownership product.
 - Are the terms of the sublet for a fixed period during which the shared ownership leaseholder will retain ownership of the lease.
 - Does the shared owner have permission of the mortgage lender (where applicable).
 - Is the shared owner having trouble selling their home due to the ongoing presence of combustible materials or other concerns over fire Safety, and work is yet to be carried out to address them.
- 3.6.2 Ocean maintains a duty to ensure the protection of public funds and ensure that that affordable property is not intending to use subletting arrangements for commercial and financial gain.
- 3.6.3 Circumstances which will likely lead to short term consent are those of unavoidable need, include but are not limited to:
- An offer of employment requiring relocation, or relocation of usual place of work to another area.

- The shared owner has been unable to sell their property for a period of more than 12 months from the date of marketing, however, the shared ownership customer must be able to demonstrate reasonable efforts taken to try to achieve a sale.
- An offer of employment requiring temporary relocation including the requirement to work elsewhere temporarily to fulfil duties as part of the armed forces, typically a distance of at least 50 miles or 90 minutes travelling time.
- Changes of circumstances (family, etc.) which affect where the leaseholder lives on a short-term basis.
- The shared owner is not able to sell their home within a reasonable timeframe due to the ongoing presence of combustible materials or other concerns over fire Safety, and work is yet to be carried out to address them.

3.6.4 Consent to sublet will not normally be given for a term greater than 12 months, during which, the shared ownership customer must make all reasonable efforts (where permissible) to return to the property, otherwise, consideration must be given to sell it to ensure the correct use of the shared ownership home.

3.6.5 In all cases, the shared ownership customer must:

- Demonstrate that their circumstances are unavoidable.
- Demonstrate that subletting their property will not be used for financial gain.
- Be responsible for finding their own tenant. Set the rent at a rate no more than £15 per month above the rent that is due to Ocean under the lease.
- Satisfy Ocean that the proposed tenant meets the requirements of the lease agreement and/or planning conditions.
- Demonstrate (where applicable) that their mortgage lender also consents to interim subletting arrangements.
- Maintain their liability under the terms of their shared ownership lease and be responsible for the conduct of their tenant and or those living with them or visiting the property.
- Comply with all relevant health and safety requirements and legislation and housing regulations required in their capacity as landlord.
- Sign a declaration prepared by Ocean confirming their understanding and acceptance of the terms and conditions of the subletting arrangements.

3.6.6 Authority to grant consent to subletting requests is delegated to the Head of Neighbourhood Services who must ensure that all criteria set out in section 3.6.1 of this policy has been satisfied.

3.7 Shared Ownership Lease Extensions

3.7.1 Shared ownership customers do not have a statutory right to extend their lease agreements, however, Ocean will apply the same principles and guidelines to shared ownership customers as leaseholders who hold a statutory right under the Leasehold Reform Housing and Urban Development Act 1993. Reference should be made to the 'Leasehold Management Policy', section 3.19.

3.8 Property Improvement Requests

3.8.1 Shared ownership customers are not usually permitted to make any alterations or additions to their properties until such time as they acquire their freehold. Ocean will not generally consent to major alterations or additions due to the prohibitions within the lease, particularly, because such large investment should be towards the purchase of further shares. Ocean will usually consent to minor alterations within the existing property, however, liability for meeting regulations, obtaining permissions etc. will rest with the shared ownership customer who will undertake to do this as a condition of any such consent that is granted.

3.8.2 In all cases shared ownership customers will not be permitted to make any alterations or additions to their properties whilst their property is subject to a defect liability period i.e. new build first tranche sales, so as not to hinder, jeopardise or infringe on the contractor's and/ or developer's liability.

3.9 Shared Ownership Rents & Service Charges

3.9.1 Shared ownership customers will usually pay rent to Ocean on the unsold equity i.e. the share they do not own. The initial rent will be based generally on 2.5% of the unsold equity unless otherwise stated by the planning agreement, but no more than 2.75% as dictated by the regulator. Shared ownership rents will be reviewed annually in accordance with and using the calculation method as set out in the shared ownership lease.

3.9.2 Shared ownership customers may have to pay a service charge depending on where they live, and the services required to maintain the environment in which they live. On new developments, service charges will be based upon estimates of what Ocean thinks it is likely to incur, on existing schemes, the service charge will be based upon actual expenditure as incurred. Ocean will adhere to the requirements of the lease agreement and ensure that charges are applied fairly, consistently, and legally.

3.9.3 For certain services governed by this policy it may be the case that Ocean levies a fee to cover its costs in administering the relevant process. Where a fee is levied this will be made clear to the shared ownership customer at the outset. For a full list of fees and where they apply reference should be made to the 'Leasehold Management Policy', Appendix A – Schedule of Fees.

3.10 Shared Ownership Allocations (First come, first served)

- 3.10.1 Shared ownership properties (first tranche sale and resale) will be advertised and offered to applicants meeting the required criteria, including local connection and affordability, on a first come, first served basis. To demonstrate that they meet the required criteria applicants must:
- Register with their interest with Ocean and complete an application form.
 - Complete a financial assessment.
 - Provide sufficient evidence local connection (*if applicable*).
 - Complete satisfactory ID and anti-money laundering checks.
 - Provide evidence of access to sufficient and legitimate funds to make the purchase; this may include savings, mortgage offer in principle, inheritance, or gifted funds.
- 3.10.2 There may be exceptions to Ocean's first come first serve policy, including:
- A local connection requirement in the Section 106 Agreement – in these instances Ocean will allocate on a first come first serve basis to applicants meeting the local connection requirement.
 - Applicants in certain jobs may take precedence such as serving military personnel or other key workers as defined by Homes England.
- 3.10.3 Ocean will not discriminate applicants based on the share they can afford.

3.11 Lease term

- 3.11.1 To give longer term security to its shared owners, to be competitive with other providers and to ensure shared ownership remains attractive, Ocean will offer all new shared ownership leases with an initial term of 990 years, with effect from August 2023. This will ensure all new leases, regardless of funding are fair and consistent. It will also help eliminate the risk of issuing a lease with a lower term than is legally required.

3.12 Shared Ownership Plus (*new shared ownership model lease*)

- 3.12.1 In September 2021 the government announced their new Affordable Homes Programme which introduced some changes to shared ownership to help get more people onto the housing ladder. For the purpose of this policy and to differentiate between the existing shared ownership model, those changes will be referred to and known within Ocean as 'shared ownership plus'.
- 3.12.2 The shared ownership plus model will be implemented on all new build Shared Ownership homes delivered through the Homes England Affordable Homes

Programme from April 2021, running for five years up to 2026. This includes Home Ownership for people with long- term disabilities (HOLD), Older Persons Shared Ownership (OPSO), homes in rural protected areas and homes purchased through the Right to Shared Ownership.

3.12.3 Changes to the model include:

- Minimum initial share that can be purchased has reduced from 25% to 10%.
- Option to staircase in 1% increments every year for the first 15 years of home ownership – the cost of 1% increments is linked to, and based on House Price Index, which Ocean must inform the shared owner of annually. Larger shares can be purchased using the traditional method of a RICS valuation to determine the premium, although the minimum share has reduced from 10% to 5%.
- 10-year period from the date of the first lease while the home remains shared ownership during which:
 - Ocean is responsible for repairs to the external fabric of the building and structural repairs inside the home. Ocean cannot and will not pass any expense on to leaseholders or use sinking fund contributions for the cost of such repairs. This includes essential repair works to the load bearing framework, the external fabric, service media and all other structural parts of the premises (roof, foundations, joists, and external walls).
 - Leaseholders remain responsible for general repairs. They may, however, apply to Ocean for an annual contribution of up to £500 towards qualifying repairs and maintenance, including the repair and maintenance of installations for the supply of water, gas, and electricity, for sanitation (including basins, sinks, baths and sanitary conveniences) and for space heating and heating water. Cyclical Health and Safety Property Compliance checks, including gas servicing and electrical safety are not qualifying repairs, nor are they within Ocean Housing's responsibility.
 - If a shared owner does not claim the full repairs allowance in one year, a maximum of one year's allowance will roll over to the following year. Ocean must provide an annual statement to the shared owner informing them of their repair budget balance, including details of any payments claimed by the shared owner during that period.
- The shared owner can end the nomination period at the four-week point if they wish to pursue a sale on the open market (or surrender the lease in the case of a flat) rather than the previous eight weeks. The principle of this is the same as is detailed at 3.1.1 of this policy.

- New leases must be granted with a term of 990 years; Ocean cannot and will not grant a lease with an unexpired term of 989 years or less for qualifying properties.
- The mortgage protection clause is now a mandatory clause. In the unlikely event that Ocean wanted to change this clause, we will need permission from Homes England.
- Sub-letting is no longer prohibited, but is subject to Ocean’s consent, which consent may not be unreasonably withheld or delayed, and may be reasonably refused, for example, if the sub-letting does not comply with Homes England guidance or grant.
- The transfer on Final Staircasing must include a statement excluding the remedies available under section 121 of the Law of Property Act 1925. This is to avoid ambiguity on final staircasing where the person is acquiring the freehold. This has no operational impact on Ocean.

3.13 Key Information Documents (KIDs)

Ocean will produce and provide a Key Information Document pack (KID) alongside the memorandum of sale for all shared ownership homes. This is a mandatory requirement for all homes funded through the 2021-26 Affordable Homes Programme and applies to first tranche sales and resales. Although the mandatory provision only applies to homes funded through the 2021-26 programme, Ocean will provide to all shared ownership homes including those funded by prior funding programmes and those that are not grant funded at all. This approach is in line with best practice and will ensure that shared owners understand the terms of the lease they are buying. This is a high-level summary document containing key features of the lease agreement, for example, the current rent and what it could be in ten years’ time, and other future costs that could be incurred

3.14 Buyer eligibility (first tranche sale and resale)

3.14.1 Buyers with adverse credit

3.14.2 Ocean uses (as expected by Homes England) a specialist third-party financial advisor to determine a buyer’s affordability for each first tranche sale and resale. The below framework sets out Ocean’s position in relation to adverse credit history:

Missed mortgage/rent arrears	If there is evidence of missed payments within a 12-month period preceding the application to buy a home, then that application will not normally be accepted. Instances will be considered on an individual and directional basis which may include where such instance arises from unavoidable circumstances and that it can be demonstrated as a one-off event. Ocean will not consider applications from people showing consistently missed payments.
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Unsecured debts	Unsecured debts will be considered on an individual basis. Ocean will not discriminate against a buyer having unsecured debts if it doesn't detrimentally impact the buyer's affordability, and the buyer can demonstrate that payments are being maintained.
County Court Judgements (CCJ) or registered defaults	They may be acceptable only in the following situations: <ul style="list-style-type: none"> • All CCJ/defaults were registered more than 3 years ago and have been satisfied prior to mortgage application. • All CCJ/defaults were satisfied more than 12 months prior to application regardless of date of registration. • The CCJ/default total less than £300, regardless of date of registration, and were satisfied prior to mortgage application.
Individual voluntary arrangement (IVA) and 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.
Repossessions	Ocean do not consider a history of repossession acceptable and as such would consider any applicant with a history of repossessions to be not eligible to purchase a home for shared ownership.

3.15 Buyers with surplus income

3.15.1 Ocean uses (as expected by Homes England) a specialist third-party financial advisor to determine a buyer's affordability for each first tranche sale and resale. Ocean will follow the guidance set out by Homes England to ensure that applicants for shared ownership have a 'safety net' of surplus income and is not overexposing themselves financially because of their purchase and putting themselves in financial risk. Ocean is committed to ensure that buyer can sustain their homes in the long term.

3.15.2 Ocean considers that a minimum surplus income is 10%. This is the minimum amount of an applicant's gross income that should be remaining after paying their commitments. Ocean recognises an applicant's commitments as being:

Item	Example/Explanatory notes
A. Gross income	Gross monthly income including any overtime,

	<p>commission or bonuses as determined by a specialist third-party financial advisor.</p> <p>Any universal credit or benefit income that is eligible to be factored into a person's gross income for mortgage purposes.</p> <p>Any guaranteed maintenance payments.</p>
B. Gross deductions	<p>Income tax</p> <p>National insurance</p> <p>Pension contributions</p> <p>Student loan</p> <p>Other payslip deductions</p>
C. Commitments	<p>Credit commitments to include personal loans, personal contract purchase, hire purchase, etc.</p> <p>Credit and store cards</p> <p>Childcare costs</p> <p>Care costs</p>
D. Housing costs	<p>Rent</p> <p>Service charges</p>
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 a specialist third-party advisor.</p> <p>Where possible, the Mortgage payment should not exceed 30% of the applicant's net income.</p> <p>NB: This may be exceeded in cases where the specialist third party financial advisor believes from their assessment that there is sound justification to do so and where the applicant is still able to meet the minimum surplus income requirement.</p>
G. Essential costs	Council tax

	Utilities Groceries Fuel and transport Insurances Other
H. Surplus income	This is the figure remaining once mortgage payment and essential costs have been deducted from the applicant's net income and should be at least 10% of the gross income.

3.16 Shared ownership advertising

- 3.16.1 For all new homes for shared ownership Ocean will advertise a range of shares offering between 25% and 75%. Shares will be advertised at 10% where homes are delivered through the Affordable Homes Programme (AHP) 2021 to 2026.
- 3.16.2 Ocean will advertise all its homes (first tranche sale and resale) using a mainstream advertising platform, Share to Buy, and on its own website and social media.
- 3.16.3 At times Ocean will offer incentives to people purchasing its homes for first tranche sale. Incentives are discretionary and will vary depending on circumstances. Full terms and conditions will apply to all incentives offered.

3.17 Cash buyers

- 3.17.1 Ocean recognises and accepts that from time to time some applicants will purchase their share using cash equity and will not require a mortgage. This could be because an applicant cannot get a mortgage but has cash for a lower share. All buyers regardless will be expected to complete an affordability assessment with a third-party financial advisor and demonstrate they can sustain the property they would like to buy before being offered it.

4.0 Relevant Documents

- 4.1 It is important to read this policy in conjunction with other relevant documents as listed below:
- New Homes and Land Strategy
 - Leasehold Management Policy
 - Income Recovery Policy

5.0 Equality, Diversity & Inclusion

- 5.1 Ocean recognises that we operate in a community within which there is wide social diversity, and we are committed to providing equal opportunity and valuing diversity. Ocean will request equality, diversity, and inclusion data from shared owners to ensure services can be tailored to their needs. Ocean does, where demand requires, provide shared ownership homes for older persons.
- 5.2 In delivering this policy Ocean will treat all customers fairly and tailor service delivery to individual needs where reasonable and practicable.

6.0 Implementation

- 6.1 Implementation of this policy rests with the Head of Neighbourhood Services reporting to the Managing Director of Ocean Housing. The Home Ownership Manager is responsible for implementing this policy on an operational basis.