

**Social HomeBuy Policy**

**Background**

Manningham Housing Association (MHA) is a registered social housing provider. The Association provides general needs, sheltered and supported housing for rent and shared ownership. MHA provides housing for people in need in a way that leads to sustainable and balanced communities where people want to live, work and play.

Our mission is to empower communities to be successful and vibrant. We focus on quality, making a difference and fairness in the way we provide housing services in the communities we serve.

This policy describes how MHA will assist tenants who do not qualify to purchase their current home under the statutory Right to Acquire (RTA) to purchase such homes through the discretion of the Association. Social HomeBuy allows social housing tenants to buy their current home either outright or on shared ownership terms with the benefit of a discount.

Social Homebuy is a voluntary low-cost-home-ownership initiative that MHA has chosen to offer to existing tenants. Social HomeBuy will allow our current tenants, who cannot afford to buy a suitable home in any other way, to buy their current home either outright or on a part-buy, part-rent basis with the benefit of a discount from the government, currently £9,000 for the Bradford district.

The scheme is completely discretionary, and only applies to properties built before 1st April 1997. It is up to the Association to identify dwellings that will be made available to sitting tenants on the Social Homebuy programme. Normally, such dwellings will be at least 15 years old and be within a scheme of 15 units or more.

Availability of the scheme is dependent upon the amount of Social Housing Grant that MHA receives from the Housing Corporation, now the Homes and Communities Agency (HCA). MHA will use the HCA's model Social Homebuy lease for all sales. Applicants' suitability for the scheme will be based upon the criteria set by MHA.

We have taken account of the following legislation and publications:

- Housing Act 1996
- Housing Corporation: Shared Ownership Guide 2005
- Housing Corporation: Social Homebuy Prospectus 2006
- Housing Corporation: Voluntary Purchase Grant 2005
- Housing Corporation: Social Homebuy Evaluation Report 2008

We are aware that the new regulator of tenant services is the Tenant Services Authority (TSA). The TSA will in due time publish their own standards to replace Housing Corporation standards.

**Property Eligibility Criteria**

The Association will apply the following criteria to determine eligible properties for the Social Homebuy programme:

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- All properties that qualify under the statutory RTA programme are excluded from the Social Homebuy programme. As required by government legislation, this means that all properties funded or built with grants from the government from 1<sup>st</sup> April 1997 onwards will not qualify for Social Homebuy.
- Properties which are 15 years old or over **and** within a scheme of 15 or more houses owned by the Association may be recommended to the Board by the Director of Housing for designation as eligible for Social Homebuy.
- In making a recommendation to the Board, the Director of Housing will consider housing management factors and the overall impact on the Association's asset management strategy.

#### Tenancy Eligibility Criteria

- Only current tenants of dwellings designated for Social Homebuy can apply for the Association's Social Homebuy properties. In order to qualify, these tenants must:
  - Have lived in the property for at least five years
  - Have a clear rent account
  - Have a clear tenancy record – that is, no record of anti-social behaviour. In some cases where there have been anti-social behaviour incidents in the past, the Association will take account of how serious these were, how they were resolved and how recent.
  - Not be subject to a Notice Seeking Possession, or in breach of any tenancy condition
  - Tenants who have previously purchased a low cost home ownership product from the Association or any other Registered Social Landlord will not be eligible.
  - Allocations will be based on a date order, that is, people will be considered on a "first-come-first-served" basis.

#### Financial Assessment

The Association will undertake a financial assessment of the applicant's ability to afford home ownership. This will take into account all of the applicant's circumstances, including:

- Income
- Security of income
- Outgoings, including any other financial commitments
- Savings

In addition, we will take into account information from mortgage lenders or other relevant agencies about the credit worthiness of applicants. In the event of a registered County

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Court Judgement (CCJ), or failure to keep up repayments on a loan, we may not accept the applicant onto the scheme. Where a CCJ has been satisfied, we may ask the applicant for further details before we decide whether to accept them.

We may also make checks on an applicant's payment history in any rented accommodation. We may also check the Land Registry database to satisfy ourselves that applicants are not pursuing Social Homebuy on a buy to let basis, or simply to acquire additional property for wealth accumulation.

Administration Fee

The Association may charge a fee to cover initial administration costs and to ensure genuine enquiries for Social Homebuy are shortlisted for consideration. Only shortlisted applicants will be required to pay the fee. The administration fee is non-refundable if the applicant withdraws from the process in any circumstances. This is to prevent speculative approaches and meet the administration costs of unsuccessful applications.

The Sale

The Association will obtain a valuation of the property at initial sales stage and at later stages where staircasing is applied for.

Applicants will be made aware of the requirements of the Proceeds of Crime Act 2002 which aim to prevent money laundering and the use of wealth gained through criminal activities. For this reason, applicants will be required to sign a legal declaration confirming that their purchase will not breach the Proceeds of Crime Act 2002.

Applicants will be made aware that once they have applied for Social Homebuy on their current home, the Association will not include such properties in any major works or improvement plan. Additionally, once a valuation has been obtained, certain repairs may be put off if they will contribute to the market value of the property.

Applicants will also be made aware that prices are subject to revaluation every 3 months and, therefore, the process of sale needs to be completed within this time in order to secure the current value of the property. Applicants will be made aware of acceptable sale completion date. If there is a delay on MHA's part that leads to sale completion falling outside of the three months' timescale, the price advised to the applicant will still apply. However, if the delay is on the part of the applicant, and the sale completion date is missed, the applicant will be required to purchase the property at the re-valued price.

The purchaser can buy an initial share of 25% or more of the property. The Association will set the initial share available for each Social Homebuy property. However, applicants will have the choice to decide, based on their financial means, the level of equity they wish to purchase.

Applicants will be made aware that rent will be charged at 3% of unsold equity.

**Example:**

Property value = £100,000

Share purchased = 50%

Share on which rent is charged = 50%

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Rent at 3% of unsold equity = £50,000 x 3% = £1500  
Monthly rent = £1500 divided by 12 = £125

[http://www.housingcorp.gov.uk/upload/pdf/Homebuy\\_20060621165051.pdf](http://www.housingcorp.gov.uk/upload/pdf/Homebuy_20060621165051.pdf)

#### The Shared Ownership Lease

The shared ownership lease will only apply to those who undertake Social Homebuy on a shared equity basis. If purchase is 100% outright, then the freehold will be transferred to the tenant at the time of purchase.

For those who undertake Social Homebuy on a shared equity basis, the property is sold on a long lease, normally for a period of 99 years. We may choose the alternative lease period of 125 years. However,

The form of lease used in cases of shared equity purchase will be based on a model lease produced by the Housing Corporation.

The lease entitles the purchaser to live in the property, and sets out the responsibilities of the purchaser and the Association.

#### Variations to a Lease

Where the property has been developed with public funding, the Housing Corporation's consent is required to any deeds of variation to an existing lease. The Corporation's consent is **not** required for purchasers to sell, staircase or do any of the things the lease allows them to do.

#### The Mortgage

The purchaser normally finances their purchase with a mortgage. They need to secure this directly with a lending institution. The mortgage lender will advise them on the various mortgage options available to them.

Before a Social Homebuy sale can be completed, the Association's consent is required to the mortgage terms being taken out by the purchaser, if the purchase is on the basis of "shared ownership". This is because, under the terms of the lease, the Association underwrites some of the lender's loss in the event of default on mortgage payments. By reviewing the mortgage terms, MHA can effectively assess their risk, and also ensure that the purchaser is borrowing only sufficient to buy the share being purchased.

#### Rent and Service Charges

Rent and service charge will not apply to those who purchase their Social Homebuy property outright.

However, for those who purchase on the basis of "shared ownership", the purchaser will be responsible for rent payments on the remaining portion of the value of the property.

MHA will set the rent and determine an appropriate service charge that includes management and buildings insurance costs.

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In setting shared ownership rents, we will have regard to their affordability and also ensure that they are sufficient to cover our long-term loan repayments. However, if we feel the actual amount necessary to repay the long-term loan is out of line with rents on other shared ownership properties in the area, we have the discretion to charge a higher or lower figure.

The rent and service charges are increased in April each year. The method of setting increases is stated in the lease. The rent increase takes into account the relevant loan repayment requirements and is also linked to independent publicised cost-of-living data; this may be the Retail Price Index (RPI) or a specified percentage increase. We notify the purchaser in writing of any rent increase according to the terms set out in the lease.

#### Purchaser's Costs

It is important for Social Homebuy applicants to know that apart from the cost of the property, they will be responsible for other transaction costs associated with owning a home. For example:

- Their solicitors' fees
- Search fees (for information about planning or other matters that may affect the property)
- Land Registry fees (to register own and Association's interest as joint owners)
- Stamp Duty Land Tax (SDLT) on property valued at the current threshold or above
- Valuation Fees
- To the mortgage lender for their valuation of the property
- To the surveyor if a Home Buyers Survey and Valuation is carried out
- Buildings insurance, if purchasing outright
- Contents insurance only, if purchasing on a shared ownership basis
- Deposit payable to MHA on exchange of contracts, if the purchase is on a shared ownership basis.

#### Staircasing

Staircasing is only applicable to those who undertake Social Homebuy on a shared ownership basis. Under the terms of the shared ownership lease, the share of the property owned by the purchaser can be varied by "staircasing". Normally, this is upward, to increase the share owned. Once the period specified in the lease has elapsed from the initial purchase, the leaseholder can "staircase" up to a maximum of 100% and own the property outright.

In certain circumstances, normally as a result of financial difficulties, MHA will enable shared owners to staircase downwards, thereby reducing the share they own. The Housing Corporation describes this process as "flexible tenure". It is intended as a "safety net", only to be used as an option of last resort when the leaseholder has got (or is about to get) into mortgage arrears and could potentially lose their home.

#### Repairs and Insurance

The purchaser is responsible for all repairs and redecorations to the interior and exterior of the property.

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If the purchase is on a shared ownership basis, the Association will insure the property, and the cost of this is included in the service charge to the purchaser. The insurance policy carries an excess, and the shared owner must pay this amount if a claim is made.

The purchaser is responsible for arranging appropriate and adequate contents insurance cover.

Alterations and Improvements

The shared owner purchaser must obtain MHA's written consent before carrying out any improvements or alterations. Structural alterations may need Building Regulations approval or planning consent, and where this is the case it is the responsibility of the purchaser to obtain these.

Resale of Shared Ownership Dwellings

The terms of the lease provide for the purchaser to sell their share in the property at any time. MHA must give their consent before any sale can be completed.

To continue to meet our objectives from the scheme, we will nominate a new purchaser from our waiting lists wherever possible.

The price will be an open market value determined by an independent valuer, and the costs of the valuation will be the responsibility of the leaseholder wishing to sell.

Rent Arrears on a Shared Ownership Property

Under the terms of the lease, the purchaser must pay the rent due. If the rent account falls into arrears, MHA will pursue these according to the Rent Arrears Policy and Procedures.

If legal proceedings become necessary, MHA must give the lender reasonable notice of this (at least 28 days), to give the lender sufficient time to help resolve the problem without recourse to legal action which could result in the loss of the mortgage security.

If the breach cannot be resolved within the period agreed between the Association and the lender, possession proceedings may then be instigated.

Monitoring and Review

We will monitor and review this policy in conjunction with residents to ensure its effectiveness and relevance to the Association's stated aims and objectives.

The Director of Housing has overall responsibility for the on-going monitoring of the policy through the work of frontline staff, particularly those engaged in resident involvement directly. The policy will be reviewed annually by the Director of Housing.