

SHARED OWNERSHIP SALES MONTHLY MINIMUM SURPLUS INCOME POLICY

This policy applies to applicants purchasing a shared ownership property. To ensure a potential purchaser can afford and sustain home ownership on a long-term basis, we will assess their affordability based on a monthly minimum surplus income requirement. The minimum amount of surplus income is an amount of money that a customer should have at the end of each month once housing costs, other commitments and expenditure have been calculated. These costs will be established as part of the affordability assessment using a budget planner carried out by a Specialist Mortgage Advisor. The Specialist Mortgage Advisor will consider all details of the applicant's income and expenditure during the assessment. At P A Housing, our monthly minimum surplus income requirement is 10% of the applicant's net income. This amount has been determined using methodology from mortgage lenders and mortgage advisors and based on our knowledge of household incomes and the costs of living in our areas of operation.

Net income is calculated on the following basis:

- (A) Gross income
- (B) Less gross deductions (tax, National Insurance, student loan, etc)
- (C) Less known commitments (loans, credit cards, childcare, etc)
- (D) Less Shared Ownership rent and service charges – these are stress tested so will consider estimated increased rent, and service charges, over the following 5 years from completion.
- $(A - B - C - D) = E$

E is the income remaining that will be used to pay mortgage costs, other essential expenditure (identified through a budget planner) and to meet our 10% monthly minimum surplus income requirement.

Homes England guidance state that we must ensure that the mortgage an applicant is able to secure represents no more than 30% of their net income (subject to recommendation from our Specialist Mortgage Advisor). This is after accounting for what are considered firm expenditure commitments and the rent and service charge costs of the Shared Ownership purchase. The applicant must also meet our minimum surplus income requirement of 10%. If the customer does not meet the requirements in this policy, we would consider the property to be unaffordable to the customer.