



Shared Ownership Surplus Monthly Income Policy

Approved by SMT	25 July 2024
Approved by Committee/Board	N/A
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Policy developed by	Sales Manager
Consultations	The Mortgage People
Associated procedure	Affordable Home Ownership Procedure

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Introduction

1. Purpose

- 1.1 On 17th May 2024 Homes England set out changes in the Capital Funding Guide regarding Shared Ownership affordability guidance. These changes are to be implemented by providers and advisors (mortgage advisors) by 31st July 2024.
- 1.2 Providers are to establish a Surplus Monthly Income Policy for applicants that is made easily available to applicants and advisors.
- 1.3 Scope: The policy applies to the whole of the Group. This means Connexus Homes Limited, (ultimate parent) and all of its subsidiaries.

2. Problem to Solve

- 2.1 A Surplus Monthly Income Policy sets out the minimum amount of money (in £ or % terms) that an applicant should have at the end of each month following the assessment of all elements of their income and expenditure. A maximum amount/figure should not be set.
- 2.2 It is for providers to determine the monthly surplus income policy level for applicants based on their knowledge of household incomes and the cost of living in their areas of operation.
- 2.3 Definitions:

Applicant: Person/s applying to buy a Shared Ownership Home from Connexus

Advisor/s: Advisors are Independent Mortgage Advisors

- A. Gross Income:** Gross Monthly pay, overtime, commission, universal credit or guaranteed monthly maintenance.
- B. Gross Deductions:** Income tax, National Insurance, Pension Contribution, Student Loan, Other pay slip deductions.
- C. Commitments:** credit commitments, loans, credit card payments, store cards, childcare costs, care costs.
- D. Housing Costs:** Stress tested rental figures, Service charge.
- E. Net Income for Mortgage Purposes.** E is the remaining income once BCD have been deducted from A.
- F. Mortgage Payment** as determined by the Advisor. This should not exceed 30% of E.
- G. Essential Costs:** Bills such as Food, Utilities, Fuel, Travel, Council Tax, Insurances
- H. Surplus Money Income:** This is the figure once F and G have been deducted from E

3. Method/s

- 3.1 Providers are obliged to instruct applicants to complete a financial assessment free of charge by a suitably qualified and experienced Advisor that is regulated to give mortgage advice. The Mortgage People carry out assessments for Connexus and this policy has been made available to them, so they are aware of our surplus income threshold.
- 3.2 Applicants are not obliged to use The Mortgage People for lending purposes and a decision not to use The Mortgage People will have no impact on our decision to offer a property to them.
- 3.3 Whilst Connexus covers a large predominately rural area over two counties, Hereford and Shropshire, the same property market forces tend to prevail as well as housing costs and valuations. Therefore, it is not necessary to have more than one Surplus Budget Income Figure for our area.
- 3.4 The Surplus Money Income Figure is the amount of money left once E-F-G. This is set at 10% and there is no upper limit set. This is so buyers have a surplus proportionate to their income and applicants are not unfairly impacted by this policy which then prevents them buying a home.

4. Measurement

- 4.1 Each Applicant assessment will include completing a budget planner with the Advisor which includes ABCDEFGH.
- 4.2 This Policy is lead by the Sales Manager and The Sales Team who will amend if and when there are requirements to do so from the Capital Funding Guide.