Shared Ownership Surplus Monthly Income Policy

1. Purpose

1.1 This policy supports Connexus in applying Homes England's Shared Ownership affordability guidance consistently, transparently and fairly. It sets out the minimum surplus monthly income threshold that applicants should retain after assessed income, deductions, housing costs, mortgage payments and essential expenditure have been considered. The policy will be made readily available to applicants and mortgage advisors.

2. Scope

2.1 This policy applies across Connexus, including Connexus Homes Limited as the ultimate parent and all subsidiaries. It applies to all applicants seeking to purchase a Shared Ownership home from Connexus, whether they are assessed by Connexus' panel advisor or by their own suitably qualified mortgage advisor.

3. Policy Context and Affordability Framework

3.1 A Surplus Monthly Income Policy sets out the minimum amount of money, expressed as either a percentage or monetary value, that an applicant should have remaining each month after all relevant income and expenditure has been assessed. In line with Homes England guidance, Connexus sets a minimum threshold and does not set a maximum surplus income amount.

3.2 Connexus has determined its surplus monthly income threshold by taking account of Homes England's affordability guidance, mortgage advisor methodology, household income levels, housing costs and the cost of living across Connexus' operating areas in Herefordshire and Shropshire.

3.3 Definitions:

- Applicant: The person or persons applying to purchase a Shared Ownership home from Connexus.
- Advisor: A suitably qualified and experienced independent mortgage advisor who is authorised and regulated to provide mortgage advice.
- Gross Income: Monthly income including basic pay and, where appropriate, overtime, commission, benefits such as Universal Credit, and guaranteed maintenance payments.

- Statutory and Contractual Deductions: Deductions from gross income including income tax, National Insurance, pension contributions, student loan repayments and other payslip deductions.
- Commitments: Credit commitments, loans, credit card payments, store cards, childcare costs and care costs.
- Housing Costs: Stress-tested rent and service charges.
- Net Income for Mortgage Purposes: The remaining income after gross income has been reduced by statutory and contractual deductions, commitments and housing costs, in accordance with the affordability assessment methodology.
- Mortgage Payment: The monthly mortgage payment as determined by the advisor. This should not exceed 30% of net income for mortgage purposes.
- Essential Costs: Essential household costs such as food, utilities, fuel, travel, Council Tax and insurance.
- Surplus Monthly Income: The amount remaining after the mortgage payment and essential costs have been deducted from net income for mortgage purposes.

4. Methods

4.1 Connexus will require each applicant to complete a financial affordability assessment free of charge with a suitably qualified and experienced mortgage advisor who is authorised and regulated to provide mortgage advice. Applicants may use Connexus' panel advisor, Metro Finance, or choose their own advisor.

4.2 Connexus operates across a predominantly rural area covering Herefordshire and Shropshire. As similar market conditions, housing costs and valuation considerations apply across these areas, Connexus will apply one Surplus Monthly Income threshold across its operating area.

4.3 Connexus' minimum Surplus Monthly Income threshold is 10%. This means applicants should retain at least 10% of their net mortgageable income after deductions, stress-tested rent, service charges, mortgage payments and essential household expenditure have been assessed. Connexus does not set an upper surplus income limit, as this could unfairly prevent otherwise suitable applicants from purchasing a sustainable and affordable home.

4.4 In addition to the Homes England affordability assessment, Connexus will use its internal budget planner as an additional sustainability check. Applicants should normally retain at least 10% of their total net income within the internal budget planner assessment.

4.5 Where an applicant is purchasing an initial share below 25%, Connexus will require a minimum surplus of 20% of total net income on the budget planner, reflecting the need for additional assurance that the purchase remains affordable and sustainable.

4.6 The advisor must provide Connexus with the affordability assessment and budget planner outcome as part of the sign-off process. Connexus will apply the same affordability and sustainability requirements whether the applicant uses Metro Finance or their own advisor. Where declared expenditure appears materially below typical household spending levels, Connexus may request supporting evidence, including bank statements and an explanation, to confirm that the assessment is realistic for the applicant's household composition and circumstances.

5. Measurement

5.1 Each applicant assessment must include a completed affordability assessment and budget planner covering income, deductions, commitments, housing costs, mortgage payments, essential expenditure and surplus monthly income.

5.2 This policy is led by the Sales Manager and will be reviewed in line with Homes England guidance, Connexus policy requirements, changes in market conditions, and recommendations from Metro Finance or other specialist mortgage advisors.

6. Document Control

Approved by ELT	25 July 2024
Approved by Committee/Board	N/A
Effective date	01 July 2026
Review date	30 June 2028
Policy developed by	Sales Manager
Consultations	Metro Finance
Associated documents	Affordable Home Ownership Policy

Version	Author	Date Published	Next Review	Comments
1.0	Sales Manager	25 Jul 24	31 Jul 26	
1.1	Sales Manager	24 Sep 25	30 Sep 26	Minor text and new template.
1.2	Sales and Marketing Coordinator	23 Feb 26		Minor text changes removing the date changes to the CFG as they are over a year old, new template.
1.3	Sales Manager	25 Jun 26	30 Jun 28	Policy re-written for better transparency and understanding for both colleagues and customers, also reference to Metro Finance instead of TMP.