

# Shared Ownership Minimum Monthly Surplus Income Policy (New Build and Resale Homes)

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**Policy ref:**

**Policy author /holder** Sales and Marketing Director

**Date approved:** 17 July 2024

**Approved by:** Executive Team

**Effective date:** 1 August 2024

**Review date:** July 2027

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## 1 Purpose and anticipated outcomes

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- 1.1 Before the formal offer of any New Build or Resale Shared Ownership home, we need to ensure that the home is affordable and sustainable to a potential purchaser and their surplus income is not such that it may be putting them at financial risk.
- 1.2 This policy sets out our required minimum monthly surplus income for potential purchasers who undergo an assessment with the advisor.

## 2 Scope and definitions

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- 2.1 Our required minimum monthly surplus income is 10%. This is the minimum amount of gross income remaining after commitments.
- 2.2 The following table sets out the methodology used for arriving at a potential purchasers monthly surplus income.
- 2.3 The assessment methodology includes a stress tested rental figure over 5 years. The stressed rent calculation is used to ensure that applicants can afford their housing costs even if there are future increases in rent.

| Item                                | Example/Explanatory Notes                                                                                                                                                                                                                                                                                                                                              |
|-------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A. Gross Income                     | <ul style="list-style-type: none"> <li>• Gross monthly pay to include the relevant amount of any overtime, commission or bonus as determined by a specialist mortgage broker.</li> <li>• Any Universal Credit or benefit income.</li> <li>• Any guaranteed maintenance payments.</li> </ul>                                                                            |
| B. Gross Deductions                 | <ul style="list-style-type: none"> <li>• Income Tax</li> <li>• National Insurance</li> <li>• Pension Contribution</li> <li>• Student Loan</li> <li>• Other payslip deductions</li> </ul>                                                                                                                                                                               |
| C. Commitments                      | <ul style="list-style-type: none"> <li>• Credit commitments to include personal loans, PCP, HP, etc</li> <li>• Credit and store cards</li> <li>• Childcare costs</li> <li>• Care costs</li> </ul>                                                                                                                                                                      |
| D. Housing Costs                    | <ul style="list-style-type: none"> <li>• Stress tested rental figure</li> <li>• Service charge</li> </ul>                                                                                                                                                                                                                                                              |
| 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 the advisor.</p> <p>Where possible, the Mortgage Payment (F) should not exceed 30% of E.</p> <p><i>NB: This may be exceeded in cases where the advisor feels that there is a justification for doing so and where the customer is still subsequently able to satisfy the provider's budget surplus policy.</i></p> |
| G. Essential Costs                  | <ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Utilities</li> <li>• Food</li> <li>• Fuel and Travel</li> <li>• Insurances</li> <li>• Other</li> </ul>                                                                                                                                                                                                 |
| H. Surplus Income                   | This is the figure remaining once F and G have been deducted from E. This figure should be at least 10% of the original figure A (gross income).                                                                                                                                                                                                                       |

### 3 Service standards, monitoring and review

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- We will report to the LiveWest Executive team on an annual basis providing an overview of application data for both New Builds and Resales homes.

### 4 Legal considerations

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- Homes England Capital funding guide <https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>

### 5 Linked / associated policies and other references

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5.1 Below is a list of linked or associated LiveWest policies and procedures and to which our employees, contractors and other individuals are required to comply, as appropriate:

- Homes England Capital Funding Guide for Shared Ownership
- Shared Ownership First Come First Serve Policy (New Build & Resales)

### Version control

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| Version Ref | Date      | By Whom?                     | Reason                                |
|-------------|-----------|------------------------------|---------------------------------------|
| 1           | July 2024 | Sales and Marketing Director | New Policy approved by Executive Team |