

# bpha's Shared Ownership Policy - SM041

## 1. What is the purpose of this policy?

The purpose of the policy is to ensure that all bpha colleagues and customers know who qualifies for Shared Ownership and how bpha makes decisions when selling Shared Ownership homes.

## 2. What are the main principles of the policy?

This policy sets out the process of buying, selling, or transacting with bpha in relation to a shared ownership home.

- We will act fairly, impartially, and consistently towards our customers.
- This policy will be updated when guidance from Homes England is updated.

Homes England are the government's housing agency. Sometimes we receive funding to help us build homes. We have agreed that we will follow Homes England rules in relation to shared ownership homes.

Shared ownership is a government backed housing scheme that gives customers the chance to buy a share of a property. The buyer pays a deposit and obtains a mortgage for their share of the property and pays rent on the part that they do not own.

Homes England set out what makes someone eligible for shared ownership. bpha are required to make sure that customers are eligible for shared ownership. In the absence of guidance from Homes England, bpha will operate in line with its own policies and procedures.

bpha sometimes uses the brand 'Domovo' to market its homes. This policy applies to properties marketed by 'Domovo' or any third parties selling on behalf of bpha, such as Estate Agents, but does not apply to Estate Agents acting for current shared owners.

## 3. Who is eligible for Shared Ownership?

You can buy a home through shared ownership if:-

- You cannot afford all the deposit and mortgage payments for a home that meets your needs on the open market; and
- Your household income is lower than the threshold set by Homes England. You can check your eligibility at [www.gov.uk/shared-ownership-scheme/who-can-apply](http://www.gov.uk/shared-ownership-scheme/who-can-apply). If you are an existing Shared Owner, looking to add another person to your lease, eligibility criteria remains applicable, except for the household income thresholds set by Homes England.

In some cases, there might be specific eligibility requirements for homes – for example a local connection. We will tell you if there are specific requirements related to the property you are interested in buying.

## 4. How do you decide if I am eligible?

bpha does not provide any financial advice and no-one who works at bpha is qualified to provide you with advice. We will refer you to one of our panel of Independent Mortgage Advisors (IMA). The IMA will undertake an affordability assessment with you and will tell us if you are able to proceed.

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The IMA will use a two-stage process. Stage one will be an initial check that will take a few minutes – this will usually be online on the IMAs website, but if you are unable to access the internet, you should let us know so that we can support you.

Stage two will be a full assessment with the IMA which will require you to speak directly with the IMA and provide them with documentation.

You will need to work with the IMA to decide which percentage of shares is most affordable to you – you are encouraged to buy as much of a home as you can afford and continue to afford in the long term. If you are buying an existing shared ownership home, the minimum share available for you to buy will be clearly advertised.

The IMA will not charge you a fee for this service. bpha does not make any payments to the IMA. You do not have to use the IMA to arrange a mortgage for you, but the IMA may charge you a fee if you choose to use them. You must make sure that you are comfortable with this fee as this is a direct arrangement between you and the IMA.

## 5. Are there any other specific requirements?

Yes. To be accepted for one of our new, resales or older persons shared ownership homes, you will need to meet specific financial requirements:

- Have a minimum 5% deposit for the share that you are purchasing.
- Have a minimum of 10% of your monthly income left once your costs and financial commitments have been paid - this is referred to as your “net mortgageable income”. This is bpha’s policy on ‘surplus income’.
- Your rental payments and service charge on the share that you do not own will need to be predicted and your ability to continue to afford payments over a five-year period considered to make sure that you can afford to live in your property in the long term.
- Spend less than 30% of your net mortgageable income on your mortgage payments, unless justification is provided from the IMA and all other criteria are met.
- You are unable to have an interest only mortgage as the capital borrowed must be repaid over time. This ensures that you are reducing your debt and not just making interest payments.

You will need to be able to afford the minimum shared ownership percentage for the homes being offered for sale – this could be either 10% or 25% for new homes, but could be higher for an existing shared ownership home. The property advert will tell you what the minimum share is.

For resale properties the percentage that the current owner owns will be available but there may also be an opportunity to buy more shares on purchase if the current owner agrees – our team will be able to let you know if this may be possible.

Current homeowners who are eligible for Shared Ownership properties meet the eligibility criteria will need to have an agreed sale in place with a complete chain on their current home before being able to reserve a shared ownership home.

Buyers receiving benefits can buy a shared ownership as long as the IMA has recommended that it is affordable and sustainable in the long term.

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A second mortgage, or charge, cannot be added to your property.

Customers with long term disabilities who require a specialist HOLD mortgage should get specialist independent mortgage advice such as <https://mysafehome.info/>.

- Customers will still need to meet the standard shared ownership eligibility and affordability criteria and satisfy the other criteria set out within this policy.
- Customers can have an interest only mortgage if affordable and sustainable for now and the future.

bpha will consider cash buyers in the following instances where a customer is unable to obtain a mortgage because of either;

- Religious belief
- Their age
- They are unable to work due to long term disability
- They are unable to work due to caring for a family member
- They are on a lower income that can afford the rent and service charge but not a mortgage

Customers wishing to purchase a shared ownership home with cash will need to follow the same process as a customer who is obtaining a mortgage.

'Premiums' (such as excessive payments towards fixtures/fittings and furniture, or additional cash payments) cannot be added when selling a bpha Shared Ownership home. This applies to homes being sold by bpha or a third party such as an Estate Agent.

Existing Shared Owners seeking to remove a joint Shared Owner from the lease will need to satisfy affordability requirements as a sole owner for a joint owner to be removed (exceptions to this are detailed within your lease). This must be confirmed by one of bpha's panel IMAs.

## 6. What information will I need to provide?

You will need to provide information to both bpha and the IMA throughout the process. This is to show that you are suitable to buy a shared ownership home. It is important that if you wish to reserve a property, you provide all information as quickly as possible – there is a risk that another buyer may be confirmed first and you may lose the opportunity to purchase the home you want.

We carry out money laundering checks to satisfy ourselves that any money you are putting into the property is from a legitimate source. You may be asked to provide evidence of money coming into or leaving your account.

Online Identity verification checks are completed by sellers and buyers at different stages in the process.

If you are getting a gift to help you buy the property, your giftor will be subject to the same anti money laundering and identity checks.

## 7. What if I have a credit issues? (Adverse credit policy)

It is important to bpha that customers are able to afford their property both now and in the long term. We have an adverse credit policy for shared ownership as below:

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You must not have missed any mortgage or rent payments within the last 12 months.

## **County Court Judgements (CCJs) and Defaults:**

- You can have a maximum (combined) of three CCJs or defaults in the last three years, but these must have been satisfied before reserving a property.
- If you have a default or CCJ that has not been satisfied, but is under the value of £300, this will be considered.
- You cannot have any unsatisfied CCJs or defaults over the value of £300.

## **Bankruptcy and Individual Voluntary Arrangements (IVAs):**

- If you have had a bankruptcy order or IVA you are not able to proceed with a purchase unless this was discharged more than six years ago.

## **Repossessions:**

- If you have had a property repossessed you are not able to proceed with a purchase unless this was discharged more than six years ago.

## **8. How do we choose who gets a property? (First come first served policy)**

Sometimes we have more than one buyer interested in purchasing a property. If we have more than one buyer who has an approved bpha shared ownership application and approval from the IMA we will prioritise buyers in order as follows:

- Government priority occupations or groups.
  - MOD personnel (eligibility criteria applies).
- Buyers who meet any specific requirements for the homes – for example local priorities set down by the local authority. We will have told you about these requirements at the time of marketing
- If neither of the above applies it will be 'first come first served' based on when buyers who are ready to move forwards (either have no home to sell or a complete downwards chain) have an approved bpha shared ownership application and IMA sign off. The time stamp on the IMA sign off email will be used to demonstrate who will be offered the property.

bpha will refer buyers to the IMA who is allocated to the specific scheme or property, working on a first come first served basis to ensure fairness – we will refer up to three applicants per property to the IMA and will let you know when we refer you if others have already or are going to be referred to the IMA. bpha's 'Guide to Shared Ownership' tells you what documents you may need to ready to share with the IMA to ensure you are able to share these quickly when requested.

Once a development or property is made available for sale, if we receive a large volume of leads, we may restrict the amount of applicants moving onto the application and affordability assessment. We will do this on a 'first come first served' based on the date and time we received confirmed interest from the customer – i.e. they have asked to be referred for financial qualification.

Sellers of existing shared ownership properties (resales) will have the final decision of which applicant they wish to sell to providing the applicant is deemed eligible by bpha, meets any specific eligibility criteria and has achieved IMA sign off.

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bpha's sales advisors will have the authority to make a decision between different potential buyers based on the information above.

## 9. How do we decide the value of a property? (Valuation policy)

bpha will always operate in line with the guidance set out within the Capital Funding Guide. Further detail can be found within bpha's Valuation Procedure (SM030).

### Properties being sold by bpha:

Valuations must be provided by a surveyor who is registered as a member of the Royal Institute of Chartered Surveyors (RICS).

All properties being sold by bpha (examples: new homes and existing shared ownership homes), require a valid valuation at the point of reservation.

All valuations are considered to be valid for 3 months, unless otherwise stated by the valuer.

Upon reservation (the sending of the reservation letter), valuations will be assumed valid for a further 3 months as of the date of the reservation letter (reservation expiry).

The reservation or valuation must be valid at the point of exchange of contracts.

If a reservation expires, the customer is subject to the updated valuation, whether the value has increased, decreased or stayed the same.

The agreed sale price is set by the valuation, we will not accept any offers for a home that is less than or above the approved valuation figure.

Existing shared owners may decide to accept a lower offer for their property, though this is discouraged.

### Properties not being sold by bpha:

Existing shared owners, once the nomination period with us ends, do not have to get a RICS valuation to sell their home through an estate agent.

There is no valuation expiry date applicable to the sale.

### Other transactions

Shared owners may decide to buy more shares in their home, extend their shared lease or borrow more money secured against their property.

All of these transactions will need a valuation from a RICS registered surveyor. The exceptions are:

- Customers who are eligible for 1% staircasing, can use the HPI calculation provided by us for their 1% share purchase.
- Remortgages and transfers of equity whereby the value is equal or less than £10,000.

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The RICS valuation may be instructed by you or us. You will be told when you enquire with us who is responsible for getting the valuation.

The validity period of the valuations for the transaction vary depending on the type of transaction, we can let you know about this when enquire with us.

## **10. What regulation and legislation is bpha required to consider?**

A range of legislation and regulation supports this policy, including: Estate Agents Act 1979; Data Protection Act (DPA) 2018; General Data Protection Guidelines (GDPR) 2018; Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR); Homes England Capital Funding Guide (CFG).

This policy supports the delivery of the Regulator of Social Housing's (RSH) Consumer Standards: Transparency, Influence and Accountability Standard.

## **11. How will this policy be communicated to Customers?**

This policy will be made readily available and easily accessible on the bpha website.

## **12. How will this policy be monitored and reviewed?**

This policy will be reviewed every three years, or sooner if there is a change in regulation, legislation or guidance in relation to items that this policy covers.

We will monitor performance through a range of performance indicators including the Tenant Satisfaction Measures, customer surveys and any customer complaints relating to the content of this policy.

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