

Shared Ownership Policy



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1. Purpose

1.1 This policy sets out CHS Group's commitment to providing homes under the Government's shared ownership scheme. This policy explains how we assess customers interested in purchasing a CHS Group shared ownership home, how rents are set, the Right to Shared Ownership for tenants and the arrangements for buying more shares.

2. Introduction

2.1 CHS Group aims to deliver a shared ownership model that is affordable for first-time home buyers and other people who are all unable to afford/access full owner occupation. CHS supports the development of shared ownership as one aspect of promoting vibrant, mixed and sustainable communities. Providing shared ownership also facilitates the development of rented homes that are financially viable and within the financial parameters determined by the CHS Board.

2.2 CHS Group offers homes, including houses and flats, for sale under the Government's shared ownership scheme, offering both new build and resale homes. A share of the property can be purchased using a mortgage, and in certain circumstances using cash, and rent is payable to CHS Group on the remaining share.

3. Scope

3.1 Shared ownership is a Government scheme that enables applicants to purchase a home suitable for them that they cannot otherwise afford on the open market.

3.2 This policy outlines the process for receiving, assessing and accepting applications for our shared ownership properties. All applications will be processed in line with this policy.

3.3 CHS Group will adhere to any prevailing Data Protection legislation including the UK Data Protection Act 2018.

4. Eligibility

4.1 Shared Ownership purchasers must be unable to afford the outright purchase of satisfactory housing at current market prices and must have sufficient savings and/or income to meet the associated cost of purchasing the initial share in the property and pay the ongoing rental element and service charges without financial hardship.

4.2 All applicants will need to confirm that they are eligible for shared ownership by:

- Having a gross annual household income of less than £80,000
- Being unable to afford a property suitable for them on the open market
- Not owning another property at the time of purchasing a shared ownership property

4.3 Each shared owner will sign a Lease for the property which will contain any restrictions and responsibilities in connection with the property.

4.4 CHS Group staff are mindful that there may, on occasion, be extenuating circumstances which will be assessed on a case-by-case basis and reasonable exceptions may be applied to this policy. We will be flexible where required in our approach to enable people to flourish by providing security and creating opportunities through the delivery of high-quality Cambridgeshire based homes.

5. Applicant priority – first come first served policy

5.1 The demand for our shared ownership homes often exceeds the supply, so we must be clear in how we allocate and offer our shared ownership homes to prospective eligible customers.

5.2 In line with regulatory standards all our shared ownership homes are offered on a first come first served basis other than where the below exceptions apply. The CHS Group policy is based upon the first eligible applicant to complete their full application including passing a full affordability assessment by our panel broker.

5.3 Exceptions to this policy are certain military personnel¹ or where there is a relevant planning requirement e.g. local connection criteria.

¹ 3.2.3.1 of the CFG <https://www.gov.uk/guidance/capital-funding-guide/1-shared-ownership>

5.5 We will also operate a plot to applicant ratio. This is done to ensure a number of potential customers are not inconvenienced unnecessarily with potential abortive costs. Our plot to applicant ratio at CHS Group is: 1:1 – i.e. following initial affordability assessments, we will process one application at a time based on the first initial assessment completed.

5.6 In the event of simultaneous assessment approval, CHS Group will determine the applicant priority based on when the applicant first registered their interest in the property.

6. Adverse credit policy

6.1 CHS Group have a responsibility to ensure, as much as possible, that our shared owners are able to honour their financial commitments as detailed in the lease. Therefore, we will not offer a shared ownership home where any purchaser has:

- Missed mortgage and/or rent payments in the last 12 months
- Outstanding County Court Judgements (CCJ) and/or defaults or any County Court Judgements and/or defaults that were satisfied within the last three years
- An individual voluntary arrangement (IVA) or bankruptcy. Applicants must have been discharged for a minimum of three years with no further issues.
- Had any property repossessed in the past five years.

6.2 Where evidence is provided that financial circumstances have been beyond the applicant's control CHS Group will review the application on a case-by-case basis and the decision will be made by the Director of Customers.

6.3 CHS Group may request copies of the applicant's credit reports and evidence that commitments have been satisfied before agreeing to a reservation of a shared ownership property.

7. Mortgage Lenders

7.1 We will review on a case-by-case basis, any applicant who can only use a 'specialist' lender who may provide a service for applicants with poor financial history at increased cost who are unable to use a high street lender. As a rule we will not accept applications where the applicant is reliant on a specialist lender and we may request further documentation and/or evidence of financial history for review.

7.2 100% mortgages/Deposits

Where savings are available, these are expected to be used as a deposit towards the purchase of a shared ownership home, however applicants are permitted to apply for up to a 100% mortgage if circumstances mean that savings are to be withheld for a specific reason. Each application using a 100% mortgage will be reviewed on a case-by-case basis by CHS Group.

7.3 Cash Purchases

CHS Group will accept cash purchases of a share where an applicant is unable to secure a mortgage due to circumstances out of their control, such as age or income.

Where an applicant is unable to secure a mortgage due to current or historical financial conduct it is unlikely that the applicant will be offered a shared ownership home, although in some circumstances this will be reviewed on a case-by-case basis.

CHS Group will not offer a shared ownership home to an applicant who is able to secure a mortgage and use available cash to purchase a property outright on the open market as per the regulatory requirements for shared ownership.

8. Minimum monthly surplus income policy

8.1 In line with regulatory guidance CHS Group can only offer shared ownership properties where an applicant, following assessment by CHS Group's appointed qualified mortgage broker experienced with shared ownership, has a minimum surplus income after deductions which is:

8.2 10% of the net income available for mortgage repayment purposes and other essential expenditure.

Our monthly surplus income assumption is based on the following calculation:

- (A) Gross income
- (B) Gross deductions (tax, national insurance, student loan etc.)
- (C) Known commitments (loans, credit cards, childcare etc)
- (D) Housing costs of the shared ownership purchase (rent and service charges)
- A-B-C-D = (E) Net income remaining for mortgage purposes
- (F) Mortgage costs
- (G) Other essential expenditure (identified through a budget planner)
- E-F-G must be greater than 10% of E to meet CHS Group's surplus income policy of 10% of the net income available for mortgage purposes.

8.3 Example for illustration purposes:

- £3,000
- (B) £550
- (C) £300
- (D) £450

$£3,000 - £550 - £300 - £450 = £1,700$ (E) Net income remaining for mortgage purposes.

Mortgage cost (F) £500

Other essential expenditure (G) £800

$E - F - G = £400$

This is greater than 10% of E and therefore meets CHS Group's minimum surplus income requirement.

9. Shared ownership rent policy

9.1 Purchasers are encouraged to buy the maximum share that they can afford and sustain; the higher the share purchased, the lower the rent payable on the remaining share. The CHS sales team along with their panel mortgage broker will advise purchasers of their maximum affordable share and discuss with the purchaser what is a suitable share for them to purchase based on the affordability assessment and individual circumstances. The initial share of a new build shared ownership home will be a minimum of 10% or 25%, depending on the lease type and a maximum of 75% purchased at the market value of the property. The minimum share available on a shared ownership resale property is the share owned by the current shared owner up to a maximum of 100% (unless restrictions apply).

9.2 Shared owners will pay rent on the remaining share not owned.

9.3 Affordability is assessed by CHS Group's panel mortgage broker, there is no fee for the assessment and applicants are not obliged to use them as their mortgage broker. The application must meet our minimum monthly surplus income policy. In the case of joint applicants, both applicants' income and expenditure will be considered.

Shared Ownership Rent levels

9.4 Homes England's (HE) Affordable Housing Capital Funding Guide (AHCFCG) contains the rules for Registered Providers providing housing under the HE Affordable Homes Programme 2021 – 2026. These or similar rules will apply whether schemes receive no grant funding or whether grant funding has been provided by way of Recycled Grant, grant from Homes England (HE) or from the Cambridgeshire and Peterborough Combined Authority.

9.5 CHS Group will normally charge 2.75% of the unsold equity held in the property in order to maximise the ability to cross-subsidise the provision of rented homes at the same time as meeting the costs of its borrowing and management expenses. We may charge a maximum of 3% of unsold equity per year to ensure a scheme is financially viable (as permitted by the AHCFCG), except where a rent exceeding 2.75% would make the shared ownership units unaffordable for prospective shared owners.

9.6 The Leasehold and Freehold Reform Act 2024 (The Act) makes Registered Providers responsible for some maintenance costs for the first 10 years after a shared ownership home is built. The Property must have been developed as part of the Affordable Homes Programme 2021-2026 to be eligible. The lease will provide details of repairs covered under the Act. CHS will have separate guidance for such schemes in advance of the first tranche sale to inform the shared owner how and when to make claims for such costs.

Annual Rent Increases

9.7 Annual rent increases are effective each 1st April and are limited by the individual shared ownership leases. Leases signed before 12th October 2023 will generally increase annually by Retail Price Index (RPI), plus an additional 0.5%. For most CHS leases this will be based on the RPI each preceding September; a few historical exceptions set the increase at RPI only or based on the preceding November's RPI. These different rates of increase are held on the QL (housing management) system to ensure accuracy. Leases signed after 12th October 2023 will generally increase annually by Consumer Price Index (CPI) plus an additional 1%, with some exceptions which will be listed by CHS.

9.8 While interest rates (and thus the costs of CHS loans to fund schemes) may rise or fall during the lifetime of the shared ownership lease, the rent is increased each year in order to smooth the costs for the shared owners. In the early years of the lease the rent will not meet the costs of CHS's borrowing. However as the rent increases over a number of years it will begin to repay CHS's loans. The predictability of annual rent changes will also protect shared owners from interest rate-based fluctuations.

9.9 The rent is based on the proportion of equity that is still owned by CHS. As shared owners staircase and buy larger shares of the equity then the rent is reduced accordingly.

Service Charges

9.10 All CHS shared owners will pay a monthly service charge, as all will be included in CHS's property insurance policy. A provision in each lease permits CHS Group to collect service charges where reasonable and may include sinking funds for major repairs, minor repairs and estate services such as communal gardening. In addition there may be a cost associated with a local Management Company providing services to a whole site. These Management Companies are not controlled by CHS. CHS has a separate Service Charge Policy which includes its approach to accounting for service charges.

10. Right to Shared Ownership (RTSO)

10.1 The Right to Shared Ownership (RTSO) scheme allows some tenants in England to buy a share of their rented home on Shared Ownership terms.

10.2 This means that these tenants may:

- Buy a share of their home as a shared ownership leaseholder
- Pay rent to CHS Group on the remaining share
- Pay any applicable service charges towards maintenance of communal areas and buildings insurance

10.3 If eligible and following an affordability assessment, the tenant may purchase between 10% and 75% of the home's full market value initially. They may be able to purchase further shares up to 100% (dependent on scheme-specific restrictions on staircasing).

All applications will be processed in line with this policy.

Eligibility

10.6 A tenant can apply to buy a share of their rented home if all these conditions are met:

- The home was built on a grant funded development between 2021 and 2026
- It is the tenant's main home
- The applicant is named on the tenancy
- The applicant holds a secure or assured tenancy with CHS Group
- The applicant has lived in the property for a minimum of 12 months
- The applicant has been a social or affordable housing tenant for at least 3 years
- The household income is less than £80,000
- The applicant cannot afford to buy a home on the open market
- The applicant is not overdue on any rent or credit payments
- The applicant is not subject to a court order for possession of the home
- The applicant is not subject to bankruptcy proceedings
- The applicant is not subject to legal proceedings
- The applicant is a first time buyer or used to own a home but cannot afford to buy one on the open market now.

A joint application for RTSO can be made by sole or joint tenants and up to three family members who have lived in the household for the past 12 months.

Application

10.7 A tenant should contact CHS Group's sales team to check their home's eligibility for the RTSO scheme. CHS Group will respond within four weeks and if the home is not eligible, CHS Group will explain why. Once eligibility is confirmed, CHS Group will direct the tenant to a mortgage broker (if not already done) to discuss affordability.

10.8 CHS Group will send the tenant the Right to Shared Ownership application form for completion and eligibility checks on the tenant will be completed. CHS group will respond within eight weeks and if they are not eligible, CHS Group will explain why.

10.9 If CHS Group deny the Right to Shared Ownership the tenant has the right to appeal through CHS Group's complaints procedure. If the tenant is not satisfied with the outcome of CHS Group's internal complaints procedure, they have the right to escalate the appeal to the Housing Ombudsman.

10.10 CHS Group will arrange a meeting with the tenant either in person or on the telephone to explain how shared ownership works, explain the costs and responsibilities of being a shared owner, provide key information documents and an estimate of the home's full market value.

10.11 If the tenant wishes to proceed with the RTSO, an affordability assessment will be completed with our panel broker to determine the share affordable for them and ensure that the costs associated with being a shared owner are affordable for them.

10.12 Once affordability is confirmed, CHS Group will instruct a RICS (Royal Institute of Chartered Surveyors) surveyor to complete an independent open market valuation of the home. If the valuation is higher than the original estimate provided at the meeting, our panel broker will need to re-check the share affordability. If the tenant disagrees with the valuation, they can instruct their own independent RICS surveyor within three months of the date that they received the original valuation.

10.13 The tenant must instruct their own legal adviser to handle the purchase of the shares in the property. The tenant should ensure that their chosen legal adviser has experience or good knowledge of the Right to Shared Ownership.

10.14 Once the valuation of the property is agreed, CHS Group will send an offer notice to the tenant. This notice will include information about:

- How much the home is worth
- The size of the share that the tenant will purchase and the cost of the share
- The cost of the rent payable on the remaining share of the property
- The costs that the tenant will have to pay once they have purchased the shares
- How long the lease will be

10.15 The tenant must notify CHS Group within four weeks if they wish to accept the offer and proceed with purchasing the shares of the home. The tenant must also tell CHS Group in writing if they do not wish to proceed with the purchase and they have chosen to continue to rent the home as a tenant. If the tenant does not respond within four weeks the RTSO application will be closed and any future applications will need to start again.

10.16 CHS Group will instruct their solicitor to complete the legal work with the tenant's legal adviser for the purchase of the shares. Once the purchase of the shares is complete and the tenant becomes a shared owner, they must set up a Direct Debit with CHS Group's customer services team to pay future rent and service charges on a monthly basis.

10.17 As a shared owner, the tenant can purchase further shares in the home at a later date, known as Staircasing (see below).

11. Staircasing

11.1 Shared owners may purchase more shares in the property, known as Staircasing. Buying more shares results in a lower rent being payable to CHS Group however any service charge will still apply.

11.2 Most properties can be purchased up to 100% ownership if the lease allows (there may be a restriction on the maximum shares that can be owned under the terms of the lease for example in rural areas, CHS Group can advise on this). For houses the Freehold of the property will be

transferred to the new 100% owner; those owning a 100% share of a flat will remain a Leaseholder.

11.3 If the development of the home was grant funded between 2021 and 2026 then shared owners are allowed to staircase by a minimum 1% at a time for the first fifteen years. After this, the minimum staircasing permitted is 5% at a time. The value of the share will be based on the HPI (House Price Index) of the home and CHS Group will provide an HPI valuation of the home annually or if a shared owner chooses to staircase by 1%.

11.4 If the home was not grant funded between 2021 and 2026 then the lease will state the minimum share that can be purchased, often 10%. A valuation by a RICS surveyor will be required to determine the cost of the shares. It is the shared owner's responsibility to instruct the surveyor and pay for the valuation directly. Local surveyors can be found here: www.ricsfirms.com. If improvements have been made to the home by the shared owner they must ask the RICS surveyor to include in the valuation, the current market value of the property including the improvement **and** the unimproved value of the property. As long as the shared owner has followed CHS Group's written permission for the improvements then the cost of the shares will be based on the unimproved value.

11.5 A copy of the RICS valuation will need to be sent to CHS Group's sales team along with proof of funds for the purchase e.g. Mortgage in principle and/or savings account statement and the shared owner's solicitor's contact details (firm name and address, contact name, email and phone number). CHS Group will then instruct their solicitor to complete the legal work and liaise with the other solicitor for the purchase of the additional shares.

11.6 Once the staircasing transaction has completed, CHS Group will amend the Direct Debit amount for the reduced rent and any service charge payable and will write to the shared owner with the new payment amount.

12. Exceptions

12.1 There may be circumstances where CHS Group consider flexibility in the terms of this policy and where extenuating circumstances are considered in the application for a shared ownership property. CHS Group are under no obligation to process an application outside the terms of this policy.

13. Fees

Fees may be applicable to the sale or purchase of a shared ownership or leasehold property. The fees may be updated by agreement of CHS Groups' Corporate Management Team as necessary to reflect actual costs.

A schedule of our fees can be found here:

	Amount	Payable to	Purpose
New sales fees			
Reservation fee	£500	CHS Group	Reserves your chosen property for 6 weeks
Resales fees			
Buyer nomination fee	1% plus VAT of the share value	CHS Group (on completion)	CHS Group's legal and admin fees for nominating a buyer. Responding to legal enquiries including completion of the LPE1 form.
Valuation fee	Variable	RICS surveyor	To determine the selling price of the share
Resales admin fee (where buyer not nominated by CHS Group)	£500	CHS Group (on completion)	Contribution towards CHS Group's legal and admin fees
Staircasing fees			
Admin fee	£250	CHS Group on completion	Responding to legal queries, drafting and signing documentation
Valuation fee	Variable	RICS surveyor	To determine the purchase price of the share
100% ownership/Freehold fees			
FME1/LPE1 enquiries form	£200 plus VAT	CHS Group	Completing the required FME1 or LPE1 form to answer frequently asked legal enquiries when the property is associated with CHS group in the legal paperwork.
Additional enquiries	No charge		
Signing Deed of Covenant	£50 plus VAT	CHS Group	A document which binds the home owner to the rights and obligations between them and CHS Group.
Signing Deed of Variation	£50 plus VAT	CHS Group	Any amendments to legal documents required and agreed between both parties
Receipting Notice of Assignment	£75 plus VAT	CHS Group	A document to register the assignment against the property with Land Registry and to provide CHS Group with contact information for payment of service charges. (If received with notice of charge the total fee for both is £75 plus VAT)

Receipting Notice of Charge	£75 plus VAT	CHS Group	A document to register the mortgage against the property. (If received with notice of assignment the total fee for both is £75 plus VAT)
Consent to remortgage	£60 plus VAT	CHS Group	A letter of consent following receipt and approval of a new mortgage offer
Certificate of Compliance	£75 plus VAT	CHS Group	A document required by Land Registry to confirm that the buyer has complied with all obligations noted in the lease. This allows Land Registry to register the new proprietor.
Lease Extension Fees			
CHS Group's legal fees for statutory lease extension	£2,250 plus VAT	CHS Group's solicitor	Preparing the legal documents to formally extend the lease. Only for 100% leaseholders
CHS Group's legal fees for voluntary lease extension	£1,250 plus VAT	CHS Group's solicitor	Preparing the legal documents to extend the lease following the informal route.
Premium for the lease extension	Variable	CHS Group	Payable for the increased lease term to negate some of CHS Group's future loss.
Specialist valuer	£450-£600 plus VAT	CHS Group	A specialist valuation of the property to determine the Premium cost.

