

Shared Ownership Buy-back Reverse Staircasing Policy



Review lead / author name and job title	Director of Customers		
Consultation process		Distribution and training	
Last reviewed	November 2019	Next planned review	July 2028
Approved by and date			
Change record			
Version no	Nature of change	Last approved	Approval
1	New policy	November 2019	Development Sub-Committee
2	Policy review	July 2025	Corporate Management Team
3			
4			

1. Introduction

1.1 This policy explains how and when CHS Group may use its discretion to buy back shares (equity) from shared owners. This is often referred to as buy-back or reverse staircasing.

1.2 This policy sets out how we may help and support those shared owners who are at risk of homelessness as a result of inability to meet mortgage payments to a lender or rent payments to CHS Group. The aim of selling equity (to reduce the share owned by the shared owner or to buy back the equity in full from a shared owner) is to help reduce outgoings to make the home affordable, and avoid the household becoming homeless.

1.3 CHS Group is under no obligation to buy-back any shares from an existing shared owner and each request to buy back equity will be assessed on its own merits. Any decision to buy-back equity is at the discretion of CHS Group and must meet certain criteria set out below.

1.4 This policy does not apply to:

- Former shared owners
- Leaseholders who own 100% of the equity in their property
- Those who have bought a property through the Right to Acquire
- Shared owners who are selling the property in any case and seek a sale through CHS Group rather than on the open market.

1.5 If a shared owner is eligible to apply under this policy, CHS Group will only be able to help if it has access to grant funding (Recycled Capital Grant Funding – RCGF) to meet the full costs as CHS Group does not have the available funds to buy-back shares without such funding. The conditions attached to using such grant funding mean that CHS can only consider those who are at risk of homelessness without this assistance. While CHS does have an annual budget for development of new homes which occasionally has an underspend once newbuild homes are in contract, the appraisal criteria for acquisition of homes allow for only 65 – 70% of the open market value (OMV) of a property to be funded. A buy-back would require 100% of the OMV to be paid to the shared owner for their share, therefore this option is not available to CHS.

2. Eligibility principles

2.1 Circumstances in which CHS may consider a full or partial buy-back of a shared ownership property include:

- The shared owner has significant rent and service charge arrears and / or mortgage arrears as a result of an unavoidable change in their financial position and there is a threat of losing the home as a result;
- All other options for improving the shared owner's position to make shared ownership more sustainable have been exhausted (see below for list of possible options), meaning shared ownership is no longer a viable tenure for the customer;
- The shared owner has sufficient equity in the property to repay the mortgage balance, any outstanding rent / service charges, costs of correcting any damage in the property and all

related legal costs (including a fixed contribution towards CHS Group's legal costs) on completion of the buy-back / reverse staircasing;

- If a partial buy-back is requested so as not to lose their current home, the shared owner must demonstrate they will be able to meet their revised mortgage, rent and service charge obligations;
- There is a high likelihood of a mortgage lender taking possession of the property due to mortgage arrears leaving CHS Group at high risk of financial loss if there is a low amount of equity in the property.
- The shared owner works with CHS Group openly and willingly to ensure all possible options are explored and to ensure any potential buy-back progresses smoothly.

2.2 The other options CHS Group would expect to have been explored in full to avoid the need for buy-back or reverse staircasing are:

- The mortgage lender has been approached for support to reduce the regular mortgage payments or make rent payments to CHS;
- An in-depth assessment of the shared owner's ability to meet future payments has been carried out by the CHS Group Money Matters team with the full co-operation of the shared owner in sharing all the available financial information;
- Any steps advised by the Money Matters team have been fully explored by the shared owner e.g. applying for welfare benefits, additional working hours, expense reduction measures;
- The possibility of selling the property on the open market and moving to other accommodation has been fully explored, with the property having been on the market for a reasonable amount of time with no interest / offers. CHS will provide advice on selling strategies if necessary;
- If the shared owner's income is sufficient to meet their own needs in the private market we would expect them to have explored this option with lettings agents, and to provide evidence if this option is hindered for example by credit checks.

3.0 Options for buy-back / reverse staircasing

3.1 Options to be explored for an eligible shared owner if CHS Group uses its discretion to assist under this policy (the first two of which are subject to the availability of external grant funding) include:

- Partial buy-back (reverse staircasing) with the continuation of a shared ownership lease to reduce monthly mortgage and rent outgoings while still being able to meet mortgage payments;
- Full buy-back by CHS Group (lease terminated) with the shared owner remaining in the home as a CHS tenant at an Affordable rent;
- Full buy-back from a lender-in-possession by CHS in order to sell as shared ownership or to re-let as a general needs home (this would not qualify for grant funding however may be considered in exceptional circumstances if it meets the aims of CHS's Development programme);

4.0 Terms of a buy-back

4.1 If CHS uses its discretion to buy back any shares this would be on the condition that the shared owner agrees in writing to pay for:

- Their own and CHS Group's legal fees;
- All property valuation fees;
- A fixed fee for CHS Group's administration costs;
- In the case of a full buy-back, the cost of repairing any damage caused to the property that would not meet the CHS Group's Relet Standard.

These fees may be deferred until the completion of a buy-back however CHS Group would need to be satisfied that there is sufficient equity after completion to meet these costs. The factors to consider in such an evaluation include:

- Current market value of the property
- Level of rent and/or mortgage arrears
- Anticipated legal costs for CHS and the shared owner
- Anticipated void rent loss costs between completion of a full buy-back and a sale under a new lease (if CHS retaining the property as shared ownership)
- Sales & marketing costs - staff time, making good property to relet standard or sales standard

If you require this document in an alternative format such as large print, braille, or a translated version, please contact us on 0300 1113555 or email info@chsgroup.org.uk.

If you are viewing this document on our website, you can translate the content or listen to it by selecting the ReadSpeaker icon located next to the document title on our Policies page.