



Our Affordability Policy for New Build HomeBuy sales and the resale of New Build Homebuy (shared ownership) homes

1.0 Overview

This affordability policy describes how we will assess your financial circumstances in order to decide if you are eligible for and can sustain the costs of low cost home ownership schemes such as New Build HomeBuy (NBHB) and the resale of existing shared ownership homes (Resales).

NBHB and Resales are intended for eligible people who cannot afford to buy a suitable home in any other way. You are usually eligible if you can demonstrate a housing need for the property in question and are unable to afford the outright purchase of a similar home meeting your housing need on the open market. Households with an income of more than £60,000 a year are not eligible for the scheme.

The policy has regard to our status as a charitable housing association. We take into account the guidance on the housing need and affordability of customers for our homes set out in Her Majesty's Revenue and Customs' Charity Commission guidelines. These guidelines require our policy to be based on affordability as well as ensuring those who can satisfy their housing need elsewhere are not assisted by NBHB. For more information about this, please see the Charity Commission's website at:

www.charity-commission.gov.uk/supportingcharities/homeown (or ask us for a copy).

The process of assessing your financial circumstances forms part of our overall application process which will also take into account other criteria as well as your financial position. We publish more information about these criteria in our Allocations Policy, a copy is available from the Nectar Homes team and is also on our website: www.nectarhomes.co.uk.

2.0 Affordability assessment and calculation

2.1 The financial interview

We are not qualified or authorised to provide financial advice, so we will offer you a panel of Independent Financial Advisors (IFAs) to choose from, all of whom are

regulated by the Financial Services Authority, have a service level agreement with Nectar Homes, and have dealt with mortgages and associated products for New Build HomeBuy and shared ownership in the past.

You can contact as many or as few of the firms listed as you wish but you will need to decide which firm to use. The IFAs will conduct an assessment of your finances on our behalf and then confirm to us what they believe is the maximum amount you are able to pay for a new home.

2.2 Supporting Information

You will need to provide your chosen IFA with certain documents. The IFA will advise you about this when you make your appointment but as a guide, the following list describes the minimum amount of documentation you will need to provide:-

- Proof of earnings (three months' wage slips).
- Proof of savings (e.g. building society pass book).
- Bank (and credit card) statements

After the financial interview (which may be conducted by phone or in person), we will also check your credit history with a credit referencing agency. Your application is unlikely to be successful if you have a County Court Judgement which is not supported by a 'letter of satisfaction'.

2.3 How we calculate 'affordability'

We calculate affordability in two stages. Firstly, to arrive at the amount we think you could borrow as a mortgage, we will multiply your gross income (the amount you earn before tax):

- by 3.5 if you are a single applicant; or
- by 3 if you are joint applicants and want both your salaries to be taken into account. (If a joint application is made, both applicants must be named on the shared ownership lease and any mortgage used to buy the property.)

Secondly, we work out how much you will spend on your mortgage and rent as a percentage of your net income (the amount you earn *after* tax). This amount should be less than 45% of your net income. In our calculations we assume that your net income is equivalent to 74% of your gross income (this takes account of tax and National Insurance contributions assuming you are a basic rate tax payer). We will of course adjust this figure if you are a non basic rate tax payer.

If the cost of your mortgage and rent exceeds 45% of your net income, we may still in exceptional circumstances, consider your application where it is judged that you have enough 'spare' income left at the end of your monthly expenditure.

Please note we will normally expect you to purchase the largest share in the property that we think you can afford.

2.4 Calculating the cost of living

Estimates of the cost of living vary from person to person depending on their life style. We are happy to provide you with assistance in estimating your own living expenses should you require it. When we look at your completed application we will bear in mind the minimum figures we believe through our experience are necessary to cover everyday expenditure such as domestic fuels and other utility bills, insurance, car costs and food. If the figures in your application are below these levels, we will insert our own minimum costs into the affordability calculation.

2.5 Spare Income

We will also expect you to have a minimum level of spare income after all your living expenses have been paid for. This is to help you cover unforeseen expenditure, such as repair bills for your home or car. The level of spare income we need to see varies according to household size but as a guide we would expect a single person to have £150 per month spare, a couple £200 and a family with children £275 spare.

3.0 Existing debt

We will usually expect to see your bank account(s) being managed either in credit or within any agreed overdraft limits. You will also need to have savings, or have access to funds, of around £2,500 to cover the conveyancing and other associated costs of home purchase.

Student loan debts are acceptable, as are agreed loans where a repayment plan is in place and repayments are clearly affordable on the budget plan and the affordability calculator.

If your total household debt along the lines described above exceeds £15,000, or you have credit card/store card debt over £5,000, we think it is unlikely that homeownership will be sustainable for you. Your application therefore will usually be unsuccessful until the amount of debt is reduced to below these levels.

4.0 Data protection

We will use and store the information you provide to us in accordance with Knightstone's Data Protection policy, a copy of which is available from any of our team or on our website: www.nectarhomes.co.uk.

5.0 Our commitment to fair assessment

We will assess your financial position in relation to your application for a home as set out in this policy. We will always do our best to approve an application for homeownership but if it falls outside the affordability guidelines we work to, we may not be able to do this.

6.0 What to do if your application is refused

If your application is unsuccessful and you feel that it has not been assessed by us fairly, in the first instance please contact the Head of Homebuy Sales at Nectar Homes so that your application can be reviewed. You can also use our Complaints Procedure if you are unhappy with the outcome of this review, a copy of which is available from any of our team or on our website: www.nectarhomes.co.uk.

Approved by KHA Board May 28, 2009