SHARED OWNERSHIP POLICY

Freebridge
COMMUNITY HOUSING

Shared Ownership Policy			
Last Reviewed	**April 2026**	**Next Review**	**April 2027**
Responsible Officer	**Chief Operations Officer**		

Policy Statement: We will provide clear and accurate information and guidance to enable applicants to purchase Shared Ownership properties, either a newly build home or a re-sale of an existing shared ownership property.

Applicants are advised to seek independent legal and financial advice, so as to fully understand the implications and responsibilities associated with becoming a homeowner.

Freebridge, in its role as a registered provider are required to ensure sales are made in line with Government regulation which this policy supports us in doing so.

Policy Detail:

Eligibility

Freebridge are required to conduct our own assessment of individual applicants to:

- ensure that they meet all eligibility criteria
- assess what share they can afford
- ensure that their purchase is affordable and sustainable

To be eligible for a Shared Ownership property being sold by Freebridge, or a re-sale property being sold by the shared owner and with a retained share by Freebridge, applicants must meet the following criteria:

- You must be at least 18 years old.
- Your annual household income must be less than £80,000.
- You cannot own another home. Shared Ownership purchasers are often first-time buyers but if you do already own another property (either in the UK or abroad), you must be in the process of selling it to apply, and have sold it to complete the purchase of a Shared Ownership home.
- You should not be able to afford to buy a home suitable for your housing needs on the open market.
- You must show you are not in mortgage or rent arrears. You must be able to demonstrate that you have a good credit history (no bad debts or County

Court Judgements) and can afford the regular payments and costs involved in buying a home during your Shared Ownership credit check.

Additionally, applicants will generally need between 5% to 10% of the equity share that is being purchased as a deposit and should have access to at least £4,000 to cover the other costs of buying a property.

This information to establish eligibility for Shared Ownership will be collected by Freebridge's Sales Agent when an applicant expresses an interest in a particular property and reviewed by Freebridge.

Prioritisation of Applicants - First Come, First Served

Where the demand for our shared ownership homes outstrips the supply, it is imperative that we are clear in how we allocate and offer our shared ownership homes to prospective eligible customers. In line with regulative guidance set out in Homes England's Capital Funding Guide, Freebridge must be open in offering our shared ownership homes on a first come, first served basis.

In line with the Capital Funding Guide as issued by Homes England, link here, Freebridge operate a first come, first served policy for the prioritisation of eligible applicants where the demand for Shared Ownership homes exceeds supply.

Demand is considered to be the number of potential applicants that have made contact with Freebridge and/or our Sales Agents in response to an advert for a particular single Shared Ownership home (e.g. plot 4, The Street, a 3-bed semi-detached house).

Supply is considered to be the particular Shared Ownership home (e.g. plot 4, The Street a 3-bed semi-detached house).

Applicants will be asked by the Sales Agent to provide evidence that confirms they meet the eligibility criteria and to complete an affordability assessment. (see below)

Applicants who meet the eligibility criteria and pass the affordability assessment will be put forward to Freebridge in order of the date of return of the fully completed application for a specific property (e.g. the supply, as defined above).

No other factors, such as percentage of the purchase, value of deposit or speed in which the applicants can progress to completion, will be considered.

Where there are lengthy delays (over 12 weeks) between initial application and exchange of contracts, Freebridge will ensure that applicants continue to meet the eligibility and affordability criteria. Should circumstances change during this period (e.g., a change of job, income or formed a new partnership) applicants must make the Sales Agent and Freebridge aware and a review of their application will be necessary. Should the applicant's circumstances change, impacting on the eligibility or affordability of the applicant, the sale may not be able to proceed at all, or at the percentage originally proposed.

Eligible applicants who are not the “first come” to a specific property can be referred to an alternative and similar property, with similar being:

- a property currently being advertised by Freebridge

and

- a property on the same site, with the same number of bedrooms

or

- a property on another site in an adjacent location, with the same number of bedrooms

and

- the property if not already complete, must complete within 12 weeks of when the property originally applied for completed

This referral mechanism is not intended to create artificial demand for alternative and equivalent properties, nor is it intended to create off-market waiting lists for future supply.

A review of information provided for eligibility and affordability assessments will take place for any applications that are 12 weeks or older and wish to be considered for any alternative and subsequently Shared Ownership property directly advertised by Freebridge.

The exception to this first come, first served policy, is where the Government has determined priority group or locations for Shared Owners, for example for qualifying Armed Forces personnel and in certain rural locations and sites. Where local connection priorities apply, Freebridge will include this information when marketing the Shared Ownership homes.

Freebridge will apply this first come, first served policy to resales of Shared Ownership homes where possible, but only insofar as it does not restrict potential purchasers or adversely affect the ability of the existing shared owner to sell their share.

Affordability

An affordability assessment will be undertaken to ensure an applicant’s purchase is affordable and sustainable. This will be undertaken free of charge by a suitably qualified and experienced advisor that is regulated to give mortgage advice (referred to going forward as ‘the advisor’). Applicants are not obligated, however, to arrange a mortgage with the advisor undertaking their financial assessment.

Freebridge will ensure that the share level being purchased is suitable for the applicant’s affordability, needs, and circumstances as presented by and evidenced by the advisor and as large a share as is suitable based on their individual circumstances and affordability. Under no circumstances will any applicant be made or encouraged to overcommit themselves financially. There is no prescribed level of savings that an applicant can retain as this will vary according to individual circumstances

Applicants are able to purchase their share from either a mortgage or cash, in line with the first come first served policy, no preference will be given to either purchasing method. Similarly, applicants who are self-employed, on zero-hours contracts or in receipt of benefits are not precluded from applying. Consideration of these factors will all be included in the affordability assessment.

A monthly surplus income is required in the calculation of affordability. This is the sum remaining once all household outgoings, including housing costs associated with the shared ownership home have been deducted from household income. In all application assessments Freebridge will require a minimum surplus income level of 10%. Having sought advice from independent mortgage advisors, the 10% is currently used across the mortgage industry in assessing mortgage applications and we therefore feel this is an acceptable level of surplus income.

The advisor will collect and verify all necessary evidence to undertake the calculation below:

(A) Gross household income

(B) Deductions from gross household income (e.g. tax, National Insurance, student loan, etc.)

(C) Known commitments (e.g. loans, credit cards, childcare, etc.)

(D) Housing costs of the Shared Ownership purchase (e.g. rent and service charges, excluding mortgage)

(E) Net income remaining for mortgage purposes calculated as:

E = A – B – C – D

(F) Mortgage costs to be no greater than 30% of E

(G) Other essential expenditure

Minimum Monthly Surplus income (E – F – G) must be greater than 10% of net household income

Freebridge will take a proportionate approach to affordability assessments to ensure there is not an overly onerous process for applicants and advisors where demand exceeds supply by using a two-stage approach to assessment. This is in line with the first come, first served policy above.

Initial assessment (Stage 1) will be a high-level check that an applicant is:

- likely to be able to purchase the minimum share for new Shared Ownership property (or the share being sold on an existing resale)

and

- meets the above Eligibility criteria

and

- meets the Monthly Minimum Surplus (initial assessment does not require full budget planner to be completed)

Full assessment (Stage 2) will be completed for applicants having passed Stage 1. This is a more detailed assessment of their income and expenditure, their circumstances and preferences including any known or likely future changes that will impact on their income and / or expenditure. This more detailed assessment will involve a budget planner.

Applicants are permitted to retain a reasonable level of savings and should purchase as large a share as is suitable based on their individual circumstances. Freebridge will reject requests to purchase a greater share than that determined by the Advisor's assessment, where this does not fit within Freebridge's Monthly Minimum Surplus income policy.

For cash purchasers, the starting point for determining the suitable share purchase will be the percentage that the applicant wishes to buy. As above, applicants will be permitted to retain a reasonable level of savings but should purchase as large a share as is suitable based on their individual circumstances. Freebridge will decline applications where the applicant wishes to retain an unreasonable level of savings, and where the reason for which has not been clearly explained or justified by the applicant.

Shared Ownership model lease from 1 April 2021

The new model shared ownership lease, introduced by the UK government in April 2021, makes shared ownership more accessible and affordable. Freebridge must adhere to specific requirements to comply with the updated lease. This date is a general guide, it is essential that individual leases are checked for the relevant clauses providing for the above as there are instances where the new model lease was not required to be used after April 2021.

Key changes and requirements are outlined below:

Reduced Initial Share - Shared owners can now purchase a lower initial share, starting from 10% (previously 25%), making it easier for first-time buyers to enter the market.

Flexible Staircasing, 1% staircasing - Shared owners can now buy additional shares in 1% increments for the first 15 years of ownership, with reduced transaction costs and no need for formal valuations.

Annual Statement - Shared owners will receive an annual statement outlining the 1% staircasing option, including the cost for the upcoming year based on inflation and other factors.

Repairs and Maintenance, 10-Year Repair Period – Freebridge are required to cover the cost of essential repairs (up to £500 annually) for the first 10 years of ownership.

Essential repairs are defined as:

- essential repairs to the outside of the building
- essential structural repairs to walls, floors, ceiling and stairs inside the property

Shared owners can also claim up to £500 a year from Freebridge to cover repairing, replacing (if faulty) and maintaining fixtures and fittings that supply water, gas or electricity - for example sinks, baths or pipes heat your home, for example a boiler or radiator

It does not include:

- installing other fixtures (such as kitchen cabinets) and fittings (such as a bed or sofa);
- installing appliances that use your gas, electricity or water supplies, such as ovens or washing machines;
- repairs covered by the building warranty or any other guarantee

If you break the terms of your lease, your landlord will not need to pay for repairs they're normally responsible for. For example, if you:

- cause damage on purpose
- do not arrange routine servicing and maintenance, such as regular boiler servicing

If the repairs are covered by the building warranty or another guarantee, check the warranty or guarantee documents to find out how to claim for the repairs. It is the shared owner's responsibility to register any warranty or guarantee.

Staircasing

This section outlines the procedure for shared owners to increase their equity share through staircasing. Staircasing allows shared owners to purchase additional shares in their property, potentially up to 100% ownership. This policy ensures that the process is fair, transparent, and compliant with relevant regulations.

The purpose of this policy is to;

- Enable shared owners to increase their equity share in a clear and structured manner
- Ensure compliance with legal and regulatory requirements, including lease agreements and mortgage conditions
- Provide a straightforward and supportive process for shared owners wishing to staircase
- Maintain transparency regarding the costs, procedures, and implications of staircasing

Eligibility for Staircasing - residents of shared ownership properties are eligible to staircase if they meet the following conditions:

- No rent arrears - The shared owner must not have any outstanding rent arrears or service charge debts.
- Affordability - The shared owner must demonstrate that they can afford to purchase the additional share through either cash savings or an extended mortgage.
- Lease restrictions - There must be no restrictions in the lease agreement preventing staircasing (e.g., rural exception properties or specific housing developments)

Minimum share purchase - The minimum additional share available to be purchased will be set out in the lease. Prior to April 2021 this was typically 10%. After this time flexible staircasing, in 1% increments for the first 15 years of ownership, was introduced. The policy covers each staircasing route below.

<u>Old form of lease, typically dated prior to April 2021</u>

Valuation requirement

- Freebridge will arrange a Royal Institution of Chartered Surveyors (RICS) valuation. This will provide an independent current market value and the price of the additional share being purchased.
- The valuation is valid for 3 months from the date of issue. If staircasing is not completed within this period, a new valuation will be required.
- The shared owner is responsible for covering the cost of the valuation, which will not be instructed until the fee is received.

Solicitor Appointment

- The shared owner must instruct a solicitor to manage the legal aspects of the staircasing. The solicitor will liaise with the housing association to complete the legal transfer of the additional share.

<u>New form of lease, typically dated after April 2021</u>

Valuation requirement

- Freebridge will provide an annual statement confirming the cost of each 1% share

Solicitor Appointment

- The new form of lease allows for incremental staircasing without the need for a solicitor.

Note, it is essential that individual leases are checked for the relevant clauses providing for the above as there are instances where the new model lease was not required to be used after April 2021.

<u>Both forms of lease</u>

Financing and Mortgage:

- Financing - Shared owners can finance their staircasing either through cash or by extending their mortgage. It is the responsibility of the shared owner to secure appropriate financing.
- Mortgage Lender Approval - If extending a mortgage, shared owners must obtain approval from their lender, who may carry out affordability checks. The housing association may provide information to lenders to facilitate this process.
- Additional Costs - The shared owner is responsible for any additional mortgage-related fees or penalties associated with remortgaging.

Application Process:

- Initial Enquiry - Shared owners should contact Freebridge to express interest in staircasing.
- Affordability Check - Freebridge will request evidence of the shared owner's ability to finance the staircasing (e.g., mortgage agreement in principle).
- Staircasing Offer Letter - Once the valuation is submitted and financing is confirmed, Freebridge will issue a formal Staircasing Offer Letter detailing the price of the additional share.

Costs Involved - the following costs may be incurred during the staircasing process:

- Valuation fees
- Solicitors fees
- Stamp Duty Land Tax (SDLT), if applicable
- Mortgage fees

Rent and Service Charges

- Rent Reduction - As the shared owner increases their equity share, the rent payable to the housing association will decrease proportionately. This will be confirmed in writing following completion.
- Service Charges - Service charges will typically remain unchanged, as these cover communal or estate maintenance, rather than being tied to the ownership percentage.
- Buildings Insurance - Until the shared owner staircases to 100% ownership and purchases the freehold, Freebridge will continue to arrange and recharge for buildings insurance. Shared Owners are reminded to note that regardless of percentage share owned they are responsible for contents insurance.
- Completion - Upon completion of the staircasing transaction, the shared owner's new equity share will be registered with the Land Registry. The shared owner will receive a Staircasing Completion Confirmation Letter from Freebridge, and any changes to rent will be confirmed.

Restrictions on Staircasing - In some cases, the lease may include restrictions on staircasing, such as:

- Rural exception sites: In certain designated rural areas, the maximum share that can be purchased may be capped (e.g., at 80%) to ensure properties remain affordable for local people.
- Designated Protected Areas (DPA): Properties within DPAs may be subject to limits on full ownership to protect the availability of affordable housing in the area.

Where such restrictions apply, they will be clearly stated in the shared owner's lease, and Freebridge will advise on any limits to staircasing.

Final Staircasing (100% Ownership) - Shared owners may purchase additional shares until they own 100% of the property. Upon reaching 100%, they will no longer pay rent to the housing association, though service charges may still apply for leasehold properties.

Resales

This section outlines the procedure for shared owners to sell their equity share. This policy ensures that the process is fair, transparent, and compliant with relevant regulations.

The purpose of this policy is to;

- Enable shared owners to sell on their equity share in a clear and structured manner
- Ensure compliance with legal and regulatory requirements, including lease agreements and mortgage conditions
- Provide a straightforward and supportive process for shared owners wishing to sell their share
- Maintain transparency regarding the costs, procedures, and implications of staircasing

Marketing of the property – Freebridge will not provide applicants for resale homes, allowing shared owners to appoint a sales agent of their choice to market their home and also to ensure this is done accurately reflecting the terms of the shared ownership lease. The property can be marketed at the currently owned equity share, or more, up to the maximum allowed in the lease (either 80% or 100%)

Valuation requirement – resale of existing share

- No valuation is required when selling your existing equity share

Valuation requirement – resale of more than existing share and/or selling 100%

- Freebridge will arrange a Royal Institution of Chartered Surveyors (RICS) valuation. This will provide an independent current market value and the price of the additional share being purchased.
- The valuation is valid for 3 months from the date of issue. If staircasing and/or the resale is not completed within this period, a new valuation will be required.
- The shared owner is responsible for covering the cost of the valuation, which will not be instructed until the fee is received.

Solicitor Appointment

- The shared owner must instruct a solicitor to manage the legal aspects of the staircasing. The solicitor will liaise with the housing association to complete the legal transfer of the additional share.

Application Process

- Initial Enquiry - Shared owners should contact Freebridge to advise they are selling their home, and to confirm the share being sold.
- Management Pack - Freebridge recommend that the current leaseholder instructs their solicitor before a buyer is identified, and the request for LPE1 information is made to Freebridge's acting solicitor to avoid any delays once a buyer has been identified
- Affordability Check - Freebridge will request evidence of the purchaser's ability to finance the purchase (e.g., mortgage agreement in principle) once identified and will provide approval for the purchaser which must be obtained before progressing the sale

Costs Involved - the following costs may be incurred during the resale process:

Payable to Freebridge:

- Management Pack fees
- Rent arrears – any outstanding rent arrears or service charge debts will need to be cleared prior to completion of the resale of existing share, or in the case of 100% staircasing, taken off the sales proceeds.

Payable to other organisations

- Valuation fees
- Solicitors fees
- Stamp Duty Land Tax (SDLT), if applicable
- Mortgage fees

Completion - Upon completion of the resale, the new owner will become the leaseholder and the rent account moved into their name.

Downward Staircasing

Freebridge are not obliged to assist in this situation and will only consider it where the shared owner is experiencing severe financial difficulty and other options for avoiding repossession have been exhausted.

Freebridge strongly encourage shared owners to contact us as soon as possible if they are facing difficulties paying either their rent or mortgage. Our Income Team could be able to provide signposting and support in this instance.

Freebridge also encourage shared owners to have sought advice from an independent debt-counselling agency which should include consideration of housing benefit eligibility.

Downward staircasing to any percentage share is allowed, anything that takes the shared owners percentage to 0% (rental to 100%) is regarded as a shared owner repurchase. If the shared owner is to remain in the home, this would be as an assured tenant paying an affordable or social rent at Freebridge's discretion.

Freebridge will consider cases on an individual basis and will need approval from both the Chief Executive and the Chief Finance and Technology Officer to progress a downward staircasing application.

Right to Shared Ownership

Tenants who rent their homes from Freebridge may be eligible to apply for a shared ownership lease of their home under the Government's Right to Shared Ownership scheme. Further information on the scheme is available in the links below.

Right to Shared Ownership: buying a share of your rented home: How Right to Shared Ownership works - GOV.UK

If you are interested in Right to Shared Ownership and want to know if you are eligible, please contact us at conveyancers@freebridge.gov.uk

Review Date

That the policy is reviewed every year, and/or when changes are required, and the next review is due before 26 April 2027.