

Shared Ownership

Surplus Income policy

Our policy supports affordability and sustainability

The basics

To ensure Leeds Federated shared ownership sales meet Homes England's affordability guidance as detailed in the Capital Funding Guide we will adhere to our minimum Surplus Income Policy.

Our approach

Metro Finance will work to the policy that the customer must have a minimum of 10% of their net mortgagable income remaining after all deductions (e.g. living costs) and the stress tested rent. (i.e. rent that has had annual increases applied)

To meet Homes England affordability guidance, we have set and therefore require customers to have a minimum of 10% of their total net income remaining on the detailed budget planner assessment carried out by Metro Finance. This falls in line with Metro Finance's mortgage compliance affordability. Metro Finance is unable to suggest a share that goes below 10% as this would put the customer in an unsustainable financial situation. Therefore Leeds Federated would not accept a customer who falls below this.

Key points for customers

This rule shall apply if the customer is using Metro Finance, or if they have chosen their own mortgage advisor. As part of the sign off, Metro Finance will provide both calculations to Leeds Federated.

Where the customer is a cash buyer, purchasing a small share (10-25%) a higher surplus income will be required, due to the increased level of yearly rent increases. These customers will require a 20% surplus income.

Key points for colleagues

The 10% surplus income protects the customer against possible increased costs or unforeseen circumstances that have not been budgeted for.

It is expected that the expenditure will be realistic for the household composition. Anything which is below perceived average spending (as provided by the Office of National Statistics) will be verified via bank statements and an explanation provided.

All income used for the assessments must be considered sustainable. Metro Finance has a list of acceptable income. If it falls outside of these categories, and would not be considered acceptable by mainstream lenders, Metro Finance may exclude the income from the assessment.

Key points for board/committee members and the regulator

This policy ensures that we process applications in an impartial, equitable and consistent manner. It is driven by changes to affordability guidance as set out in the Homes England Capital Funding Guide, effective from 01 August 2024.

Metro Finance are the UKs largest shared ownership broker working with Registered Providers to carry out affordability, eligibility and due diligence checks with the customer. Leeds Federated have selected them for their expertise and industry knowledge.

Procedure updates

The Sales and Leasehold team is responsible for updating this policy.

Policy updated and approved by Leadership Team 30/07/2024. Next review due 30/07/2026