# Home Ownership Policy

**Our policy helps people get onto the property ladder.**

## The basics – Shared Ownership

Shared ownership offers an alternative route to homeownership for buyers who otherwise would be unable to purchase on the open market.

Shared ownership allows a customer to purchase a share of a home between 10-75% dependent on the individual scheme and lease. Rent is then paid on the remaining share that has not been purchased by the customer. The rent is currently calculated at 2.75% of the value of the unsold share, in line with our Rent Setting Policy and Homes England's recommendations.

Shared ownership homes are sold on a leasehold basis, lease length is dependent on the lease used but is usually 125 or 990 years in length. Usually funded by a mortgage, cash purchases can be used in circumstances where mortgage funding would be impractical for reasons determined by a financially qualified person.

A shared owner has the right to purchase further shares in the property. This is commonly known as "staircasing".

## Our approach

**Marketing**

Marketing requirements will vary from site to site. In principle exposure to the largest audience is preferable, we will do this in a variety of ways, including but not limited to:

- Listing on Leeds Federated's own website: Shared Ownership
- Listing on www.sharetobuy.com
- Listing on I Am The Agent which lists on Rightmove & Zoopla
- Using a local estate agent
- Social Media promotion and adverts
- Creating show homes and running open days
- Using professional photography and CGI

We will provide all information that we are legally & contractually required to provide, along with sales relevant information

**Eligibility, affordability and reservation**

Customers who express an interest in our properties via the channels listed in the marketing section will be provided with our Steps To Reservation Guide which clearly sets out the process for reserving a home.

All applicants must meet the Homes England Eligibility Criteria

We use Metro Finance to check affordability on most applications, customers must pass the affordability check to ensure their home ownership is sustainable in the long term. Metro Finance have their own in-depth affordability calculator.

All affordability checks are conducted in line with our Surplus Income Policy and Adverse Credit Policy which are in place to support long term affordability and sustainability for the customer.

If customers pass this check they can then go on to be '**Signed off'** which means Metro Finance have collected all the customers relevant documents, sourced or checked a mortgage and the customer is ready to reserve.

In line with Homes England guidance, Leeds Federated operate a first come first serve policy based on the date 'Sign off' is received from Metro Finance, assuming they are above the minimum share required for that site. Please see our First Come First Served policy for details.

**Reservation & Handover**

Customers will pay a non-refundable reservation fee which will hold the property for 28 days, Leeds Federated expect exchange of contracts to happen 28 days after the deposit is received. Should these timeframes not be achieved, or other circumstances are identified that would impact the time of completion Leeds Federated may choose to cancel the reservation and remarket the property.

On handover relevant property documents and certificates we hold on the property will be provided to the customer along with the contact details to report any defects.

**Staircasing (Purchase of Additional Shares)**

This can be done at any time after occupancy. The minimum share that can be purchased is dependent on the lease, examples include 1%, 10% or 25%. Leeds Federated will contact purchasers on a regular basis to make customers aware that staircasing is an option however there is no obligation on a shared owner to purchase further shares.

**Staircasing greater than 1%**

The price that a shared owner pays for any extra shares is based on the market value of their property at the time they want to buy. The valuation will be the current market value. The Valuer will be asked to disregard the value of any improvements undertaken by the shared owner has made since moving into the property, or any improvements undertaken by previous occupant(s), for example new higher spec kitchen. (An improvement being something that might add to a property's value rather than something that is being replaced or repaired). The staircasing valuation should therefore be based on the market value had the improvement not been undertaken.

If the shared owner has not kept the property in good order, as is required by the lease, the staircasing valuation should be based on the market value as if it had been.

Therefore, a current market valuation may need to be adjusted upwards or downwards depending on any act or omission committed by the shared owner.

The rent payable on the unowned share will be reduced according to the percentage of the additional shares purchased. When a 100% has been purchased no rent will be payable.

In certain rural schemes a shared owner may not be able to staircase to 100% (normally up to 80%). This is to retain affordable housing in rural areas or housing for the elderly.

The shared owner and Leeds Federated will be responsible for their own legal fees. An admin fee is applicable for the leaseholder.

**1% Staircasing**

For customers on the 2021-2026 lease they are able to purchase additional 1% shares within the 'staircasing period' which is 15 years from the start of the lease OR 15 years from the lease being assigned to a new leaseholder.

The value is determined by the original purchase price or most up to date RICS valuation and the relevant increase of the HPI. See lease for full details.
The relevant reduction in rent will apply as above.

The leaseholder will not be required to pay for an independent valuation and the fees and legal process are minimal.

**Resales**

Shared owners are able to sell their share in the property at any time. In some instances, the lease will give Leeds Federated first refusal to buy back the property.

Shared owners must contact Leeds Federated to start the process and pay for a RICS open market valuation of their property.

The Valuer should provide a valuation based on the present condition and to include any improvements which may have been made that the Valuer considers has added value to the property. The Valuer should disregard any failure by the Leaseholder or any predecessor in Title to carry out the repairing obligations contained in the Lease. The Valuer to state that the valuation report may also be relied on by Leeds Federated. A valuation is valid for 3 months.

Leeds Federated will have between *4 weeks / one month / 8 weeks* (depending on the lease) from receipt of the open market valuation report to nominate a purchaser. Once a nomination for a purchase has been accepted the shared owner will twelve weeks to enter into a contract.

Leeds Federated currently waive the nomination period so the property can be sold on the open market via an estate agent. The customer in most circumstances is free to sell just their share or 100% of the property, splitting the proceeds with Leeds Federated based on the percentage owned.

The current leaseholder will have a seller information call and will sign a checklist to confirm they understand the process.

Leeds Federated if successful in nominating a purchaser, will charge the shared owner a 'sale fee' (currently 1% plus vat of the share for sale) and Leeds Federated's legal costs. This is payable on completion.
Where selling on the open market Leeds Federated will charge an admin fee (currently £250+Vat) The outgoing leaseholder is also responsible for Leeds Federated's legal costs.

Where there is more than one eligible applicant the shared owner (seller) will be given the opportunity to select the purchaser.

**Additional Borrowing and Change in Lender**

The lease does not prevent a shared owner (leaseholder) from obtaining additional borrowing however any further borrowing is subject to Leeds Federated's approval and the terms of the terms of the Mortgagee Protection Clause (MPC) which protects the mortgage company and is a fundamental clause in the shared ownership lease.

Leeds Federated will approve in writing, all requests to change a lender as long as the shared owner's legal representative confirms that the sum being borrowed has not increased from the sum owed to the previous lender (i.e. no additional lending) and that the terms of the mortgage are, in the opinion of Leeds Federated reasonable given current market conditions and that the original shared owners are still named on the new mortgage.

Under the terms of the MPC only certain advances are protection so it is unlikely that a lender will loan a shared owner additional funds for anything other than:

- The premium lent to purchase the initial share;
- Further borrowing to enable the purchase of additional shares (staircasing)
- Further borrowing to comply with the leaseholders covenants in the shared ownership lease, such as essential repairs; and
- Further borrowing to allow one shared owner to buy out another shared owner's interest (in the same property) providing that the premium (the initial share value) and any further borrowing does not exceed the market value of the shared owner's share in the property.

Leeds Federated will not approve additional borrowing for the consolidation of additional debt, for example, the purchase of a car or holiday etc.

**Extending Shared Ownership Leases**

In most instances the shared owner will be a leaseholder with either 99, 125 or 990 year lease on the property.

Shared owners have no statutory right to a lease extension, however Leeds Federated will consider, wherever possible, an application for an extension to a lease. Where an extension is granted, this can often be done by means of a variation to the lease. There will be a charge for this.

Leases with less than 80 years remaining become a devaluing asset to a shared owner.

**Subletting and lodging**

The shared owner is not allowed to sublet or part with possession of their home. This is usually one of the standard terms of the lease. In some exceptional circumstances, Leeds Federated may give permission for a shared owner to sublet all of their home, this will be assessed on a case by case basis. Subletting their home without Leeds Federated's permission is very serious and Leeds Federated may take legal action against them if they break this term of the lease.

**Subletting term**

If consent is granted it will usually for a fixed term, typically 6 months but to a maximum of 12 months. Leeds Federated will issue the shared owner with a licence for the agreed period. If the shared owner does not intend to return to the property, then they will have to sell their shares or staircase to 100%

**Flexible Tenure (Reverse Staircasing)**

Flexible tenure is designed to enable a shared owner to remain in their home either by selling some of their shares back to their landlord in order to reduce their mortgage to a more affordable sustainable level or by selling all of their shares back to the landlord and becoming a tenant at an Affordable Rent.

There is no 'right' to Flexible Tenure and any offer will be made purely at the Leeds Federated's discretion and subject to funds being available.

**Income Management**

Our approach to recovering arrears recognises the link with mortgage providers in order to protect Leeds Federated's assets and to protect the equity of leaseholders. The Income Management Team will ensure that the appropriate action is taken to recover rent arrears for shared ownership properties.

For further details please refer to the Income Collection Policy

**Repair responsibility**

All customers apart from those on the 2021-2026 model lease are responsible for the repair and maintenance of their property. They may be covered under warranties and insurances for some parts, but the leaseholder retains responsibility.

For customers on the 2021-2026 model lease, the Landlord is not responsible for general repairs to the Premises and such works remain the Leaseholder's responsibility **however** there is an 'initial repair period' which is 10 years from the start of the lease OR for right to shared ownership customers 10 years from build completion.

This means in the initial repair period Leeds Federated has a responsibility to cover:

**External and Structural Repairs** meaning essential repair works to:

**(a)** the load bearing framework of the Premises;

(b) the external fabric of the Premises; and/or

(c) the Service Media forming part of (but not exclusively serving) the Premises

(d) all other structural parts of the Premises, the roof, foundations, joists and external walls of the Premises;

For the avoidance of doubt the term *'External and Structural Repairs'* will **NOT** include normal general maintenance, redecoration and renewal works.

In addition to the above, during the Initial Repair Period the Leaseholder may apply to the Landlord for a contribution of up to £500 per year (rolling over for a maximum of 2 years) towards the costs incurred by the Leaseholder for any Qualifying General Repairs and Maintenance Works required during the relevant Year as noted below:

(e) The installations in the premises for the supply of water, gas and electricity and for sanitation (including basins, sinks, baths and sanitary conveniences, but not other fixtures, fittings and appliances for making use of the supply of water, gas or electricity); or

(f) The installations in the Premises for space heating and heating water

The leaseholder remains responsible to any repairs they request contribution towards. In the first instance customers will be advised if their repair would qualify for a contribution and if so to find their own contractor who is Trustmark approved, Leeds Federated would then on production of a sufficiently detailed invoice reimburse the customer up to £500 per year.

At the customer's request Leeds Federated can instruct our inhouse contractor to carry out the repair. If the repair would cost above their remaining allowance, a payment would need to be made by the customer before works commenced. If further works are identified as required after starting, works will be completed up to the value of the remaining allowance unless the difference is paid by the customer.

If customers are covered by warranties or insurances these should be used in the first instance.

For full details the lease should be referred to.

### Key points for customers

Shared ownership is a way Leeds Federated can help you onto the property ladder. It is however a home ownership product and comes with serious financial and legal responsibilities, care should be taken to understand your responsibilities and commitments.

### Key points for colleagues

This policy is an overview of a leasehold product, the lease for the individual property should be referred to as required.

### Key points for board/committee members and the regulator

How Leeds Federated deliver shared ownership is determined by the lease and detailed within Homes England guidance and Capital Funding Requirements. How we implement our our sales service, focusing on a customer centric approach, and how and where our properties are advertised, is where we have flexibility to make an impact.

## Rent To Buy

### The basics

Rent to Buy is an affordable home ownership scheme by Homes England to help people get onto the housing property ladder. This home ownership scheme originally formed part of the SOAHP 2016/21 but also applies to the AHP 2021/26 and where deemed appropriate S106 developments.

Rent to Buy is a scheme which allows working households to rent a home at Intermediate Rent providing them with the opportunity to save for a deposit to then go on to purchase their first home.

Rent to Buy properties will be let for a minimum of 5 years before they can be sold outright, with first refusal to the tenant. Any sale within the initial 5 year period will be at the discretion of the Association, on a shared ownership basis only and on the new model lease.

### Our approach

Leeds Federated will let the Rent to Buy homes at intermediate rent levels for a minimum of 5 years. During this time it is expected that the tenants will save for a deposit.

After the initial 5 year letting period Leeds Fed may:

- Continue to offer the home as Rent to Buy (either continuing with the existing tenants or with new tenants)
- Sell the home (the existing tenants should be given the right of first refusal)
- Convert the home to market rent or another form of affordable rent (either continuing with the existing tenants or with new tenants)

If Leeds Federated chooses to continue to rent the property, there is no obligation to continue with the existing tenant or to re-house them in an alternative property, although in certain circumstances, Leeds Federated may choose to do so.

The decision on any of these options, other than sale to the existing tenants will be taken by Leeds Federated based on the business need of the Association. This assessment, including communication with the tenant, will take place no later than 6 months prior to the end of the 5 year term.

The assessment will be completed, and details will be noted on the tenancy record. The main purpose of the assessment will be to confirm options available to the tenant, we will discuss with them their financial position and savings and look at affordability to purchase on a shared ownership basis or outright sale.

**Eligibility for applicants**

Rent to Buy homes are not subject to local authority nominations, although the Association may choose to work with the local authority to identify potential customers.
At the time of letting, Rent to Buy customers must be working households and intending to buy their own home in the future.
To be eligible for Rent to Buy, customers must be first time buyers or those returning to the housing market following a relationship breakdown. They should be able to demonstrate a savings plan for their future deposit.

Rent to Buy is designed as a route to support people to buy their own home outright on the open market. The Association has the discretion to offer a shared ownership purchase option to Rent to Buy customers. To keep all home ownership and sale options open, Leeds Federated will offer this and prospective customers will have all of their home ownership choices explained at the time of application.

**Rental Period**

Notwithstanding any decision to sell the property on a shared ownership basis, the Rent to Buy property will be let for a minimum of 5 years. At least 6 months in advance of the end of the 5 year term, Leeds Federated will take a decision on whether to sell or to keep on renting. Beyond the initial 5 year period there is no limit on the length of time the property can be offered for rent.

Leeds Federated will let the Rent to Buy properties on Assured Shorthold Tenancies (AST's) at an intermediate rent for a fixed term of less than two years. Further fixed term tenancies of less than two years can be granted to the tenants upon expiry of current tenancies.

If, after the initial 5 years of letting, Leeds Federated wishes to sell the property, the existing customers at the time will, in normal circumstances, have the right of first refusal.

If at any point after the initial five years of letting, the tenants submit a request to buy their home it is expected that Leeds Federated will agree to sell, except in the most exceptional circumstances.

The initial 5 year letting period applies to the **property** and not the customer. This means that where a tenancy ends before 5 years has elapsed, the balance of time will be applicable to the new customer. In these circumstances Leeds Federated will re-let the property for a fixed term period, however, this does not need to be greater than the remaining period from the original 5 years.

**Rents**

Customers will be charged an Intermediate Rent which must not exceed 80% of the current market rent (inclusive of service charges). The maximum annual rent increase will be the Consumer Price Index (CPI) plus 1%. The CPI will be taken as at September of the previous year.

Market/intermediate rents on a property by property basis will be established by an RICS surveyor commissioned by the Association. This will be on the basis of a red-book valuation taking into account the market potential and affordability.
A deposit equating to one month's rent will be required from customers at sign up stage. This will be placed in a Tenants Deposit Scheme.

**Home Purchase**

Rent to Buy homes will be sold at market value (determined by a RICS valuation obtainted by the association) and customers wishing to purchase their home will need to obtain a conventional mortgage to do so. There is no additional affordability assessment required for Rent to Buy purchases, over that which may be required by the mortgage lender.

If sold on a shared ownership basis, the first part of this policy should be followed.

To maximise the conversion rate of renting to home ownership, Leeds Federated will conduct annual visits to discuss savings progress with customers. The reduced rent provides an opportunity for households which are able and wanting to buy after five years to build the necessary savings and evidence of savings progress should be made available at each annual meeting.

Leeds Federated will signpost customers to the government Lifetime ISA in order to take advantage of the 25% government bonus to use as a deposit on a first home. It will be stressed that tenants should seek their own financial advice surrounding this or any other product.

Notwithstanding any changes in the tenant's personal circumstances, further signposting to savings guidance may need to be given to the tenant and the aims and objectives of the Rent to Buy scheme re-stated.

**Treatment of Grant**

Where, after the initial 5 years, the home is sold outright or moved to a market rent home, the grant paid (and any applicable uplift in value) will be recovered from or recycled by Leeds Federated in the usual way.

Any shared ownership first tranche sales are not a relevant event and therefore do not need to be recycled. The Association must keep the property as an 'affordable' property for the first 5 years – the property can therefore only be sold to the Rent to Buy tenant before year 5 as a shared ownership property but not outright sale.

### Key points for customers

Rent to buy is not a long-term renting product, you should discuss with a financial / mortgage advisor your longer-term plan for getting onto the housing ladder and ensure you have a realistic financial plan in place to enable saving for a deposit.

### Key points for colleagues

Rent to buy is advertised and administered by the Neighbourhood Officer. It requires regular monitoring and annual visits to ensure the customer understands their options and the correct information is given out towards the end of the tenancy.

### Key points for board/committee members and the regulator

Rent to buy is offered as an alternative route to home ownership however the scheme can be open to misuse as there is no mandatory requirement for the customer to evidence their progress in saving for a deposit and there is no obligation to purchase the property at the end of the 5 year period. Very few rent to buy homes convert to shared ownership at the end of the term. The introduction of the Right to Shared Ownership scheme is a more accessible pathway to home ownership for more customers.

## Right to shared ownership

### The basics

Some of Leeds Federated's rental stock will be eligible for the customer to purchase on a shared ownership basis via 'Right to Shared Ownership'.
These are properties funded through the Affordable Homes Programme 2021 to 2026. If tenants are eligible, they can purchase shares between 10-75%.

## Our approach

We will make customers aware on signup that their property is eligible for RTSA, they can check this by contacting our customer service team. Customers can apply for RTSA by contacting our customer service team, their enquiry will be raised with the sales team.

A full market value will be obtained from an independent RICS valuer if the customer and property are deemed eligible.

**Properties exempted from the scheme**

- local authority homes
- homes in designated protected areas and rural exemption sites
- specialist homes for older, disabled and vulnerable people
- alms houses
- homes where the landlord is a co-operative housing association
- homes where the landlord or freeholder is a Community Land Trust
- Where the cost floor is breached, ie the market valuation is below the total spent on building or acquiring the property (including the grant)if there are legal impediments to a sale (e.g. where the provider is leasing the property and does not have enough legal interest to grant an adequately long sub-lease) if the sale would interfere with regeneration plans for the property if the property requires substantial repairs or remediation, distorting the value of the property

*where possible we would advise tenants of shared ownership on a similar property.

## Key points for customers

Customer Eligibility:

- live in a property where the Right to Shared Ownership applies
- hold an un-demoted secure tenancy, an assured tenancy, or a Localism Act fixed term tenancy (assured shorthold tenancy for a fixed term of at least 2 years)
- have lived in the current property for at least 12 months
- have been a tenant of social or affordable housing for at least 3 years (this need not have been with the same landlord, or continuous)
- are not in rent arrears
- are not subject to a court order for the possession of the property
- are not subject to bankruptcy proceedings or unfulfilled credit arrangements
- are not subject to legal proceedings e.g. a notice of seeking possession has been served
- are not subject to legal proceedings on the grounds of anti-social behaviour
- satisfy all standard eligibility criteria for the Shared Ownership scheme including income requirements (currently an annual household income of

£80,000 or less or £90,000 or less in London) and not already owning a property
- satisfy immigration requirements

In the case of joint applications, all applicants must either be tenants or family members who have lived in the property for the 12 months prior to purchase. All applicants who joined the application must be party to the purchase at completion.

For further details please see https://www.gov.uk/right-to-shared-ownership

### Key points for colleagues

Customers would need to go through the 'Sign off process' by Metro Finance as with other Shared Ownership sales, we must respond to the tenant if they have passed or failed this process.

The 10 year repair period is the fundamental difference with a standard shared ownership purchase.

- If the property is over 10 years old the repair period does NOT apply and references to it should be removed from the lease.
- If the property is under 10 years old the 10 year period starts from the build completion date.

Further details on shared ownership should refer to the full shared ownership policy.

### Key points for board/committee members and the regulator

Right to Shared Ownership is an opportunity for existing rental customers to get on the housing ladder. There are benefits for both Leeds Federated and the Customer with this scheme. It will enable more customers to get into home ownership as the barriers to entry are lower.

## Right To Acquire

### The Basics

The Right to Acquire is a **statutory scheme** which offers customers the opportunity to purchase the home they currently rent at a discount, provided that both they and the property are eligible. The discount is a fixed sum of money which varies geographically.

As it is a **statutory scheme** there is little leeway in how it is administered, therefore our policy closely reflects the requirements and rules of the scheme.

Right to Acquire only applies to customers on secure and assured tenancies (or assured shorthold tenancies whose tenancies began on or after 1 April 2012 and are for a fixed term of at least two years) occupying self-contained accommodation for rent where the costs of procuring or developing those properties was partly paid for by Social Housing Grant, Social Housing Assistance, the Disposal Proceeds Fund or any combination of these, on or after 1 April 1997.

**Customer eligibility:**

- Occupies an eligible property*
- Has been a public sector tenant for the required minimum time (3 Complete Years)

  *and*
- Is on a secure or assured tenancy with the provider. This includes those who hold assured shorthold tenancies with a fixed term of at least two years beginning on or after 1 April 2012, but does not include:-

1. Tenants who hold assured shorthold tenancies beginning before 1 April 2012
2. Tenants who hold assured shorthold tenancies with a fixed term of less than two years
3. Tenants who hold long leases
4. Tenants of shared accommodation

Previous public sector tenancies can count towards the qualifying period and need not be continuous. Where a tenancy is held in joint names not all the customers need to exercise their Right to Acquire. Provided agreement is reached with other joint tenants the purchase can proceed in the name of one of them, provided it is that joint tenant's only or principal home. In the event of other joint tenants not agreeing to the purchase, Right to Acquire cannot be exercised. Where a joint tenant objects to the application proceeding they should do so in writing to the provider.

Tenants may jointly purchase with up to three members of their family who live with them in the relevant property at the time that the application is made, providing the family members have lived in the property for the previous 12 months.

If the tenant is purchasing property with a mortgage, the mortgage has to be provided by a qualifying lending institution.

The following categories of tenants are not eligible for the Right to Acquire:

- Tenants occupying property on an assured shorthold tenancy (where this commenced prior to 1 April 2012 and/or is for less than two years), licence or a long lease
- Tenants of Abbeyfields or Almshouses
- Tenants of fully mutual co-operatives
- Tenants of co-ownership societies
- Undischarged bankrupts or tenants who have a bankruptcy petition pending against them or who have an arrangement with creditors, the terms of which remain to be fulfilled
- Tenants subject to a court order for possession of the property
- Tenants who are the subject of a 'suspension order' or 'suspension status'

Tenants meeting the applicant eligibility criteria at the date of their application must continue to do so up to the exchange of contracts.

Applications for Right to Acquire can be suspended on the grounds of anti-social behaviour.

**Eligible Properties**

Should the property be eligible by way of being procured or developed by the relevant grant funding this will be noted on our internal housing systems CX & O2. Properties without this note are not eligible and should the customer enquire be informed as such.

**Sale**

Homes England has produced standard forms including for tenant applications and landlord notifications to assist processing applications. Leeds Federated will use these forms to ensure we meet any legal requirements.

Customers must serve a written notice expressing their with to exercise their Right To Acquire, Leeds Federated will then send out the appropriate application forms and documents and if required instruct a valuation on the property to enable the process to go ahead.

Full details of this process can be found here within Homes England's Capital Funding Guide

## Key points for customers

Right to acquire only applies to specific properties, please check with Leeds Federated. You should take independent financial and or mortgage advise prior to proceeding to ensure buying your home is right and affordable for you.

## Key points for colleagues

This scheme is prescriptive in what has to be done and in what time frames, we must ensure we are meeting these deadlines to give good service to our customers and to enable us to move on from customers who decide not to progress. Property and customer eligibility also need to be rigorously checked.

## Key points for board/committee members and the regulator

As a statutory scheme there is little leeway in how it is administered, therefore our policy closely reflects the requirements and rules of the scheme. We will ensure we remain up to date with any relevant legislative changes or grant conditions.
Leeds Federated presently process very few Right to Acquire applications.

## Policy updates

The Development team is responsible for updating this policy.

Policy updated and approved November 2024. Next review due November 2026.