

# Shared Ownership and Outright Sale Policy & Guidance

## October 2024

**Lead Officer: Homeownership Manager**

<b>Version No.</b>	<b>Purpose/Changes</b>	<b>Approval Date</b>	<b>Approved By</b>	<b>Suggested Review Date</b>
7.0	Health check	10/10/2024	HoST	September 2027
6.0	Health check	11/05/2023	HoST	May 2026
5.0	Compliance check	12/08/2021	HoST	January 2024
4.0	Health check	12/12/2019	HoST	January 2022
3.0	Health check	19/07/2018	HoST	February 2021
2.0	Health check	01/02/2018	HoST	February 2021
1.0	New policy	22/02/2017	Ongo Homes Board	February 2020

		<b>Page</b>
1.	Our policy is...	2
2.	It applies to...	2
3.	Because we want to...	2
4.	Guidance	2
5.	Making sure we do what we say...	7
6.	Other things to bear in mind...	7
7.	We'll look at this again...	7

## **1. Our policy is...**

- 1.1 To provide opportunities for individuals to access home ownership through the Shared Ownership scheme and outright sale of some properties we develop.

## **2. It applies to...**

- 2.1 This policy applies to all interested and active applicants for Shared Ownership properties and prospective and/or current outright sale purchasers.

## **3. Because we want to...**

- 3.1 The aims of this policy are to ensure that:
- We will sell our home ownership properties as quickly as possible to reduce the period of time the property is vacant and minimise the loss of income
  - For Shared Ownership Schemes only, we will process all applications on a first come first served basis after any priority groups listed in the capital funding guide and any local authority conditions have been met and determine eligibility in accordance with the Capital Funding Guide. This applies to all grant funded and non-grant funded schemes wherever possible to ensure a consistent management approach
  - For Outright Sales all applications will be processed fairly with due consideration given to individual circumstances
  - All services that Ongo may require in order to facilitate the marketing, sale or any other service related to a scheme will be procured in line with Ongo's Procurement Policy and Tendering Procedures
  - We will give customers the correct advice and services as appropriate

## **4. Guidance...**

### **4.1 Shared Ownership**

#### **4.1.1 Advertising a Shared Ownership Property**

- Ongo will advertise available properties (off-plan where possible) through marketing channels that are accessible to our target market. We will carry out sales and marketing assessments to determine indicative open market sales value for the area the properties are situated within
- Certain shared ownership properties will have local area connections. This will mean that for a set initial period (usually 6 weeks), the property will only be available to a specific criteria of applicants from the local area

#### **4.1.2 Purchasing a shared ownership property:**

- Applicants will be encouraged to purchase the maximum share which will be determined by a new affordability methodology that more closely aligns with mortgage lending criteria. This is no longer available.
- Purchasers will be referred to our nominated affordability assessors who will carry out affordability checks, in line with the new affordability model. Complete a budget planner, an advisor sign off sheet to confirm affordability and evidence this and provide mortgage options – Ongo Homes are not permitted to provide mortgage advice and will accept our nominated assessors decision as final
- For non-grant funded schemes, Ongo Homes will issue an Application Form and Guidance Notes to interested parties subject to an initial eligibility check. The application will then be referred to our nominated affordability assessors
- Rent charged on the unsold share of the property will be set at the Homes England recommended level from time to time (currently 2.75% - at April 2023) of the capital value of the unsold equity at the point of initial sale
- Rent charged on the unsold share of the property will be reviewed annually and increases will be set in accordance with the terms of the lease agreement
- Where services are provided to shared ownership properties, the charge(s) will be set and invoiced in accordance with current legislation and the terms of the lease agreement. All shared ownership properties will be charged an annual service charge for buildings insurance and a management fee (additional sums may also be charged dependent on site facilities and the terms of the lease)
- In order to secure interest in the share offered for the property, applicants will be required to pay a £250 reservation fee within 14 days. This fee will be deducted from the sale price upon successful completion. If the sale fails to complete, some or all of the reservation fee will be kept by Ongo should qualifying costs have been incurred in the process of the sale
- Once the reservation fee and mortgage offer has been received, Ongo Homes will confirm a reasonable timescale for completion, and reserve the right to decline the application should this timescale be exceeded without reasonable justification
- Ongo will review the progress of applications on an intermittent basis to ensure they are progressing at a reasonable pace. Deadlines may be set to progress the purchase of the property if there are unreasonable delays. Ongo may exercise their right to withdraw from the sale if there are no reasonable justifications for any delay

#### **4.1.3 Once a shared ownership property is sold:**

- Where relevant, all warranty and defect period information will be provided to new owners
- Once any defect period has expired, the owner will become fully responsible for all maintenance costs for the property regardless of the share purchased. In the case of flats, Ongo Homes will remain responsible for any external or communal maintenance and/or services but these will be invoiced to the shared owner as “Service Charge” in accordance with the terms of their lease
- Shared owners are not permitted to sub-let their property
- If or when an applicant wishes to buy a further share of their home (this is known as ‘staircasing’) a valuation carried out by a qualified RICS surveyor must be obtained at the applicant’s expense. Additional shares can be purchased in accordance with the terms of the lease agreement in minimum 10% tranches, unless they have purchased under the 2021-2026 scheme in which case they can staircase by a minimum 1% increment
- Certain developments may restrict staircasing to 100% ownership due to preservation of affordable home ownership stock
- Shared owners cannot sell part or all of their property without complying with the terms of the lease agreement. Ongo Homes will have the right of first refusal indefinitely on the property
- Rent arrears which accrue will be pursued in accordance with Ongo Homes current leasehold arrears policy
- If rent arrears accrue over 3 months, Ongo Homes reserve the right to inform the shared owners mortgage lender of the position
- Ongo Homes will take any necessary action if a breach of lease occurs while the property is occupied by a shared owner, including the involvement of third party enforcement agencies. A breach can risk the lease agreement being forfeited and the shared owner losing their home
- For those shared ownership properties that are flats / apartments, these will be managed in line with the lease agreement and our Leasehold Management Policy and Leasehold Service Charge Arrears Recovery Procedure

#### **4.1.4 If a shared owner wishes to purchase further shares in their home:**

- Please see Shared Ownership Staircasing procedure / guidance and associated documents

#### **4.1.5 When a shared owner chooses to sell their property:**

- Ongo Homes must be contacted first should a shared owner wish to sell their share of their home

- Valuations must be carried out by an independent Royal Institute of Chartered Surveyors qualified valuer
- The valuation will be used to determine the value of the share being sold
- Ongo Homes will (during an agreed timescale stated within the lease agreement) nominate a purchaser for the property
- If Ongo Homes is unable to find a nominated purchaser within the agreed timescale, the shared owner will then be able to sell the freehold on the open market (once Ongo Homes' share has been paid)
- If Ongo Homes are successful in nominating a purchaser, the shared owner will be required to pay a 'sale fee' on completion. They will also need to pay solicitors' fees in respect of selling their share. Additional administration fees will also be payable including but not limited to a notice of assignment and notice of transfer
- Where properties are grant funded the proceeds of sale must be reinvested into Capital Grant Funding

#### **4.2 Shared Ownership and Affordable Homes Programme 2021-26**

4.2.1 The Shared Ownership model introduced for the AHP 2021-2026 contains some changes and differences for grant funded properties sold as shared ownership homes built on or after 1<sup>st</sup> April 2021:

- The minimum initial equity share that can be purchased from homes is 10% and maximum initial equity share is 75%
- Shared owners can staircase a minimum 5% share in their property when staircasing or, alternatively, purchase an additional 1% per year for up to 15 years
- Ongo is responsible for external and structural repairs to the property at no cost to the shared owner for the first 10 years from the date of the first lease agreement of the property, or until 100% is purchased, whichever comes first
- Where a shared ownership property is being re-sold, the time during which Ongo can nominate an alternative purchaser is 4 weeks

4.2.2 In line with the new model for shared ownership for grant funded homes built on or after the 1<sup>st</sup> of April 2021, we will meet the costs of maintenance or repairs for the first 10 years from the date of the first lease agreement of the property.

4.2.3 We will reimburse the cost of repairs in line with the Capital Funding Guide and lease agreement up to a maximum of £500.00 per year; anything remaining can be rolled over into the following year. We will only make payment once we receive receipts of the works that have been carried out by Trustmark certified tradesman.

Ongo can request photographs and access to the property as required to enable us to assess whether the intended work meets the definition of a qualifying repair.

### **4.3 Outright Sales**

#### **4.3.1 Advertising an Outright Sale Property**

4.3.2 We will advertise available properties (off-plan where possible) through marketing channels that are accessible to our target market. We will carry out sales and marketing assessments in order to determine indicative open market sales value for the area the properties are situated within.

#### **4.3.3 Purchasing an outright sale property:**

- Outright sale properties will be advertised through a variety of media including the Ongo website, social media, popular property search engines and local media. Choices of marketing will be made dependent on the target audience and the level of enquiries received throughout the marketing process
- Should a property remain unreserved after 3 months of promotion, an internal desktop valuation of the value may be carried out to determine whether any changes to the market price should be made. This will be considered every three months until sold
- Purchasers will be referred to our nominated estate agent (or The Home Ownership Team if an agent is not contracted for the scheme) to progress the enquiry and/or attend a property viewing
- If the prospective purchaser wishes to reserve the property, they will complete a reservation form and pay a £500 reservation fee. This reservation fee will be held by Ongo and deducted from the sale price on completion of sale
- The reservation fee is non - refundable subject to the stage of sale. It will be at Ongo's discretion whether part or all of the reservation fee is retained to cover costs already incurred in the sale process
- Ongo will seek exchange of contracts as soon as legal enquiries are satisfied and no more than 6 months ahead of anticipated completion if a mortgage is being taken by the purchaser
- Ahead of handover of the properties from the contractor to Ongo, a familiarisation visit will be completed with the purchaser to ensure the property is to their satisfaction and any customer extras are also agreed as completed
- Upon legal completion the property will be handed over to the purchaser along with a Home User Guide Handover Pack which will contain information relating to customer service, contact details for emergencies,

utility suppliers and local amenities and all important information relating to the property

- For properties where amenity space or shared services are still provided by Ongo after legal completion, they will be invoiced in accordance with the terms of the transfer or lease agreement
- All new builds will be covered by a defect liability period where the contractor will rectify any build specific defects discovered during this time
- All new builds will be covered by a structural warranty – details of which will be included in the Home User Guide Handover Pack

#### **4.4 Service Charges and Estate Charges**

**4.4.1 Shared Ownership** - When a shared ownership property receives the benefit of communal or estate services, their lease will contain an obligation for shared owners to pay a proportion of the cost of these services. These costs will be invoiced and payable in accordance with the lease agreement.

**4.4.2 Outright Sale** - Where applicable, owners of outright sale freehold properties sold by Ongo may receive services to the wider development that they are obligated to pay a proportion towards. These may include (but are not limited to) the maintenance of public open spaces, playgrounds or unadopted roads, pavements or accessways. Ongo will invoice outright owners for service associated with their estate in accordance with their purchase contract.

### **5. Making sure we do what we say...**

**5.1** The Corporate & Compliance Director will make sure this policy is implemented.

**5.2** The Head of Compliance & Risk and the Homeownership Manager will make sure:

- Relevant colleagues and teams are aware of this policy
- Relevant colleagues and teams are trained appropriate to their role
- Monitoring records are collected in line with this policy
- Customers are adequately informed of the policy and support is given where required to understand it

**5.3** We will measure our performance through customer satisfaction surveys, along with operational management information that will indicate whether our processes are working effectively to deliver this policy.

**5.4** Where required, we will provide Government departments with statistics on sales through the Shared Ownership and outright sale schemes.

### **6. Other things to bear in mind...**

6.1 This policy also links to our:

- Leasehold Management Policy
- Leasehold Service Charge Arrears Policy
- Leasehold Service Charge Arrears Procedure
- Tenancy Management Policy
- Neighbourhood Services Policy
- Procurement Policy and Tendering Procedures
- Rent Setting Policy
- Shared Ownership Staircasing Procedure

6.2 The main pieces of legislation and regulation relevant to this policy include:

- Homes England Capital Funding Guide

## **7. We'll look at this again...**

7.1 This policy will be reviewed every three years. We will review earlier if any regulatory or legislative changes occur that have an impact on this policy.