



Shared Ownership Sales: Minimum Surplus Income Policy

Company No: 11567414
Registered Provider No: 5094
Version 1.1 – May 2025

Simply Affordable Homes RP Limited

Shared Ownership Sales: Minimum Surplus Income Policy

1. Scope of this policy

This policy sets out clearly how Simply Affordable Homes RP calculates the minimum amount of money that shared ownership applicants should have at the end of each month following the assessment of all elements of their income and expenditure.

This policy reflects the rules and procedures set out by Homes England in their “Capital Funding Guide”. This can be found at <https://www.gov.uk/guidance/capital-funding-guide>. There may be separate or additional policy requirements relating to certain schemes for example in London relating to the requirements of the Greater London Authority or where there are specific local planning requirements.

2. Equality and Diversity

Simply Affordable Homes RP is committed to providing services in a way that is accessible to all our residents and customers. Our staff and companies we engage to provide services are expected to communicate appropriately and to ensure that residents and customers have relevant information which they require to access our services.

It is against the law to discriminate against anyone on the basis of age; a person’s being married or in a civil partnership; their being pregnant or on maternity leave; disability; race including colour, nationality, ethnic or national origin; religion or belief; sex; sexual orientation, and gender reassignment. These are called ‘protected characteristics’ under the Equality Act 2010.

Simply Affordable Homes RP considers that by adhering to this policy it will comply with all relevant obligations to treat all residents and customers with fairness and respect.

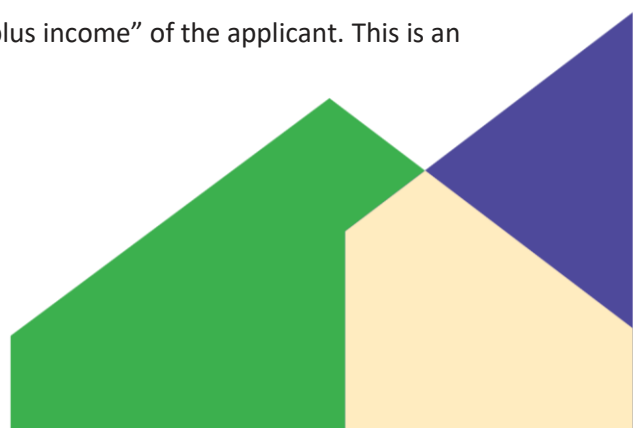
On request we will provide translations of all our documents, policies and procedures in various languages and formats including braille and large print.

3. Affordability assessments: Minimum Surplus Income and mortgage requirements

Simply Affordable Homes RP will assess the affordability of potential purchasers (“applicants”) for sales of new homes on a shared ownership basis, and resales of existing shared ownership homes to new applicants.

Approval of applicant affordability is based on assessment by a suitably qualified, experienced and regulated mortgage adviser or financial adviser. We or our sales agent will connect potential buyers with a suitably experienced and qualified adviser, who will be regulated to give mortgage advice, and have knowledge of the sector and access to a range of shared ownership mortgage lenders.

That analysis will include an assessment of the “minimum surplus income” of the applicant. This is an



amount of money that the potential purchaser should have at the end of each month once all housing costs and current and future financial commitments have been considered.

Requirement 1: Simply Affordable Homes RP requires that the applicant (whether a single person or household) should have a minimum of 10% of income left each month as a surplus. Only in exceptional circumstances will SAH approve a sale where the customer has less than a 10% surplus.

Requirement 2: Simply Affordable Homes RP requires that an applicant's mortgage costs should represent no more than 30% of their income net of known expenditure commitments including the shared ownership rent and any service charge. This will be assessed by the adviser alongside requirement 1. The 30% threshold may be exceeded if the adviser feels there is sufficient justification.

Simply Affordable Homes RP reserves the right to decline any application which does not meet requirements 1 and 2. If the customer does not meet the requirements of this policy, we would generally consider the property to be unaffordable to the customer.

4. Calculation of surplus income

Surplus income is calculated on the following basis:

$$\text{Surplus Income} = (A - B - C - D - E - F)$$

(A) Gross household income

(B) Gross deductions (tax, National Insurance, student loan, etc)

(C) Known commitments (loans, credit cards, childcare, etc)

(D) Shared Ownership rent and service charges

(E) Mortgage payment

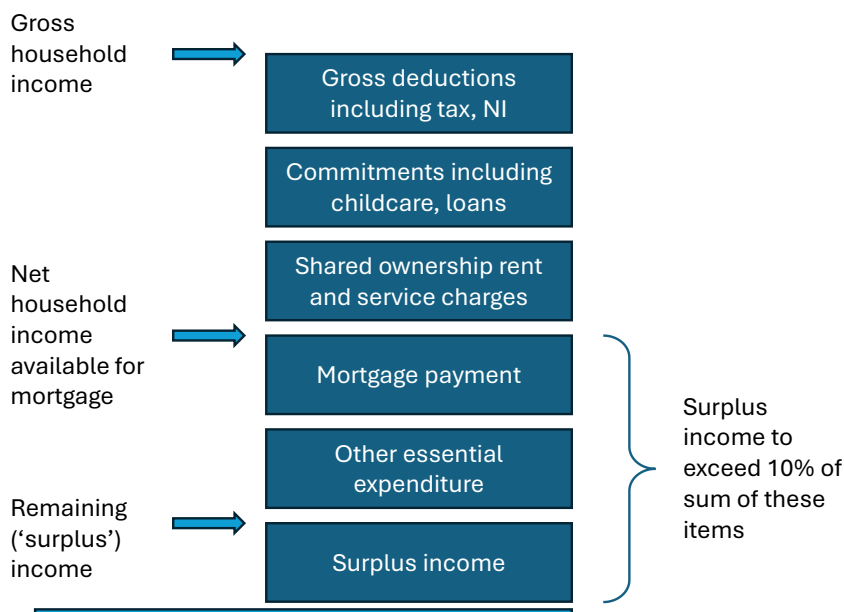
(F) Other essential expenditure (living costs)

When determining the figures for (D), the initial rent and service charge levels should be “stress tested”, to take into account an estimate of potential increases over five years.

The detail of how this calculation is performed reflects the “Capital Funding Guide” published by Homes England. Surplus income should be at least 10% of the net household income available for mortgage purposes, with that defined as figure (A) minus the sum of (B), (C) and (D) and using a rent that has been ‘stressed’ to allow for a few year’s potential inflation.

The following graphic summarises the approach:





The test is intended to demonstrate that customers can withstand stress events and 'shocks' in their expenditure over and above those identified through a budget planner.

5. Other relevant policies

This policy should be read alongside:

- Shared Ownership Sales: Approach to Shared Ownership Applications and First Come, First Served Policy

6. Review

We will review this policy periodically to address relevant legislative, regulatory, best practice or operational developments, including in light of any feedback received.

Revision History

Date	Version	Comments / Changes
15/11/2024	1.0	Initial version
13/5/2025	1.1	Updated description of 10% test