Affordability & Minimum Monthly Income Surplus Policy

Though our passion for housing, more people have a safe place to call home

Affordability & Minimum Monthly Income Surplus Policy

The purpose of this policy is to align with section 6B.1.7 and 6B.4.9 (Applicant Priority) of [The Homes England Capital Funding Guide]. Your Housing Group consider all Shared Ownership applications we receive in an impartial, equitable and consistent manner in accordance with Homes England's guidance.

Shared Ownership applicants can expect their financial assessment to be carried out by our suitably qualified and experienced Mortgage Broker, Metro Finance that are regulated to give mortgage advice

YHG must ensure that the share level being purchased is suitable for the applicant's affordability, needs, and circumstances as presented by the advisor, and be able to evidence this.

Metro Finance will ensure that all cases meet Homes England affordability guidance as detailed in the Capital Funding Guide. Ensuring all purchases are affordable and sustainable.

We will work to the policy that the customer must have a minimum of 10% of their net mortgageable income remaining after all deductions and the stress tested rent.

A summary of the methology for assessing applicants is detailed below

Step 1 – gross household income (A)

Step 2 – deductions from gross income (B)

Step 3 – known commitments (C)

Step 4 – housing costs (excluding mortgage) (D)

Step 5 – net income remaining for mortgage purposes (E = A – B – C – D)

Step 6 – mortgage cost (F = no greater than 30% of E unless a higher % is agreed by both advisor and applicant)

Step 7 – other essential expenditure (G)

Step 8 – provider's minimum surplus income policy (E – F – G must be greater than this)

In addition to the Homes England affordability, we would also expect the customer to have a minimum of 10% of their total net income remaining on our internal budget planner. This falls in line with Metro Finance mortgage compliance affordability. Metro Finance is unable to suggest a share that does not fall within these parameters, as we would not deem it affordable or sustainable.

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

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

The basis of the methodology is to ensure that the mortgage an applicant is able to secure represents no more than 30% of an applicant's net income after accounting for what are considered firm expenditure commitments and the rent and service charge (as applicable) costs of the Shared Ownership purchase. This providing that the applicant also meets the provider's minimum surplus income policy. The 30% threshold may be exceeded where an advisor feels that there is sufficient justification for doing so, and provided that the applicant is still able to satisfy the policy.

It is expected that the expenditure will be realistic for the household composition. Anything which is below perceived average (ONS) spending 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.