



AFFORDABILITY POLICY

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1. Policy Statement

- 1.1 Eastlight exists to create affordable homes and great neighbourhoods that people feel proud to live in.
- 1.2 This Affordability Policy sets out our approach to determining the affordability and suitability of customers who are interested in purchasing a Shared Ownership home. It also details our approach to offering our homes on a first-come, first-served basis.
- 1.3 The approach is based on who is first to pass their initial affordability assessment and complete their application form.
- 1.4 Without completing the above as soon as possible, we are unable to guarantee the security of a Shared Ownership home for individual applicants.

2. Think Customer

- 2.1 At Eastlight, we exist to provide the best possible homes and services for our residents.
- 2.2 Our ‘Think Customer’ approach aims to guide and support colleagues whenever they make decisions that affect our residents, directly or indirectly.
- 2.3 ‘Think Customer’ ensures our people fully consider how residents will experience and be impacted by the service we provide. Before acting, our people are required to think about:
 - The short and long-term effects of their actions
 - The residents’ individual needs and preferences
 - Whether their communication is clear, respectful and appropriate
 - If they can draw on any past insights or experiences to help them when making tough decisions
 - Whether they, themselves, would be happy with the service being provided.
- 2.4 The ‘Think Customer’ model is designed to complement and work alongside all Eastlight policies and procedures, including this Shared Ownership Affordability Policy.

3. Scope

- 3.1 This Policy applies to all existing and new customers who seek to part-buy part-rent a Shared Ownership home from Eastlight.
- 3.2 Throughout this Policy, ‘applicants’ and ‘cash buyers’ will be referred to as ‘customers’.
- 3.3 This Policy should be read in conjunction with the Shared Ownership Policy.

4. Statutory & Regulatory Requirements

- 4.1 This Policy has been designed to ensure Eastlight meets its legal, statutory and regulatory obligations and requirements, including:
 - Regulatory Framework – Regulator of Social Housing
 - Homes England Capital Funding Guide – Section 6 (Affordability Guidance), Shared Ownership.

5. Exceptions to First-Come, First-Served

5.1 There are exceptions to our ‘first-come, first-served’ Affordability Policy. These include where customers are:

5.2 Serving Military Personnel

5.2.1 Those that are considered as serving military personnel must have completed their Phase One training and are considered any one of the following:

- Regular service personnel, including the Navy, Army and Royal Air Force
- Clinical staff, except for doctors and dentists
- Ministry of Defence Police Officer (MDP)
- Uniformed staff in the Defence Fire & Rescue Service (DFRS).

5.3 Ex-Armed Forces Personnel

5.3.1 Those that are considered as ex-regular service personnel must have served in the Armed Forces for a minimum of six years and can produce a Discharge Certificate as proof.

5.3.2 They must apply for a Shared Ownership home within two years of the date of discharge from service to be considered under this exception.

5.4 Surviving Partners of Deceased Personnel

5.4.1 Those that are considered as a surviving partner must apply within two years of the date when the regular service personnel died in service.

5.5 A Local Priority Criteria may apply, as required by the Local Authority (LA). If this occurs, the specific criteria will be detailed in the development advertisement. For example, we may be required to prioritise people who live or work in the same LA or Parish Council as the development. If two customers from the same priority group apply, then the home will be offered on a first-come, first-served basis.

6. Affordability Assessments

- 6.1 We have a two-stage approach to assessing affordability and the suitable share customers can buy. This will be completed by a regulated Qualified Advisor who is assigned to the development.
- 6.2 The assessments will be free of charge, and we will provide the customer with the details of the nominated Qualified Advisor for the relevant development.
- 6.3 Eastlight staff are not qualified to provide financial advice. We will always advise the customer to seek and gain advice from someone who is suitably qualified and experienced in Shared Ownership mortgages.
- 6.4 Eastlight will consider customers who are eligible under the Shared Ownership scheme, and they will be subjected to the same affordability process to establish if they can afford the rent and service charge costs for the home they are interested in.
- 6.5 **Monthly Minimum Surplus Income**
 - 6.5.1 In line with regulative guidance, customers must have a minimum of 10% of their income available each month as a ‘surplus’ (i.e. the amount left over after all housing costs and other commitments and expenditures are paid).
- 6.6 **Mortgage**
 - 6.6.1 Whilst the Qualified Advisor will discuss mortgage options with the customer as part of the two-stage Affordability Assessment, this is provided without any obligation.
 - 6.6.2 The mortgage a customer can secure must represent no more than 30% of their 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. The 30% threshold may be exceeded where Eastlight feels that there is sufficient reason to do so (with advice from an Independent Financial Advisor), and provided that the applicant is still able to satisfy Eastlight’s monthly surplus budget policy.
 - 6.6.3 Customers are free to seek advice and apply for mortgages from other sources. However, the Affordability Assessment must be signed off by the nominated Qualified Advisor.
 - 6.6.4 Where the customer seeks advice and applies for a mortgage from other sources, they must provide Eastlight with the details of the nominated mortgage broker when completing and returning the Solicitor’s details form.

6.7 Adverse Credit

6.7.1 Customers are required to send a multi-agency credit report to the Qualified Advisor as part of the two-stage Affordability Assessment.

6.7.2 Adverse Credit refers to any missed or non-payment on an individual's credit report. This may render a customer ineligible for Shared Ownership.

6.7.3 The following types of Adverse Credit will show up on the customer's report:

- **Bankruptcy** – a legal proceeding involving a person or business that is unable to repay outstanding debts
- **County Court Judgements (CCJs)** – an order from the County Court instructing you to repay a debt or debts
- **Individual Voluntary Arrangements (IVAs)** – a formal agreement between you and your creditors that helps you repay what you can afford towards your debts
- **Credit Account Information Sharing (CAIS)** – such as late payment history or higher percentage of debt on cards/loans
- **Defaults** - A default occurs if a credit lender, utility company or communications supplier decides to close your account because you have missed several payments (usually for a period of three to six months or more).

6.7.4 For the customer to be approved **with** Adverse Credit, they must meet the following criteria:

- Your IVA/Bankruptcy obligations were discharged over three years ago, and you have no residual debt. (This is subject to individual case assessment)
- You are currently in a Debt Management Plan and have been making all payments on the plan for at least 12 months. (Your negotiated monthly payment will be used for the affordability calculation, rather than the outstanding balance)
- You are not in rent arrears or have not missed mortgage repayments within the last 12 months. (Special circumstances may apply, and will be subject to individual case assessment)
- Unsecured arrears are not counted. However, we reserve the right to consider these on a case-by-case basis
- You have no CCJs or all previous CCJs have been previously satisfied. These are only acceptable where one of the following applies:
 - All CCJs/defaults were registered more than three years ago and satisfied prior to your mortgage application
 - All CCJs/defaults were satisfied more than 12 months prior to your mortgage application, regardless of date of registration
 - The CCJs/defaults in aggregate amount to less than £300, regardless of the date of registration, and were satisfied prior to your mortgage application.

7. Equality Impact Assessment

7.1 An Equality Impact Assessment (EIA) for this Policy was conducted, and no impacts have been identified.

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