

# **SHARED OWNERSHIP APPLICATION PROCESS INCLUDING:-**

- **First Come First Served Policy**
- **Adverse Credit Policy**
- **Surplus Monthly Income Policy**
- **Cash Buyer Policy**

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## 1. INTRODUCTION

Thank you for considering purchasing a shared ownership property with Bernicia Group.

The following pages guide you through each stage of our application process, from marketing to handover of keys and will help you to understand what to expect at each stage of the process.

## 2. ABOUT BERNICIA

Bernicia owns and manages over 14,000 properties and is developing new homes across a range of property types and tenures, including home ownership.

With use of public funding (via Homes England), Bernicia buys or builds properties to sell via low-cost home ownership schemes, such as shared ownership. The shared ownership scheme enables first time buyers to get on to the property ladder, something which they would otherwise have been unable to achieve on the open market.

## 3. WHAT IS SHARED OWNERSHIP

Shared ownership is a government funded scheme to help those who wish to become home owners but can't afford to buy a suitable home for their needs on the open market. Through the scheme you buy an initial share of the property and pay rent on the remaining share you do not own. If you wish to do so, you can buy further shares in the future and in most instances, own your home outright.

### **How does it work?**

The scheme allows you to purchase an initial percentage share of the property, depending on your affordability. You then pay rent on the percentage of the property which you are unable to afford to buy. Unlike a tenancy agreement on a fully rented property, shared ownership rent is rather an equity payment, which acts as reimbursement to Bernicia for our financial outlay in providing the property. To look at it another way, you are sold a long lease of the property as a whole but are only required to pay a percentage of the cost up front. The rent relates to the remainder of the property, which you would otherwise have been unable to afford to buy outright.

Like most property purchases, it is anticipated that you will fund the price of your share by applying for a mortgage. However, the deposit required by your lender is less than you would be required to contribute if you were buying a property outright. This is because the deposit is only based on the value of the share you are buying.

When you purchase your shared ownership home, Bernicia will grant you a lease, which sets out your rights and responsibilities. Bernicia uses model leases which have been created by Homes England, this ensures that anybody buying shared ownership does so on standardised terms. Homes England periodically updates their model leases and Bernicia uses the most up to date in accordance with the applicable Affordable Homes Programme.

As the property is funded by Homes England for use as shared ownership, there are certain conditions relating to who you can sell your property to, if and when you wish to move on. This will not prevent you from selling but does ensure that the property remains a low-cost home ownership product for future eligible buyers.

#### 4. MARKETING

When we have new build shared ownership properties available for sale, they will be advertised through one or more of the following marketing methods:

- Bernicia website
- Site hoardings or sales boards
- Estate agencies
- Local Press

If you are interested in the property available, you can contact us by:

- Telephone on **0191 238 3919**
- Email – [sales@bernicia.com](mailto:sales@bernicia.com)
- Contacting the marketing estate agency (if applicable)

## 5. BASIC ELIGIBILITY CRITERIA

We will consider applicants who fit Homes England's basic eligibility criteria which is:

- Your household income is less than £80,000 per annum.
- You are a first-time buyer.
- You used to own your own home but can't afford to buy outright again, for example following relationship breakdown.
- You are an existing home owner or shared owner, with a sale agreed on your current property and are unable to afford to buy a suitable home outright on the open market.

In addition, we are only able to sell:

- In accordance with Bernicia's Adverse Credit Policy – see Section 7
- In accordance with Bernicia's Surplus Monthly Income Policy – see Section 8
- In accordance with Bernicia's Cash Buyer Policy (if applicable) – see Section 9
- To applicants who can demonstrate ability to afford the total monthly outgoings of a shared ownership purchase including mortgage, monthly rent, buildings insurance, service charge and any other committed debt (established by referral to Bernicia's appointed Financial Advisor).
- Have sufficient savings or deposit (for a mortgage) to purchase the share and also sufficient funds to meet the one-off costs of buying a home such as legal fees, moving costs etc.
- Have at least a 5% deposit at the time of applying and can evidence this. Bernicia will not consent to mortgages greater than 95% of the value of the share you are purchasing.
- Are able to obtain a mortgage Decision in Principle for the share calculated to be purchased (this will form part of the Financial Assessment)

Some schemes may have further specific restrictions in terms of applicant eligibility, for example Local Connection criteria. Such specific restrictions may depend on our funding arrangements, Section 106 planning conditions, property constraints or scheme design. Where relevant, Bernicia will detail such conditions when advertising the property for sale.

We will consider applications from existing owner occupiers providing you have already accepted an offer on your current home i.e., it is already "Sold Subject to Contract". At the time of application, we will require you to provide written confirmation of your agreed sale, called a 'Memorandum of Sale' which sets out

your intention to sell and the agreed price you will receive. You will also be required to complete the sale of your existing property either before or within the same timescale as the conveyancing for the purchase of the shared ownership property.

## 6. FIRST COME FIRST SERVED POLICY

Shared ownership applications are assessed on a first come first served basis. The only exception relates to applications from military personnel, which Bernicia are obliged to prioritise, as per Homes England requirements.

Bernicia will refer applications to our appointed Financial Advisor for assessment in the order they are received, providing that applicants meet the basic eligibility criteria as outlined in Section 5. Bernicia will refer up to five applications per available property for assessment.

The Financial Advisor will make initial contact with each applicant in the order of referral by Bernicia. The initial contact from the Financial Advisor will detail all of the documents and information required from you in order to start the assessment. The Financial Advisor will assess the applicant who supplies ***all*** of the requested information first. If the Financial Advisor is unable to progress the first application, they will contact the applicant who was second to provide all of their requested information, and so on.

Please be mindful that you will not be queued for assessment until you have provided all of your information to the Financial Advisor, irrespective of the date of your initial application.

## 7. ADVERSE CREDIT POLICY

If you have any form of adverse credit (credit history of late payments, arrears, defaults etc.), it is important that you read the below table prior to making an application to ensure that you are eligible. Depending on the type of adverse credit you have, Bernicia may not be able to progress your application and you will not be referred to the Financial Advisor for assessment.

Bernicia's Adverse Credit Policy applies to those purchasing with a mortgage and also to cash buyers (see Bernicia's Cash Buyer Policy – Section 9).

Missed mortgage/rent arrears	Our appointed Independent Financial Advisor will carry out an Individual Assessment and make a recommendation to us.
Unsecured arrears	Our appointed Independent Financial Advisor will carry out an Individual Assessment and make a recommendation to us.
County Court Judgments or registered defaults	<p>Applications will not be accepted if you have any CCJs or defaults registered in the last 36 months. In addition, any historic defaults must be satisfied prior to the mortgage application.</p> <p>They may be acceptable in the following situations:</p> <ul style="list-style-type: none"> <li>• All CCJs/defaults were registered more than three years ago and satisfied prior to mortgage application.</li> <li>• All CCJs/defaults were satisfied more than 12 months prior to application regardless of date of registration.</li> <li>• The CCJs/defaults in aggregate amount to less than £300, regardless of date of registration, and were satisfied more than 12 months prior to application.</li> </ul>
Debt Management Plans	Applications may be accepted where debt management plans have been settled for at least 12 months, with satisfactory credit record demonstrated since that time.
Individual voluntary arrangement (IVA) and discharged bankrupts	IVA/bankrupts who have been discharged over three years ago and who have no residual debt may be accepted subject to Individual Assessment carried out by our Independent Financial Advisor.
Repossession of previously owned property	Applications will not be accepted.

Bernicia are aware that there are certain lenders who specialise in providing mortgages for those who have current or previous adverse credit or even 100% mortgages for those without a deposit.

Such companies advertise that they are likely to approve mortgage applications which are declined by most mainstream lenders. The consequence of this is that very high interest rates and fees are applied to their mortgage deals. These lenders may consider their overall risk as low, as they charge high rates and fees in the short term and long term can repossess the property if borrowers fall into arrears.

Bernicia does not consider this type of mortgage as a suitable or sustainable way of entry into home ownership and will not consent to such mortgages. In addition, there is a risk factor to Bernicia if a shared ownership property is repossessed by the lender as we cannot guarantee that we will receive the true value of our share when they sell it.

## 8. FINANCIAL ASSESSMENT & MONTHLY SURPLUS INCOME POLICY

It is a Homes England requirement that all shared ownership buyers have a financial assessment carried out by a suitably qualified and regulated mortgage advisor or Financial Advisor.

It is a condition of your application that we will refer you to a Financial Advisor appointed by Bernicia. The Financial Advisor will determine whether your application is accepted or denied based upon their assessment of your affordability.

The assessment will take a thorough look at your financial situation to determine whether the property purchase is affordable for you and in line with Bernicia's policies.

Bernicia is required to ensure that applicants buy the maximum share that they can afford and sustain. The assessment will calculate the suitable percentage share, which will be offered to you for purchase. The percentage will be based on ratios between your income, mortgage (if applicable), rent, estate/service charge, buildings insurance and any other committed debt you may already have. A budget planner will be used to compare your income and expenditure, to ensure that the property is affordable and sustainable.

**Bernicia's Surplus Monthly Income Policy** is that you must have a minimum of 10% of your net household income left available after housing related expenditure, committed expenditure and other essential costs if you are buying



a share 25% or greater. If you are buying a share less than 25% you must have a minimum of 20% of your net household income left available.

<b>Expenditure Item</b>	<b>Examples</b>
Housing Costs	<ul style="list-style-type: none"> <li>• Mortgage</li> <li>• Rent</li> <li>• Service/Estate Charges</li> </ul>
Commitments	<ul style="list-style-type: none"> <li>• Credit commitments/contracts such as personal loans, HP, PCP etc</li> <li>• Credit and store cards</li> <li>• Childcare costs</li> <li>• Care costs</li> </ul>
Essential Costs	<ul style="list-style-type: none"> <li>• Council Tax</li> <li>• Utilities</li> <li>• Food</li> <li>• Fuel and travel</li> <li>• Insurances</li> </ul>

Once we refer you to the Financial Advisor they will contact you to discuss the next steps and the exact information they will require you to provide. As a brief guide, they will need from you:-

- Proof of ID
- Copy of your employment contract and last three payslips
- Business accounts and tax overviews (if self-employed)
- Details of any benefits or maintenance payments
- Copies of last three months bank statements for all accounts held.
- Up to date credit reports (you will be given full details as to how to obtain these)

You do not need to pay the Financial Advisor for the assessment, and you are not obliged to further use their services. However, if your application is accepted, you may choose to use the services of the Financial Advisor in relation to mortgages. The advisor will let you know of their fees for sourcing mortgages, which will only be payable if your full mortgage application with a lender is approved.

It is important that you act swiftly to provide the requested documentation to the Financial Advisor. Bernicia will offer plots for reservation in the order of fully assessed and accepted applications returned to us by the Financial Advisor.

If the Financial Advisor determines that the property purchase is unaffordable for you, then they will explain the reasons why. If applicable, they will also give

you advice as to how you may be able to improve your credit score, to increase your chances of home ownership in the future.

## 9. CASH BUYER POLICY

This policy relates to applicants wishing to purchase in cash i.e. buy a share in full without the assistance of a mortgage. Applications must still be in accordance with:-

- Bernicia's Adverse Credit Policy
- Bernicia's Surplus Monthly Income Policy
- A successful financial assessment by Bernicia's appointed Financial Advisor to ascertain affordability and calculation of share to be purchased
- The reason for needing to be a cash purchaser cannot be due to inability to obtain a mortgage from a non-high interest rate lender due to adverse credit
- If buying cash due to age, the assessment also needs to take into account future income changes if you currently work, as your financial situation will change imminently (if it isn't likely to change imminently then we would expect you to apply for a mortgage)

## 10. RESERVING A PLOT

Once Bernicia receives confirmation from the Financial Advisor that your application has been accepted, your percentage share has been calculated and we have received your Landlord reference (if applicable), we can advise you of the plots we have left available. If there is more than one plot to choose from, we will allow you 24hrs to make your selection.

We can then prepare your offer letter and reservation form which will include the following:-

- The address and plot number
- Name purchaser(s) and address details
- Description of property type to be purchased.
- Full market value of the property
- Percentage and value of the share to be purchased.
- Details of rent payable on the unpurchased share, building insurance, service/estate charge and administration fee details
- Reservation form to complete and return, along with any conditions.

- Requirement of a non-refundable £250 reservation fee (non-refundable if you are unable to proceed due to a change to your circumstances, or you withdraw from the purchase, or it is found that you have given incorrect or misleading information as part of your application).

You must confirm your reservation by paying the £250 fee within 7 days of the date of the offer letter along with your solicitor details, otherwise we may offer it to another applicant or remarket the property.

You may be able to pay for optional upgrades to your home, depending on Bernicia's agreement with the builder, when you reserve and the stage of construction the property is at. Payment for any additional works over our standard specification will be required prior to completion and cannot be added to the purchase price of the property. It is important to note that the cost of optional upgrades are non-refundable, should you withdraw from the purchase of the property.

## 11. SOLICITORS & MORTGAGE APPROVAL

When you make your reservation, we will also require details of the solicitors who will be acting for you in the purchase. Bernicia will then arrange for the sale file to be forwarded to our solicitors to commence the conveyancing process. Once conveyancing has commenced, it is likely that most communication and requests for information relating to the property sale will be dealt with directly between yours and Bernicia's solicitors.

As part of the conveyancing process your solicitor will need to provide a copy of your full mortgage offer which includes interest rate, number of years to repay the loan and the amount of deposit available. Bernicia must consent to your mortgage due to the Mortgagee Protection Clause which is required to be contained in the lease. Bernicia will only consent to your mortgage if you are borrowing a maximum amount of 95% of the value of the share you are purchasing (i.e., you contribute a minimum of 5% deposit). Likewise, Bernicia will not consent to mortgage lender fees being added to your mortgage if this takes your total borrowed amount above the value of the share you are purchasing.

The Mortgagee Protection Clause (MPC) exists in shared ownership leases and comes into effect if the property is repossessed by the lender. This means, that the lender has a right to sell the property as a whole, including Bernicia's share.

Under the clause Bernicia is also required to give the lender reasonable notice if we decide to commence forfeiture proceedings due to non-payment of rent or

a breach of your lease. (This then allows the mortgage lender opportunity to intervene and rectify the breach, to avoid losing their financial interest in the property).

The Mortgagee Protection Clause can only be used by the lender to recover sums you have borrowed for the purpose of acquiring the initial share or subsequent shares. Any other amounts borrowed, for any other reason, will be disregarded from the lender's protection, unless it was approved in advance by Bernicia.

For this reason, if you are purchasing your share with a mortgage, your lender will need to obtain Bernicia's consent to the terms of your mortgage.

Bernicia has a financial interest in your home because we retain the equity of the share which you were unable to purchase initially. Due to this, we will not give our approval for you to borrow extra money against your property.

## 12. FEES

The following list is not exhaustive and is subject to change, your solicitor will obtain details of up-to-date fees when conveyancing commences.

### **Engrossment fee**

There will be a fee of £100 plus vat for the production of your shared ownership lease. This is payable to Bernicia's solicitors.

### **Approval of mortgage**

There will be a fee of £80+VAT for consent to mortgage.

## 13.COMPLETION & HANDOVER

Towards the end of the sales process, we will confirm a target completion date with our solicitors. Once funds have been received into our solicitor's bank account on the day of completion, we will be able to release keys to you. Please note that often funds are not received until late afternoon on the completion date. A member of the Bernicia team will meet you at the property for the handover.

If the property is already fully constructed at the point you reserve, there may be the remainder of an existing defect period in place. However, we reserve the right to sell some properties as seen.

Once you complete your purchase you become responsible for any water, electric and gas bills. We will arrange for meter readings to be taken on completion day and we will follow this up by providing you details of the supplier, meter reference and meter readings for your information. A copy of these readings will also be forwarded to the relevant utility companies as soon as possible.

## 14. INFORMATION ABOUT THE PROPERTY

On completion day you will also receive: -

- Rent payments letter confirming payments due in line with your lease agreement.
- Direct Debit mandate and details of all payment methods
- Various pamphlets and guides including instruction manuals for items installed within your home.
- Gas and electrical certification (new build only)
- Details of any guarantees or warranties

## 15. CONTACTING US

Our Home Ownership Team can be contacted on 0191 238 3919, by emailing [sales@bernicia.com](mailto:sales@bernicia.com) or by writing to Bernicia HQ, Ashwood House, Ashwood Business Park, Oakwood Way, Ashington, NE63 0XF.

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