

SOCIAL HOMEBUY POLICY

Regulation & Legislation

The Social Homebuy scheme is a two year pilot being run by the Department of Communities and Local Government. Guidelines have been set out by the Housing Corporation and will be the initiative to inform this policy. Legislation includes the Housing Act 1996.

Statement of Purpose

The policy provides the basis upon which Sentinel will market and process Social Homebuy as a low-cost-home-ownership initiative to existing tenants. Social Homebuy offers qualifying existing tenants the opportunity to purchase their existing home either outright or on a part-buy, part-rent basis with the benefit of a discount.

Social Homebuy is a voluntary low-cost-home-ownership initiative that Sentinel has chosen to offer to existing secure and assured tenants. Availability of the scheme is dependent upon the amount of Social Housing Grant that Sentinel receives from the Housing Corporation. Sentinel will use the Housing Corporation's model Social Homebuy lease for all sales. Unlike other similar initiatives such as 'Right To Buy', applicants' suitability for the scheme will be based upon the criteria set by Sentinel.

Our Approach

Who can apply?

- 1.1 Secure and assured tenants who have been Sentinel tenants for at least 2 years before 18th January 2005. For tenancies created after 18th January 2005, tenants will be eligible to apply after 5 years from the start of their tenancy.
- 1.2 Sentinel tenants who have not been in their property for the full qualifying period, but who have held a public tenancy elsewhere may be considered for the scheme.
- 1.3 Qualifying tenants may purchase jointly with up to 3 members of their family, so long as all members reside in the property.

Exclusions

- 2.1 Tenants occupying the property on a shorthold assured tenancy, licence or long lease.
- 2.2 Any tenant who is in rent arrears, has a bankruptcy petition pending, undischarged bankruptcy, or has unfulfilled credit arrangements with a creditor.
- 2.3 Any tenant who is the subject of a Possession Order, or Tenancy Suspension Order.
- 2.4 The application of a 'suspension status' may be considered only if we are satisfied that the tenant or a person living in the property, or visiting the property, has engaged or threatened to engage in anti-social behaviour (which includes using the premises for unlawful purposes), and that it is reasonable for a 'suspension status' to be applied.

- 2.5 As such any tenant who is the subject of an ongoing Anti-Social behaviour investigation, or has been found to have perpetrated anti-social behaviour in the preceding 2 years will be excluded from the scheme.

Properties excluded from the scheme

- 3.1 Properties identified for redevelopment or neighbourhood renewal.
- 3.2 All Sheltered housing projects.
- 3.3 Supported housing schemes.
- 3.4 Tied accommodation.
- 3.5 Houses with less than 21 years left on leases, flats with less than 50 years.
- 3.6 Properties situated on rural exception sites.
- 3.7 Properties designed with special features for letting to people with learning difficulties or disabilities.
- 3.8 A property type, or location, where the property would be difficult to replace e.g. four bedroom or larger properties.
- 3.9 Homes subject to restrictive covenants or agreement regarding their continuous use.
- 3.10 Noting the exclusions listed above we will prioritise applications for house purchases.

Prioritisation of applicants

- 4.1 Sentinel will prioritise applicants by the date of the start of their tenancy. Applicants who are not able to proceed due to a lack of funding available to Sentinel will be placed on a waiting list should further funding become available.

The Buying Process

- 5.1 Eligible tenants can purchase as large a share of the property as they can afford with a minimum share of 25% in multiples of 5% up to a maximum of 100%.
- 5.2 The first share of the property will benefit from a discount. The amount of discount will be proportionate to the size of the initial equity share purchased e.g, the larger the purchase of the initial share, the larger the discount. No discount is available for subsequent equity purchases. The process of additional equity purchases is known as Staircasing.
- 5.3 We will publish the discount rates for all Sentinel areas.
- 5.4 If buyers seek to dispose of their interest, through sale or assignment, within five years of the initial purchase, the discount will be recovered on a proportionate property value basis e.g. if the discount represented 10% of the initial purchase,

then 10% of the prevailing value at point of sale or assignment will need to be repaid. Key exemptions to the discount recovery are:

- 5.4a Disposal to family members who have resided in the property for at least 12 months;
- 5.4b Disposal to a spouse or partner;
- 5.4c Disposal through the terms of a will or intestacy.
- 5.5 In order to assist customers to make an informed choice as to whether to proceed with an application based on affordability and sustainability criteria we will provide information on:
 - 5.5a Indicative property price;
 - 5.5b The estimated cost of purchasing a share and detail on how this cost is calculated;
 - 5.5c The total amount of discount applicable at that time in the location, based on the % share being purchased;
 - 5.5d An estimate of the annual service charge where applicable;
 - 5.5e Sentinel will show an example to a tenant of affordability using the multiple of 3 x joint income or 3.5 single income.
- 5.6 We will determine the initial valuation of the property by requesting an independent Valuer to carry out an Open Market Valuation of the respective property. This valuation will be final and applicants have no right to appeal against it.
- 5.7 Sentinel will meet the valuation costs of the initial purchase. All subsequent staircase purchase costs will be met by the buyer.

Affordability

- 6.1 We will carry out checks on all applicants for the affordability of the proposed purchase, and help them, if requested, to access independent financial advice.

Processing applicants

- 7.1 All applicants will be required to complete an application form which will be the basis on which Sentinel will assess eligibility.
- 7.2 All applications will be assessed, and applicants will be informed of their eligibility within 4 weeks. Applicants will then be required to confirm that they wish to proceed to the next stage within 4 weeks of receipt of acceptance.
- 7.3 Sentinel will guide applicants through all stages of the purchasing process, and respond to all further enquiries within 7 working days.
- 7.4 Further eligibility checks will be conducted at the point of 'exchange of contracts' for the property to ensure applicants still meet all eligibility criteria.

Offering alternative properties to the tenants current property

- 8.1 Where the tenant and the property meet the eligibility criteria, Sentinel may offer to sell an alternative property to the one the tenant occupies. Sentinel may also offer this approach where tenants are eligible but the property they currently occupy is not. This approach and the type of alternative properties to be offered are at the discretion of Sentinel.

Setting Rents & Service Charges

- 9.1 Where a tenant is not purchasing 100% of the property value, a rent charge will be levied on the remaining share. The following rules will be applied when setting rents;
- 9.1a The annual rent increase will be limited to the Retail Price Index (RPI) plus 0.5%, using the preceding September RPI figure.
- 9.1b For all flat purchases, Sentinel will include a 'sinking' fund' element in the service charge to ensure that the tenants are contributing to long-term maintenance costs.
- 9.1c For all related service charges, Sentinel will apply the same principles in setting service charges as for similar sale properties.

After-sales service

- 10.1 All Social Homebuy purchases will be managed by Sentinel's Leasehold Management team.

Repairs

- 11.1 The onus for repairs moves from the Housing Association to the purchaser of the property upon completion. Exceptions to this will be noted at the time of sale. For example where a service charge is payable.

Rent arrears and mortgage difficulties

- 12.1 Purchasers will be encouraged to contact the leasehold team at the first sign of any financial difficulties. The leasehold team will offer guidance on the approach purchasers should follow to minimise the risk of losing their home.

Sub-letting

- 13.1 The Social Homebuy lease will prohibit sub-letting, however Sentinel may consider, on a case-by-case basis requests to sublet in certain controlled circumstances. Sentinel will consider the following criteria when dealing with requests;
- 13.1a Reasons are genuine and unavoidable, and are not for speculation or gain.
- 13.1b The person/s to whom the leaseholder sublets also satisfies Sentinel's criteria for affordable housing.
- 13.1c Terms of the sub-let are for a fixed period.
- 13.1d Permission of mortgage lender is given.

Stair-casing

- 14.1 Social Homebuy purchasers may wish to purchase further shares in their property

as their financial circumstances allow. In such case the following rules will apply;

- 14.1a The first step will be to have the property re-valued by an independent valuer.
- 14.1b The valuation fee is to be paid for by customer.
- 14.1c No discount is given to the purchase of further shares.
- 14.1d Customers are required to staircase in multiples of at least 5%.

Re-sales

- 15.1 Those purchasers who have fully staircased to 100% and wish to sell the property are required to offer Sentinel 1st choice on re-purchasing the property. Sentinel will respond to this offer within 8 weeks.
- 15.2 Those purchasers who live in flats (not houses) who do not own 100% of the property at the point where they wish to sell their property, must approach Sentinel to determine both the selling price and whether Sentinel wishes to nominate purchasers or buy the property back.

Keeping local authorities informed

- 16.1 In accordance with Housing Corporation rules, Sentinel will provide information on social homebuy sales to all local authorities where sales have taken place.

Equality and Diversity

We aim to be an association that values, recognises and responds to the diverse needs of members and those we serve. We will not discriminate against any person or other organisation on the grounds of race, ethnic origin, disability, gender, sexuality, age, class, appearance, religion, responsibility for dependants, unrelated criminal activities, being HIV positive or with AIDS, or any other matter which causes a person to be treated with injustice.

Monitoring and Review

The operation of this policy will be regularly reviewed by the Shared Ownership Manager, in conjunction with the Policy & Strategic Initiatives Officer, with adequate consultation of staff and customers. The outcome of that review will be communicated to the appropriate committee of the board.

Approval Stages

Named Departmental Signoff Liz Benson Date: 12th June 2006

Named Director Sign off Val Bagnal Date: 19th June 2006

Consultation Date: 5th & 6th July 2006

Committee Approval Date: 7th December 2006