

## **AFFORDABILITY AND SURPLUS INCOME POLICY**

As part of the assessment process we work with specialist Shared Ownership mortgage advisors to carry out financial assessments on shared ownership applicants to ensure that your new home is affordable and sustainable.

We will ensure that all homes meet Homes England affordability guidance as detailed in the Capital Funding Guide.

An approved affordability calculator will be used to undertake an assessment of each prospective purchaser and this will be carried out by our Independent Financial Advisor.

To complete the assessment and guard against fraudulent applications, you will be required to provide the following information. This list is not exhaustive and if fraud is suspected more information may be required:

- Proof of earnings
- Proof of savings
- Details of outstanding loans and other debts
- Proof of current residence
- Proof of identity
- Proof of current landlord

In addition, a credit reference check will be completed.

Mortgages must be obtained from a lender regulated by the Financial Services Authority.

- A minimum deposit of 5% must be available towards the purchase.
- CGA will not accept 100% mortgages.
- If the deposit is being gifted by a family member, evidence will be provided of the source of funds, along with a letter stating there are no rights sought in return over the property.

Any applicant who presents with a poor credit history will be subjected to additional checks to satisfy CGAs requirements for affordability, these will include:

- Credit report, including CCJ certificate of satisfaction.
- IVA completion certificate.
- Bankruptcy certificate of discharge.
- Copies of last three months' rent statements.
- Landlord Reference checks.

Further or different documents may be required dependent on source of deposit.

## **SURPLUS INCOME**

As part of the assessment we consider your monthly surplus income and require a minimum surplus income of **10%**.

The minimum surplus income is the minimum amount of gross income that an applicant should have remaining after commitments. Surplus income will be calculated on a monthly basis.

The monthly surplus income is calculated as below:

Gross income less:

- gross deductions (tax, National Insurance, student loan, etc)
- known commitments (loans, credit cards, childcare, etc)
- Shared Ownership rent and service charges – these are stress tested so will consider estimated increased rent, and service charges, over the following 5 years from completion.
- Indicative mortgage payment
- Essential costs (council tax, utilities, food, fuel and travel, insurances)

This figure should be at least 10% of the gross income.

Where possible the indicative mortgage payment should be no more than 30% of your gross income less your gross deductions, known commitments and shared ownership rent and service charges (subject to recommendation from our advisor).

For calculation purposes, the indicative mortgage payment is determined by our advisor. This may be exceeded in cases where the advisor feels that there is a justification for doing so and where you are still able to satisfy our surplus monthly income policy.

While alternative advisors may offer alternative views on surplus income, this policy applies regardless of if you are using our independent financial advisor or you have chosen your own.