

Appendix 1b:

NEW FOREST DISTRICT COUNCIL SHARED OWNERSHIP MINIMUM MONTHLY SURPLUS INCOME POLICY

1. Required minimum surplus monthly income

- 1.1 Homes England guidance requires providers of shared ownership to establish a monthly minimum surplus income. The surplus income is based on the remaining net income after housing costs and other financial commitments have been taken into account. The methodology for establishing the surplus income is explained in the table below. In establishing the surplus income level consideration is given to the housing costs, income levels and living costs of the district area.
- 1.2 New Forest District Council's required minimum surplus income is 10% of the applicant/s net income.
- 1.3 To ensure that an applicant can afford the initial and ongoing costs of shared ownership, a mandatory affordability assessment must be completed by a qualified and experienced advisor who is regulated to give mortgage advice. The assessment forms an important part of the application process. The assessment is completed free of charge to the applicant. The assessment must be completed in line with Home England regulation and guidance.
- 1.4 The 10% minimum surplus monthly income is to be calculated using Homes England methodology below, and any other relevant factors identified by the mortgage advisor as part of the affordability assessment^[2].

A. Gross income	e.g. Gross monthly pay
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	Applicable benefits Guaranteed maintenance payments
B. Gross deductions	e.g. Income tax National Insurance Pension contributions Student loan
C. Known commitments	e.g. Loans, Credit cards, Childcare
D. Housing costs of the shared ownership purchase	Rent (stress tested over 5 years) Service charge
E. Net income available to support a mortgage	E is the remaining income once B, C & D are deducted from A
F. Mortgage Payment	Homes England states that this should no more than 30% net income of E <i>This is subject to recommendations of the independent mortgage advisor, supported by the budget planner</i>
G. Essential costs	e.g. Council tax, Utilities, Food, Insurance, Travel and fuel
H. Surplus income	This is the figure remaining once the mortgage (F) & other essential costs (G) have been deducted from net income (E)