

Monthly Minimum Surplus Income Policy

Code: SMP 21.0

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1. Our policy statement

- 1.1. Homes England has announced changes to the way registered providers administer shared ownership affordability from 1st August 2024. The detail behind these changes can be found in Homes England's Capital Funding Guide.
- 1.2. This policy follows the criteria as published in the Capital Funding Guide.

2. The scope of this policy

- 2.1. The scope of this document is to clearly set out how we assess a customer's affordability based on their monthly minimum surplus income.

3. Equality and diversity

- 3.1. Sage is committed to making sure all services are accessible to all our residents. Our staff will be trained to make sure they are communicating appropriately with our customers, and they have the relevant information.
- 3.2. This policy will be applied in a way which makes sure we treat all customers with fairness and respect. We recognise our duty to advance equality of opportunity and prevent discrimination or victimisation on the grounds of age, sex, sexual orientation, disability, race, religion or belief, gender re-assignment, pregnancy and maternity, marriage and civil partnership and any other protected characteristic defined within the [Equality Act 2010](#).
- 3.3. On request we will provide translations of all our documents, policies and procedures in various languages and formats including braille and large print.

4. Our Commitment

- 4.1. The minimum amount of surplus income is an amount of money that a customer should have at the end of each month once housing costs, other commitments and expenditure have been accounted for.
- 4.2. These costs will be established as part of the affordability assessment using a budget planner carried out by a Sage's appointed Independent Financial Advisor (IFA). Our appointed IFA's are experienced advisors who are regulated to give mortgage advice. They are knowledgeable of the sector and have access to a range of Shared Ownership mortgage lenders. The IFA will consider all elements of the applicant's income and expenditure during the assessment.
- 4.3. Sage Homes' monthly minimum surplus income requirement is 10% of the applicant's net income. This amount has been determined using methodology from mortgage lenders and mortgage advisors and based on our knowledge of household incomes and the costs of living in our areas of operation. This is subject to review from time to time.

Net income is calculated on the following basis:

$$(A - B - C - D) = E$$

- (A) Gross income
 - (B) **Less** gross deductions (tax, National Insurance, student loan, etc)
 - (C) **Less** known commitments (living cost, loans, credit cards, childcare, etc)
 - (D) **Less** Shared Ownership rent, Mortgage payment and service charges – these are stress tested so will take into account estimated increased rent, and service charges, over the following 5 years from completion
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- E is the surplus income remaining that is intended to demonstrate that customers can withstand stress events and unexpected/unplanned ‘shocks’ in their expenditure over and above those identified through a budget planner and should meet our 10% monthly minimum surplus income requirement.
- 4.4. Capital Funding Guide states that we must ensure that the mortgage a customer is able to secure represents no more than 30% of their net income (subject to a recommendation from our appointed IFA). This is after accounting for what is considered firm expenditure commitments and the rent and service charge costs of the Shared Ownership purchase. The customer should also meet our minimum surplus income requirement of 10%.
- 4.5. Sage Homes reserves the right to decline any application where the minimum surplus income falls below the required 10% of the Applicant’s Net income
- 4.6. If the customer does not meet the requirements in this policy, we would consider the property to be unaffordable to the customer.

5. Delivery of this policy

- 5.1. This policy should be read alongside
- 5.1.1. Adverse policy
 - 5.1.2. Eligibility and Priority for New Development policy
 - 5.1.3. Reservations policy
- 5.2. The effective delivery of this policy including training, guidance and support required by staff for implementation of this policy will be provided by the Sales and Marketing Team.

6. Policy review

- 6.1. We will review this policy at least once every 2 years to make sure it remains relevant and accurate unless:
- Legislation/regulation or industry changes require otherwise, making sure that it continues to meet our aims and industry best practice
 - We identify any problems or failures in this procedure as a result of customer and stakeholder feedback, complaints or findings from any independent organisations.

Version	Checked by	Amendments	Approved at/by	Date of Approval	Published by	Date of Review
V1	IM		LT	Aug 2024	Policy & Service Improvement Team	Aug 2026