

Affordability and Financial Assessment Criteria for Shared Ownership

Babergh & Mid Suffolk District Councils (BMSDC)

April 2025

When selling a Shared Ownership home Babergh & Mid Suffolk District Councils (BMSDC) are required to confirm that the applicant meets the eligibility and affordability criteria for the scheme. Proof of these checks is made through completion of affordability and financial assessments completed as part of the application process, namely the affordability assessment (minimum monthly surplus income form) and the financial assessment (financial sign off sheet).

The affordability and financial assessments confirm what the applicant can afford and ensures that the purchase they are looking to make is affordable and sustainable. The information provided in these assessments is also used along with other information to confirm that the applicant meets the general Shared Ownership financial eligibility criteria. Each application will be reviewed by BMSDC on a case-by-case basis using the information provided by the applicant and the financial advisor as part of their assessment.

The affordability and financial assessments must be undertaken by a suitably qualified and regulated mortgage advisor or financial advisor. BMSDC work with William H Brown's team of mortgage advisors to ensure the assessments are completed in line with the requirements.

Applicants are free to work with any mortgage advisor or broker of their choice when applying for or considering a mortgage, however their application to BMSDC must include the affordability assessment form and financial sign off sheet completed by a member of the William H Brown's mortgage advisor team. There is no charge to the applicant for these assessments.

Further information on the scope of both BMSDC's affordability and financial assessment criteria can be found on the following pages.

BMSDC's Affordability Assessment Criteria (Minimum Monthly Surplus Income Form)

To meet BMSDC's affordability criteria applicants must have a minimum monthly surplus of no less than 55%. A surplus is the money left after considering all deductions, commitments, and shared ownership housing costs. The 55% surplus income should be available to support a mortgage and other essential expenditure.

For example, if the applicant's monthly gross household income is £2,500, they should have no less than £1,375 left after considering all deductions, commitments, and housing costs.

The methodology for arriving at an applicant's monthly surplus income is calculated as follows:

$$55\% \text{ of } A = E$$

$$A - B + C + D = F$$

To meet affordability criteria, F should equal no less than E

A = Gross monthly income

B = Gross monthly deductions (tax, National Insurance, student loan, etc)

C = Known commitments (loans, credit cards, childcare, etc)

D = Housing costs of the Shared Ownership purchase (rent and service charges)

E = Minimum monthly surplus (55% of gross monthly income)

F = Monthly surplus income (This figure should not be lower than E)

Worked example that meets affordability criteria:

£3,000 = Gross monthly income

£500 = Gross monthly deductions

£150 = Known commitments

£600 = Housing costs of the Shared Ownership purchase

£1,650 = Minimum monthly surplus

£1,750 = Monthly surplus income

BMSDC's Financial Assessment Criteria (Financial Sign Off Sheet)

The financial advisor will initially complete a fact finding and budget planner to discover applicant's available disposable income.

They will seek to understand the applicant's preferred monthly repayment budget and discuss why it could work based on total anticipated monthly cost including shared ownership rental charge, service charge and anticipated mortgage repayment. Where the applicant's expected monthly budget is not realistic the advisor will guide and educate.

The advisor can give a guide on anticipated borrowing amount and agree to complete an agreement in principle. This requires a soft credit search which allows the advisor to demonstrate affordability and a subjective accept.

The advisor will request the applicant's consent to complete credas report. This is used to ensure verification has been completed pre agreement in principle. If a credas report is not completed, the applicant will need to provide confirmation of their ID directly as part of the application process with BMSDC.

The advisor will request to see and may take copies of the following:

- Last 3 months payslips.
- Last 2 years of SA302'S if self-employed.
- Last 3 months of bank statements evidencing receipt of income and to show current expenditure.
- Proof of deposit.

If the applicant is a cash buyer, the advisor will require proof that the applicant is unable to obtain a mortgage (for example an email/letter from mortgage advisor confirming why).

The advisor may also require an up-to-date credit report. This is used to evidence any history of not paying utilities/bills on time to reduce risk of non-payment of rent for BMSDC.

The advisor will use this information to complete the Financial Sign Off Sheet (either the Mortgage Buyer version or the Cash Buyer version). This document forms part of your application for the shared ownership home. BMSDC will use the information provided to complete their assessment of your application and ensure that you meet the general financial eligibility for shared ownership as well as to confirm that the purchase of the home is affordable for you.