Qualification for Rehousing Routes under the Proposed Policy **APPENDIX 3**

NB: The examples given refer to the figures provided in Appendix 2.

A household will be recommended **council tenancy** as their <u>sole</u> rehousing route if:

a) they are unable to afford to purchase a 25% share in a suitable sized property OR
b) they cannot afford to purchase more than a 25% share AND
c) they cannot afford the ongoing costs of shared ownership at 25%.

For example:

i) After having paid back their mortgage and any other secured liabilities, a couple requiring a two bedroom home are left with £25,000 from the proceeds of the repurchase and the homeloss payment. They do not have any savings. The household is permitted to retain £16,000 of this amount which the council disregards it in its financial assessment. They are able to fund a mortgage of £30,000. The total amount they can put towards the purchase of another home is £39,000 (£25,000 - £16,000 + £30,000). However, because a 25% share of an average two bedroom property from the council's own stock would cost £48,750, they would be recommended for council tenancy.
ii) A single lady requiring a one bedroom home is left with £58,000 from the proceeds of the repurchase and the homeloss payment and after paying back her mortgage. She has savings of £10,000 and would therefore have £52,000 to put towards the purchase of another home after deducting the £16,000 retention (£58,000 + £10,000 - £16,000). She would therefore be able to afford to buy a 25% share in a one bedroom home worth £180,000 even without a mortgage. However, her remaining income after paying for her costs of living (council tax, personal loans, food, clothing, subscriptions, utilities and other bills, etc) is less than £200 per month and would not cover the ongoing costs of a 25% shared ownership purchase of that property which is calculated to be £364.04. She would therefore be recommended a council tenancy.

A household will be recommended **shared ownership** as their <u>sole</u> rehousing route if:

a) they cannot afford to purchase more than a 25% share AND
b) they are able to afford the ongoing costs of shared ownership at 25%.

For example:

After discharging their secured liabilities, a family requiring a three bedroom home is left with £40,000 from the proceeds of the repurchase and the homeloss payment. They have savings of £20,000 and can afford a mortgage of £30,000. They would therefore have £74,000 to put towards the purchase of another home after the deduction of the £16,000 retention (£40,000 + £20,000 + £30,000 - £16,000) and can afford to buy a 25% share of a property worth £235,000 but cannot afford to buy a 50% share. Their income is such that they are left with £600 after paying for their costs of living and the mortgage. They can therefore afford the ongoing costs of shared ownership at 25% which are calculated to be £474.78 and would be recommended this as their rehousing route.

A household will be recommended **shared equity** as their <u>sole</u> rehousing route if:

a) they are able to afford to purchase at least a 50% share AND
b) they cannot afford the ongoing costs of shared ownership at 50% BUT
c) they can afford the ongoing cost of paying the leasehold service charge and ground rent under shared equity terms.

For example:

An elderly couple requiring a one bedroom property have paid off their mortgage and have no further secured liabilities. They will receive £135,000 from the proceeds of the repurchase and the homeloss payment. They have savings of £20,000. They cannot obtain another mortgage due to their age. They would therefore have £139,000 available to them to purchase another home after the deduction of the £16,000 retention (£139,000 + £20,000 - £16,000). However, their monthly income is made up of state pensions and a small private pension and after considering their costs of living, they have only £220 remaining. They would therefore not be able to afford the ongoing costs of purchasing a 50% share on shared ownership terms which would cost £278.08. However, they would be able to afford the ongoing costs on shared equity terms and would be recommended this rehousing route. They would be required to purchase the largest share they could afford (to the nearest 10%) so if they were purchasing a property worth £180,000, they would need to buy a 70% share (worth £126,000) but would be able to retain the difference of £13,000.

A household will be recommended a **choice of either shared ownership or shared equity** as their rehousing route if:

a) they are able to afford to purchase at least a 50% share AND
b) they can afford the ongoing costs of shared ownership at 50%.

For example:

A family requiring a two bedroom property will receive £70,000 from the proceeds of the repurchase and the homeloss payment after paying off their mortgage and other secured liabilities. They have savings of £25,000. They are able to obtain a mortgage for £70,000. After the deduction of the £16,000 retention, they will have £149,000 available to purchase another home (£70,000 + £25,000 + £70,000 - £16,000). Their income is such that they will have £500 remaining after paying their monthly mortgage liability and considering their costs of living. This would enable them to afford to purchase on shared ownership terms at 25%, 50% or 75% and afford the ongoing costs at each of these levels. They would be able to choose at what level of shared ownership they wanted to buy. However, they would also have the choice to purchase on shared equity terms but would have to purchase the largest share they could afford (to the nearest 10%). If they were purchasing a property worth £195,000, they would need to buy a 70% share (worth £136,000) but would be able to retain the difference of £13,000.