



Minimum Monthly Surplus Income Policy

SCOPE

This policy applies to every affordability assessment to be carried out for applicants of a shared ownership home and is to be applied in conjunction with Section 5 – ‘Assessing Affordability’ of Saffron’s adopted Shared Ownership Allocations Policy dated March 2022.

We will ensure all prospective customers are aware of our policy approach when offering them a shared ownership home

We will ensure all prospective customers are aware of the process prior to expending any cost to themselves

In line with regulative guidance set out in Homes England’s Capital Funding Guide, Saffron must be open in establishing a Minimum Monthly Surplus Income Policy.

POLICY STATEMENT

An assessment of an applicant’s affordability to buy a shared ownership home will be carried out for every prospective buyer. The purpose of this assessment is to ascertain the share of the home that the applicant can afford and to ensure that the purchase is sustainable. Assessments are carried out free of charge to the applicant by a suitably qualified independent financial advisor who is regulated to give mortgage advice (referred to as ‘the advisor’).

A monthly surplus income is required in the calculation of affordability. This is the sum remaining once all household outgoings, including housing costs associated with the shared ownership home have been deducted from household income. In all application assessments Saffron will require a minimum surplus income level of 10%. Having sought advice from independent mortgage advisors, the 10% is currently used across the mortgage industry in assessing mortgage applications and we therefore feel this is an acceptable level of surplus income.

The advisor will collect all necessary evidence in order to establish a prospective purchasers household incomings and outgoings in order to carry out the following calculation:

- (A) Gross household income
- (B) Deductions from gross household income (e.g. tax, National Insurance, student loan, etc)
- (C) Known commitments (e.g. loans, credit cards, childcare, etc.)

(D) Housing costs of the Shared Ownership purchase (e.g. rent and service charges, *not including* mortgage)

(E) Net income remaining for mortgage purposes calculated as $E = A - B - C - D$

(F) Mortgage costs to be no greater than 30% of E

(G) Other essential expenditure

Minimum Monthly Surplus Income ($E - F - G$) must be greater than or equal to 10% of gross household income

Saffron in exceptional circumstances may consider applications that do not meet the policy but only where strong evidence is provided and at Saffron's discretion