

HOME OWNERSHIP POLICY

Home Ownership Policy

Responsible Officer	Head of Sales, Lettings & Customer Care
This policy is applicable to	Karbon Group
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Policy Statement

This policy explains how Karbon Homes Group (the Group) helps people access home ownership through schemes such as Shared Ownership and Rent to Buy. Its main aim is to support customers who cannot afford to buy on the open market by providing fair, transparent application and selection processes. Applicants must meet eligibility criteria, including income limits, affordability checks, and evidence that they can sustain the costs of homeownership long term. Independent Financial Advisors (IFAs) play a key role in assessing affordability and ensuring customers are matched with homes and share levels they can realistically afford.

The policy also sets out how applicants are prioritised and what is expected during the process. Priority is generally given to those in housing need, first-time buyers, and eligible groups, with additional rules for specific schemes such as Older Persons Shared Ownership or rural sites. Customers must demonstrate good financial history, provide deposits, and meet legal and regulatory requirements. Throughout, the Group aims to market homes clearly, treat customers fairly, and ensure that homeownership remains a sustainable and positive outcome, with support available for those in vulnerable circumstances.

Risk the policy is designed to control

7 - Meeting Development Strategic Ambitions

Key performance measures

The number of sales completed.

Definitions

Shared Ownership is aimed at helping people in housing need who are unable to afford to purchase a property on the open market. It covers all properties developed with grant funding specifically for sale on shared ownership terms. In addition to general shared ownership, it includes properties developed for:

- ✓ Older Persons – is available to customers aged 55 and over
- ✓ Existing legacy products
- ✓ Right to Shared Ownership

Rent to Buy is a scheme which allows working households to rent a home at Intermediate Rent providing them the opportunity to save for a deposit to then go on and purchase their first home.

Market Rent is a rent product offered to those who do not warrant having a need for a discounted product or affordable housing. Market Rent values are led by the regional market.

Intermediate Rent is a historical product of which there are different versions of, across the business. On some occasions customers can purchase a share of the property on this scheme, but not always. This is dictated by the funding stream at the time.

Abbreviations

OPSO – Older Persons Shared Ownership

IFA – Independent Financial Advisor

DPA – Designated Protected Area

Policy Detail

1.0 Purpose of policy

- 1.1 The policy aims to be comprehensive in covering the application procedure, applicant and selection criteria for new properties and existing properties.
- 1.2 The criteria have been prepared in accordance with the guidance from the Regulator of Social Housing. However, there are other prevailing factors to be taken into account when applications are being assessed, such as: changing housing markets; market conditions; property location; interest rates and mortgage costs; and neighbourhood issues.
- 1.3 In all sales and statutory resale transactions, decisions on eligibility and affordability will be made by a qualified IFA. For rent to buy cases, decisions on eligibility will be made by a specialist IFA, who assess each application, run an affordability calculator, and provide an accept or decline based on the outcome.
- 1.4 Homes for sale are often built and included in Homes England funding programmes; therefore, we need to meet the regulators audit requirements for the initial sales and resale transactions. These requirements are set out in the Capital Funding Guide. Our approach to sales will be in accordance with the Regulators current guidance in the Capital Funding Guide and general policy statements.

2.0 Objectives

- To explain our application process regarding Home Ownership.
- To set the criteria for eligibility to purchase a home and prioritising applicants.
- To discuss how we will advertise/market a home.
- To discuss the current home ownership schemes we offer.
- To ensure, as far as practically possible, that home ownership is a long-term sustainable housing option for our customers.
- To operate within the requirements of our regulator.

3.0 Shared Ownership (part buy/part rent)

- 3.1 Shared Ownership is aimed at helping people in housing need who are unable to afford to purchase a property on the open market.

- 3.2 Shared Ownership covers all properties developed with grant funding specifically for sale on shared ownership terms. In addition to general shared ownership, it includes properties developed for:
- ✓ Older Persons
 - ✓ Existing legacy products
 - ✓ Designated Protected Areas
 - ✓ People with long-term disabilities
- 3.3 Purchasers are allowed to buy an initial share of not less than 10% or 25% dependent upon the lease model, and not more than 75% based on a percentage of the full market value of the property. They pay a subsidised rent on the unowned equity to the Group, at a percentage rate determined by Homes England.
- 3.4 Over time, the leaseholder can purchase further shares in the property. In most cases they can if they wish, purchase up to 100% of the equity in the property, thus becoming the outright owner. This is a process known as 'staircasing'. Staircasing to 100% is not possible on older persons shared ownership and some rural sites (DPA). This will be stipulated in the lease and will be disclosed to potential buyers at the point of enquiry.
- 3.5 There are separate rules in place depending upon which affordable programme a home was funded. For homes delivered under the AHP 2021 to 2026 New Model Lease, each shared owner will be able to staircase in 1% increments for a period of 15 years starting from when they acquire or take an assignment of the shared ownership lease.
- 3.5 As the shared owner purchases greater shares in the property, their rent falls according to the proportion of unsold equity. Where the shared owner has become the outright owner of a house, the Group transfers the freehold of the property to the new owner, where applicable. Where the leaseholder becomes the outright owner of a flat, the Group retains the freehold of the block of flats.
- 3.6 When selling on, the owner receives the relevant percentage of the market value at the time of sale, which is determined by a RICS accredited valuer. All customers will be responsible for paying the relevant fees.
- 3.7 All applicants must meet the criteria for the scheme as per Government guidance and the Homes England Capital Funding Guide and will be subject to a financial assessment.
- 3.8 Initial Repair Period – AHP 2021 to 2026 only – All shared owners will receive support from the Group to pay for essential repairs for 10 years from the start of the lease.
- 3.9 Shared Ownership homes are delivered under different government funding programmes.
HTB (Help to Buy) Shared Ownership brand refers to the 2016 to 2021 programme and all other homes from 2021 onwards are referred to as Shared Ownership

Older Persons Shared Ownership

- 3.10 Older Persons Shared Ownership operates on shared ownership principles but with some differences from Help to Buy: Shared Ownership:
- It is only available for people aged 55 or over.
 - We are not able to consider a younger applicant as this would breach the lease terms and conditions.
 - The maximum level of equity that can be purchased is 75%.
 - When the maximum level of equity has been purchased the leaseholder does not have to pay rent on the remaining 25% share of the property.

Application process Shared Ownership

- 3.11 Applications for new Shared Ownership schemes should be made directly to the Sales and Marketing Team who will check eligibility for shared ownership in line with the capital funding guide. Applications for resale Shared Ownership properties will be made to the Statutory Resales Team.
- 3.11a Immigration Act status – All customers accessing grant funded Shared Ownership properties are required to satisfy the relevant UK residency eligibility requirements.
- 3.12 Interested applicants have the option of using an IFA we are familiar with, or their own. The IFA will complete a financial assessment, to establish the share amount the customer is able to afford and to ensure the share is maximised, where appropriate. The affordability sign-off sheet will also check that the applicants' earnings do not exceed the income cap.
- 3.13 An IFA will seek identification and arrange a mortgage agreement in principle which will include the lender undertaking the necessary credit checks at the time of the full mortgage application.
- 3.14 If a property which was previously owned as a shared ownership property is then owned 100% by the purchaser, the Group is not involved in the resale (other than as the freeholder in the case of leasehold properties).
- 3.15 We will require proof of funding by way of the mortgage agreement in principle. The IFA in addition to this, will request proof of funds for any deposit as per our anti-fraud and money laundering requirements and obligations.

Eligibility criteria for Shared Ownership and Resale Homes

- 3.16 The relevant Sales team and an Independent Financial Advisor will undertake an initial headline eligibility assessment at application stage to ascertain the maximum share that an applicant could afford and whether they could sustain homeownership in the long term.
- 3.17 Applicants must be able to afford their purchase and sustain their housing costs. The IFA and mortgage lender (where applicable) undertake a further rigorous financial assessment taking into account savings, access to capital or any other assets, and outgoings, to assess the affordability of the purchase.

- 3.18 In order to be eligible to purchase a shared ownership property under Shared Ownership, applicants must have a household income of less than £80,000 and be otherwise unable to purchase a property suitable to meet their housing needs on the open market.
- 3.19 The level of savings that an applicant can retain will vary for every individual.
- 3.20 All purchasers are expected to put down a minimum 5% deposit, based on the price of the share being purchased. 100% mortgages are not allowed.
- 3.21 Applicants are primarily expected to be first time buyers, though some applicants who own or have previously owned a home may be eligible. Anyone who already owns a home, would need to prove that their existing home is sold subject to contract, prior to reserving.
- 3.22 When there is a low supply of suitable housing for priority groups, the government removes priority assistance. The exception is when Armed Forces personnel apply and in circumstances of under supply priority must continue to go to Serving military personnel and former members of the British Armed Forces discharged in the last two years.
- 3.23 Where shared ownership properties are being delivered on a rural exception site the priority for allocations will be set out in the section 106 agreement agreed between the local planning authority and developer/ the Group.
- 3.24 An applicant who is an existing tenant must not be in rent arrears or in breach of their current tenancy agreement at the time of the application.
- 3.25 Where a tenant is or has been in arrears for a short period due to a sudden change in circumstances or an administrative delay or error in recording the rent paid in our rent accounts, the Group may use their discretion to allow the case to proceed where it is satisfied the rent is being paid and the applicant has sufficient income to support a mortgage loan.
- 3.26 In the case of private sector tenants, the Group must be satisfied that the tenant has not had a history of rent arrears.
- 3.27 An existing social tenant whose property must be vacated for repairs or demolition and who needs to be re-housed in alternative accommodation may also be accepted onto the programme providing they meet the other eligibility criteria.
- 3.28 Tenants of mutual co-operatives are also eligible to participate if they meet all the other eligibility requirements.
- 3.29 An eligible applicant who wishes to buy a home with someone else can only proceed on the condition that all joint applicants become joint owners. Although joint applicants need not all be existing tenants, or other priority buyers, they must have their financial status assessed by the Help to Buy agent.
- 3.30 Anyone joining the application who already owns, or part owns a home must sell it at the time of jointly buying through Shared Ownership.

- 3.31 A sole qualifying applicant wishing to purchase jointly may only proceed on the condition that they are to be a joint legal owner of the property. A deed of trust providing rights of occupation for a qualifying applicant is unacceptable as an alternative to becoming a joint legal owner.
- 3.32 Applicants will be expected to liquidate what capital assets they may have. Capital assets could include savings, bonds, shares, land, and any other financial investments.
- 3.33 Owner occupiers, can, in exceptional cases, have access to the scheme subject to the following conditions:
- That they meet the general eligibility criteria for the scheme, that is that the annual household income is no more than £80,000 and are otherwise unable to afford to purchase a property without assistance.
 - Each application will be assessed on its individual merits by the Help to Buy agent and the Group.
 - Applicants are required to have already sold their property or sell their property at the same time as buying through shared ownership.

Please refer to the Capital Funding Guide for further guidance.

- 3.34 It is the applicant's responsibility to notify the Group of any changes to their circumstances after the application has been approved.

3.35 Older Persons Shared Ownership

- 3.35 Older Persons Shared Ownership applicants who are currently homeowners will need to sell their existing property before buying using Older Persons Shared Ownership
- 3.36 The Group will not carry out the usual sustainability assessment, but in determining eligibility will consider the level of equity available from the sale of any existing property along with any additional savings. Applicants with sufficient equity to be able to purchase a suitable property on the open market will not be assessed as eligible.
- 3.37 Older Persons Shared Ownership applicants may need to retain a higher level of savings or investments than other applicants to provide ongoing income (in which case it will be taken account of in the headline eligibility check) to cover ongoing living and care costs. We will make a judgement on this on a case-by-case basis, according to the individual circumstances of the applicant, but the overall expectation remains that Older Persons Shared Ownership applicants will use the majority of their capital to fund the purchase of the property.
- 3.38 For extra care schemes we can use an additional degree of flexibility when making this assessment, to consider the higher ongoing costs of the care being provided.

3.39 Right to Shared Ownership

- 3.40 Eligible applicants can acquire their grant funded rental property on shared ownership terms. The right applies to all social and affordable rented homes funded under the 21-26 Affordable Homes Programme, with some exemptions:

- Local Authority Homes
- Homes in DPAs and rural exception sites
- Alms houses
- Specialist homes for older, disabled and vulnerable people
- Homes where the landlord is a co-operative housing association
- Homes where the landlord or freeholder is a Community Land Trust

3.41 The property value will be assessed at open market value disregarding tenant improvements, tenant failure to keep in good repair and assuming a sale at an appropriate term with vacant possession. The valuation must be undertaken by a RICS valuer.

3.42 Customer's must satisfy the following criteria to be eligible:

- Live in a property where the right applies
- Hold an un-demoted secure tenancy, an assured tenancy, or a localism act fixed term tenancy (AST for a fixed term of at least 2 years)
- Have lived in the current property for at least 12 months
- Have been a tenant of social or affordable housing for at least 3 years
- Are not in rent arrears
- Are not subject to a court order for the possession of the property
- Are not subject to bankruptcy proceedings or unfulfilled credit arrangements
- Are not subject to legal proceedings
- Satisfy all standard eligibility criteria for the shared ownership scheme including income requirements and not already owning a property
- Satisfy immigration requirements
- In case of joint applications, all applicants must either be tenants or family members who have lived in the property for the 12 months prior to purchase. All applicants who joined the application must be party to the purchase at completion.

4.0 Staircasing

4.1 This is the process that allows a Shared Ownership homeowner to purchase additional shares in their property after the initial share purchase. As the homeowner buys more shares, the rent on the remaining share will be reduced accordingly. Subject to the terms of the lease, homeowners may be able to staircase up to 100% ownership.

4.2 We will provide customers with clear information about the process, including eligibility, valuation requirements, costs and fees and timescales to support their decision making.

5.0 Rent to Buy

5.1 Rent to Buy is a scheme which allows working households to rent a home at Intermediate Rent providing them the opportunity to save for a deposit to then go on and purchase their first home.

5.2 We will let homes to working households who are looking to buy a home but who do not currently have sufficient savings for a deposit. We will ask for proof of employment.

- 5.3 The homes will be let at an Intermediate Rent for a maximum of five years. During this time, it is anticipated that tenants will save for a deposit and ultimately purchase the home. During this time, the tenant can buy on shared ownership terms in year 1 to 5.
- 5.4 After the initial letting period (five years) the tenant will be given the opportunity to purchase their home, or to continue the tenancy, at which point the period of reduced rent will end and will revert to market rent (this will result in a 20% increase on monthly payments).
- 5.5 If at any point after the initial five years of letting, the tenants submit a request to buy their home we would agree to sell except in the most exceptional circumstances.
- 5.6 There are currently several Intermediate rent variations across the business, with different buying options. Each will be marketed in line with the S106 agreement stipulations, and on advice of the development team.
- 5.7 Rent to Buy homes will be sold at market value, which would be determined by an RICS accredited valuation. Tenants wishing to purchase their home will need to obtain a conventional mortgage to do so. There is no additional affordability assessment, over that of the mortgage lender, required for Rent to Buy purchases.
- 5.8 The Voluntary Right to Buy is not applicable on homes built under Rent to Buy.
- 5.9 We will require proof of funding from all applicants by way of an independent financial advisor at the point they wish to buy their home, as per our anti-fraud and money laundering requirements and obligations.

5.10 Application process - Rent to Buy

- 5.11 To be eligible for Rent to Buy, tenants must be first time buyers or those returning to the market following a relationship breakdown.
- 5.12 Applications for Rent to Buy should be made directly to the Group.
- 5.13 Applicants will be required to complete an application form giving their reason for the application and personal details including financial information. Those applicants who appear to qualify will be referred to an IFA to undergo the rent to buy assessment where they will be asked to provide details of their income and outgoing commitments.
- 5.14 Applicants will be asked to provide copies of both Experian and Equifax credit reports to the IFA.
- 5.15 When a credit file shows adverse information such as County Court Judgements, the Group will require these to have been settled for a period of no less than 12 months before an application will be considered. Where a customer has or has had substantial rent arrears, the Group will require these to have been settled for a period of no less than 12 months before an application will be considered. If you have defaults on your accounts, they will need to be addressed. If there are

numerous defaults over a number of years, you may not qualify due to spending habits.

- 5.16 Payslips for a 3-month period will be requested as proof of employment.
- 5.17 Photographic ID and a recent utility bill will be requested at sign up stage by the Specialist Housing Team.

5.18 Selection process - Rent to Buy

- 5.19 An applicant who is an existing tenant must not be in rent arrears or in breach of their current tenancy agreement at the time of the application.
- 5.20 Where a tenant is or has been in arrears for a short period due to a sudden change in circumstances or an administrative delay or error in recording the rent paid in our rent accounts, we may use our discretion to allow the case to proceed where it is satisfied the rent is being paid and the applicant has sufficient income to support a mortgage loan.
- 5.21 In the case of private sector tenants, we must be satisfied that the tenant has not had a history of rent arrears.

6.0 Outright Sales

- 6.1 All applicants wishing to buy a new home from the Group need to be in a position to proceed in order to reserve a home and have proof of funds. Proof of funds can be via a mortgage in principle from a bank or building society or if they are a cash buyer, we need to see bank/saving statements.

7.0 Advertising/Marketing schemes and properties

- 7.1 Signage will be placed on site for each new development, where planning is allowed. Directional signage will be in situ to direct visitors/ customers to our exciting new developments.
- 7.2 Digital platforms such as social media and the Groups websites will be utilised to promote all available developments. Sales literature will be available both online and via hard copies at customer's request.
- 7.3 In some case show homes and marketing suites will be available on site for customers to visit to find out about our great products and services that the Group has to offer.
- 7.4 We will not hold a property whilst the application process is ongoing, for any tenure type.
- 7.5 We will waive nomination rights on Shared Ownership resale properties. The leaseholder may proceed with marketing the property and sell their share with an estate agent, subject to the lease requirements. The valuation must be based on a RICS market valuation.
- 7.6 Key Information documents will be provided and published for all available

properties. This will include information about the shared ownership scheme, a summary of costs connected with the homes, and indicative service charges. These documents will explain the terms of the lease, together with the leaseholder's rights, responsibilities and obligations.

- 7.7 For all resales, the homeowner is responsible for obtaining a current valuation from an independent RICS qualified surveyor. The valuation must comply with the lease provisions. Where a valuation expires before an offer is accepted or before the sale completes, the homeowner must obtain an updated valuation. The sale price will be based on the current valid valuation. (Typically, three months). the Group will not accept valuations from non-approved RICS surveyors.

8.0 Customer Vulnerabilities

- 8.1 This policy is applied in line with our Customers in Vulnerable Circumstances Policy. We want people to be treated fairly, have equality of opportunities, freedom, respect, and access to our services.
- 8.2 We will support people in vulnerable circumstances to help us deliver this service. We will work alongside external agencies such as social services, the police and fire services and other appropriate agencies to help and support people in vulnerable circumstances and to ensure we meet our statutory and regulatory requirements as a social landlord.
- 8.3 Policies and key information are made available on our website.

9.0 Managing complaints, monitoring and Review

- 9.1 We will publish details of our complaints policy online, ensuring customers can easily access information on how to raise and escalate a complaint.
- 9.2 The Head of Sales, Lettings and Customer Care will coordinate the monitoring and review of this policy.
- 9.3 This policy will be reviewed every 3 years or if there are significant changes to national policy, legislation, or regulation.

10.0 Equality and Diversity

- 10.1 This policy is applied in line with our Inclusion and Belonging Policy. This includes the legal requirements of the Equality Act 2010, Workers Protection Act 2023 and the Public Sector Equality Duty.
- 10.2 At the Karbon Group we aim to eliminate discrimination, promote equality of opportunity, foster good relations and define the nine protected characteristics of age, disability, gender reassignment, marriage or civil partnership, pregnancy or maternity, race, religion or belief, sex, or sexual orientation.
- 10.3 If you would like this or any other policies in a different language or format please contact inclusion@karbonhomes.co.uk.

11.0 Data Protection

- 11.1 We have a clear policy on data protection and sharing data with other partners/third parties under the requirements of the UK General Data Protection Regulation, the Data Protection Act 2018 and other associated legislation. This is clearly set out in the Data Protection Policy for the Karbon Group which, along with its associated procedures, must be followed throughout the operation of this policy.
- 11.2 All sales will be recorded on a Continuous Recording (CORE) sales Log. The Group will use the standard government forms to submit the data.