

A05 – Sale of Property & Issue of Deferred Payments

Authorised reviewer: Head of Financial Planning



1. Purpose of Policy

The purpose of this policy is to set out the criteria for the sale of Andium Homes' properties and the circumstances in which Andium Homes will offer deferred payment bonds to purchasers under its established Deferred Payment Scheme.

Property sales are carried out for a number of reasons, including but not limited to:-

- a) Providing opportunities for qualifying persons to purchase an affordable home
- b) Assisting in stock realignment to better meet our clients' needs
- c) Disposing of assets which are not viable for long term rental use
- d) Meeting Andium Homes' financing requirements

2. Basis of Sales

Certain properties will be designated for sale specifically as 'Affordable Homes' and will be marketed as such to persons registered with the Affordable Housing Gateway for an affordable home purchase when they become available. These homes will be sold with conditions attached such as 'First Time Buyer in Perpetuity' which seek to maintain their affordability in the long term.

Where it is not possible to sell an identified 'Affordable Home' to persons registered with the Affordable Housing Gateway the property will be offered for sale on the open market.

Other properties may be designated for sale on the unrestricted market with the aim that they achieve best value.

2.1. Valuation of the property

The value of each home will be established by Andium Homes prior to it being marketed. The value will be established through comparison with recent sales of similar properties and/or with reference to an independent valuation from a suitably qualified independent valuer.

In the case of open market sales, valuation advice will be sought from one or more local estate agents.

Valuations will take into account all conditions and restrictions on the property.

2.2. Marketing

Where the sitting tenant of a property has applied to buy their existing home, the property will not be advertised more widely. Where a similar property has been marketed recently, Andium Homes' may revert to the results of the marketing exercise rather than advertise the property more widely. Properties identified for sale will be marketed* to suitable potential purchasers in the below order of preference.

1. To anyone who currently resides in an Andium Homes property on an estate marketed for sale and who is registered on Band 5 of the Affordable Housing Gateway with a suitable family composition for the property being sold
2. To Band 5 of the Affordable Housing Gateway taking into consideration the following:

- a. The best match of family composition for the property being sold
- b. The length of time the applicant has been registered on the Affordable Housing Gateway

*This may be through direct e mail marketing, open viewings, advertising on the Andium Homes' website and through social media.

To receive direct marketing, applicants must register on Band 5 of the Affordable Housing Gateway.

If a high volume of purchasing interest is received towards a property being marketed for sale, it may be appropriate to review all purchasing interest and invite a smaller number of applicants to an open viewing. In selecting which applicants for invitation, consideration will be given to the criteria set out in section 2.3 below.

2.3. Identifying the purchaser

In the event of more than one interested applicant the final decision as to the purchaser will be made at the discretion of Andium Homes having considered, in order of preference, the following criteria:

- a) The best match of family composition for the property being sold
- b) If the applicant is a current Andium Homes client who would free up an existing Andium Homes property
- c) The length of time the applicant has been registered on the Affordable Housing Gateway and been actively seeking a property
- d) The applicant being able to provide confirmation of having an 'Agreement in Principle' from a mortgage provider

The purchaser and Andium Homes will transact at arms-length. As such, all purchasers will organize their own lending, valuation and legal advice.

3. Deferred payment scheme

3.1. What is a deferred payment?

Any prospective purchaser of an 'Affordable Home' offered for sale by Andium Homes Limited will be able to apply for a deferred payment of up to a maximum of 25% of the price of the home.

The deferred payment will be repaid on the next transfer of ownership of the property. The amount repaid will be the percentage equivalent of the market value at the time of repayment.

For example:

- Andium Homes sells a property for £400,000. The purchaser qualifies for a deferred payment of 25% (£100,000)
- The purchaser pays £300,000 to Andium Homes having secured a mortgage which takes first charge on the property
- A deferred payment bond is established and takes second charge on the property
- At some point in the future, the property is sold at its fair market value for £500,000
- The value of the deferred payment bond is now £125,000 (25%) and is repaid to Andium Homes in full

As demonstrated above, the level of bond increases if the value of the property increases. However, the value of the deferred payment bond cannot decrease below its initial value. Therefore, in the example above, if the property is sold for less than £400,000 the value of the deferred payment bond due to Andium Homes is £100,000.

Subject to certain conditions, if the purchaser enhances the property during their period of ownership, the value of these enhancements is deducted from the market value when calculating the amount of deferred payment bond due to Andium Homes.

There will be a formal agreement in place setting out the details of the deferred payment.

3.2. Who can apply for a deferred payment?

Anyone registered with the Affordable Housing Gateway and residentially qualified can apply for a deferred payment.

3.3. Calculating the level of Deferred Payment

When calculating the deferred payment entitlement, Andium Homes will take into account the price of the property being purchased compared with:

- a) Mortgage finance available to the purchaser
 - As a general rule, the applicant should seek to obtain mortgage finance at least equivalent to 4.5 times gross income, unless there is a suitable justification for a lower multiple (such as the age of the applicant resulting in a reduced lending period)
- b) Savings and investments available to the purchaser
 - In most cases, the first £15,000 of savings and investments will be ignored for the purpose of calculating the deferred payment to allow buyers to cater for other expenses inherent in purchasing a home. Applicants are expected to contribute any savings and investments in excess of £15,000 towards the purchase of their home

Existing clients renting from a recognised Affordable Housing Provider must have a clear rent account and be able to keep their account up to date throughout the entire purchase process.

At all times, Andium Homes will be looking to provide the lowest possible level of deferred payment.

3.4. Mortgage finance

Where a deferred payment is offered by Andium Homes it will be on the condition that the first charge (the mortgage provided by the purchaser's bank) does not exceed 100% of the actual purchase price (net of the deferred payment amount).

In addition the purchaser(s) will enter into an agreement with Andium Homes not to secure any additional borrowing against the property without the express written agreement of Andium Homes.