

# SM029 - Buy Back and Reverse Staircasing Policy

## 1. Policy Principles

The information below explains the circumstances in which bpha may consider purchasing a property from a homeowner. You are a **homeowner** if you have a long lease of your property (normally at least 99 years) and bpha is your landlord under the lease.

You are a **shared owner** if under the terms of your lease you pay bpha a rent for part of your property.

bpha may consider purchasing a property from a homeowner:

- In cases of exceptional financial hardship; or
- For its own operational or strategic reasons.

Any offer to purchase your home will be dependant on funding. bpha will not offer to buy your home unless grant funding is available or if we are able to fund the purchase from discretionary budget spend without a detrimental impact on services to existing or future customers. We will not borrow money to fund an individual purchase and we do not currently have any specific budget provisions allocated to support the buying back of homes.

If we buy your home, you will have no right to repurchase.

## 2. Exceptional Financial Hardship

To be eligible to be considered for exceptional financial hardship, you will need to be:

- a. A current bpha shared owner: and
- b. In contact with the bpha Money Advice team.

You must meet the one of following criteria:

- be able to demonstrate mortgage arrears/difficulty in paying and facing repossession by your mortgage lender;
- be able to demonstrate that that your current home, including any service charges and personal charges is unaffordable and unsustainable for you.

If the criteria set out above are met, bpha may consider purchasing your home and providing you with a tenancy agreement under which you would pay bpha rent. Before we consider this, you must also be able to show that:

- all other reasonable options, such as mortgage holiday, extending the term of your mortgage, or selling and moving to cheaper property within a reasonable travel to work area have been exhausted; and/or

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- any proposed rental option is affordable for you - you will need to take advice from an independent debt-counselling agency, who will advise on future sustainability and should include consideration of housing benefit eligibility.

bpha will prioritise customers who have a need to remain in their current home, for example:

- Families with young children or children in education and your home is their main residence.
- Your home has been specifically adapted or you need to stay in your home due to a disability or illness.
- You need to remain close to your support network.

Each case will be considered on its individual merits. In considering allocation of budget and priorities, bpha will recognise the diverse needs of its customer base to ensure that equality and inclusion is fundamental to this policy.

### How would this work

- You would need to meet the criteria set out and be referred by our Money Advice team, this will mean that you will have to provide us evidence, documentation and go through our Anti Money Laundering checks.
- You will need to engage with us, your debt counsellor, and your mortgage lender for the repurchase to be possible.
- Your mortgage lender will need to work with us on any repurchase and you may be subject to a shortfall agreement with your lender dependent on the size of any arrears. This would be your responsibility to pay.
- We will use our valuation tool Hometrack or Zoopla to give us an indicative market value for your home and work out if repurchase is affordable for you. If this indicative affordability check works, we will carry out a market valuation.
- Where we are not the freeholder we may have to gain the freeholders consent.
- Once we have all the indicative information, it will be put forward for approval by bpha, this will be subject to agreement from your mortgage lender, market valuation and survey from our Property Services team. If there are significant changes during the process we may need to gain a further bpha approval during the process.
- To determine the current market value of your home we would carry out an independent RICS valuation. This is the basis on which you purchased your home, and we use the same method to buy it back.
- Our Property Services team will be required to ascertain the condition of the property by carrying out a survey and the cost of bringing property back to a lettable standard. If there is a significant cost we may not continue with the repurchase based on this.



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- As bpha will be taking on the repair's liability, bpha may decide to gift certain items to you such as flooring, white goods, sheds etc as we would not maintain them, this will be discussed with you at the time and a list will be given to you of what would still be considered to be your repairing responsibility.
- Once we have established the current market value, we can then confirm the cost of your rent and any service charge payable.
- If the repurchase is approved, we will instruct our solicitor and you will need to instruct a solicitor of your own.
- On completion you will become a tenant on a starter tenancy, you will have received a draft copy of the tenancy prior to completion.

### 3. Reverse Staircasing

If you meet the criteria for exceptional financial hardship, we may offer you an option of reverse staircasing. Reverse staircasing is where bpha changes the terms of your lease so they have a greater 'share' in the equity of your home. This would mean you pay more rent to bpha, and you would be required to reduce your mortgage by any amount bpha pays to you.

bpha will only consider reverse staircasing as an option where it is sustainable and affordable for you to remain in your current home. We would need to be comfortable that you would be able to afford the new mortgage, rent and any service charge payments.

#### How would this work

- Your mortgage lender will need to agree with any reverse staircasing.
- Reverse staircasing can only be carried out for you to remain in your home, it cannot be used to free up monies for any other purpose or repayments of other debts.
- We will use our valuation tool Hometrack or Zoopla to give us an indicative market value for your home and work out if reverse staircasing is affordable for you. If this indicative affordability check works, we will carry out a market valuation.
- Where we are not the freeholder we may have to gain the freeholders consent.
- Once we have all the indicative information, it will be put forward for approval by bpha, this will be subject to agreement from your mortgage lender and market valuation. If there are significant changes during the process we may need to gain a further bpha approval during the process.
- To determine the current market value of your home we would carry out an independent RICS valuation. This is the basis on which you purchased your home, and we use the same method to buy back shares.



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- Once we have established the current market value, we can then confirm number of shares we would buy back and the final costs of your rent, which will be increased in line with what you currently pay. For example, you currently own 50% and your ownership will reduce to 25% you will then pay rent on 75% of the property based on what your rent calculation is on completion. Your rent will continue increase in line with your lease.
- If the reverse staircasing is approved, we will instruct our solicitor and you will need to instruct a solicitor of your own. You should instruct a solicitor with good working knowledge of shared ownership.
- You will be responsible for paying the RICS valuation fee and your solicitor costs, in certain circumstances we will deduct them on completion.
- We will instruct your solicitor to pay the mortgage lender their funds directly on completion.
- You will remain a shared owner on completion and your lease, your responsibilities and rights will remain the same.
- You will be able to staircase in the future should your circumstances change.

## 4. Purchases for Operational or Strategic Purposes

bpha may also buy property for its own operational or strategic reasons. Examples of this may be where bpha wish to carry out regeneration work, or where a scheme would operate more efficiently as a rental only scheme.

Any purchase will need to align to our charitable purpose which is providing homes for those in need, due to low income, age or disability.

We may purchase properties on the open market or through negotiation and consultation with an individual homeowner. Any value agreed would need to be a maximum of the market value taking account of any potential future costs which bpha may need to incur.

<b>Approved by</b>	OLT
<b>Date approved</b>	19/04/2023
<b>Owner</b>	Assistant Director – Marketing and Sales