

Appendix 3: Re-mortgages and further advances procedure

Shared Ownership Re-mortgages and Further Advances Procedure

1	Summary
1.1	This policy and procedure details the circumstances under which a request to re-mortgage can be approved, and those where approval will not be given. If a shared owner wishes to change their mortgage Wolverhampton Homes (WH) will need to approve the new mortgage. This is necessary to help negate the risk of shared owners over stretching themselves financially and having their homes repossessed due to mortgage or rent arrears
1.2	Only certain loans are protected under the Mortgagee Protection Clause in the shared ownership lease and this policy and procedure requires that only these types of loan are approved.
2	Background
2.1	WH manages a portfolio of shared ownership properties on behalf of City of Wolverhampton Council (CWC). If a shared owner wishes to change their mortgage or seek a further advance WH will need to approve the new mortgage. This is necessary to help negate the risk of shared owners over stretching themselves financially and having their homes repossessed due to mortgage or rent arrears.
2.2	In addition, the shared ownership lease contains a Mortgagee Protection Clause (MPC) that offers protection to the mortgage lenders in the event of repossession but the mortgage lender will only be protected if WH has approved the mortgage. Only certain loans are protected under the MPC these include: <ul style="list-style-type: none">• The premium lent to purchase the initial share• Further borrowing to enable the purchase of additional shares (staircasing)• Further borrowings to comply with the leaseholder's covenants in the lease such as essential repairs but not improvements• Further borrowing to allow one leaseholder to buy out another shared owner's interest (in the same property)
2.3	However, additional borrowing can only be permitted if the premium and any further borrowing do not exceed the market value of the leaseholders share of the property.
3.	Responsibilities The following are responsible for the implementation of this procedure: Head of Home Sales and Leases (HHSL) Home Sales & Leases Officer (HSLO)

4.	<p>Legal and Regulatory Framework This guidance incorporates and complies with the following legal and regulatory requirements: Lease Agreements Homes and Communities Agency – Capital Funding Guide</p>
5	<p>Introduction</p>
5.1	<p>This policy and procedure details the circumstances under which a request to re-mortgage will be approved and those where approval will not be given.</p>
5.2	<p>There are three changes to shared owner mortgages that require WH’s approval:</p> <p>Re-mortgage – moving from one lender to another Further advance – staying with the same lender but borrowing an extra amount Re-mortgage and further advance – changing lender but borrowing an extra amount</p>
5.3	<p>If a shared owner is staying with the same lender and just changing interest rates there is no need to obtain WH’s approval.</p>
5.4	<p>WH will provide a Re-mortgaging and Further Advances leaflet to give to leaseholders/shared owners with information on the process.</p>
6	<p>Procedure</p>
6.1	<p>Re-mortgages In order to approve an application to re-mortgage we require the lender to provide the following documents</p> <ul style="list-style-type: none"> • A copy of the mortgage from the new lender • Written confirmation from the current lender confirming the outstanding mortgage balance (redemption statement)
6.1.2	<p>A fee will be charged by WH to consider the application for re-mortgage.</p>
6.1.3	<p>The HSLO will check the documents for the following:</p> <ul style="list-style-type: none"> • That the amount being borrowed does not exceed the redemption figure • That the mortgage is for a residential, owner occupier mortgage from a qualifying lending institution who know they are lending on a shared ownership lease • The interest rate is acceptable • Any early repayment or redemption penalties are acceptable

	<ul style="list-style-type: none"> • Re-mortgage Fee
6.1.4	A written decision will be sent to the shared owner within 28 days of receipt of the documents. If the decision is to reject the application, full details of the reason for the rejection must be given in the letter. If the HSLO Officer wishes to reject the application this must be approved by the HHSL prior to it being shared in writing, Letter 1, to the shared owner.
6.1.5	If the mortgage offer is approved then Letter 2 giving approval will be sent by the HSLO to the lender's solicitor.
6.1.6	Within one month of the re-mortgage the solicitor must serve a Notice of Mortgage with the required fee. The Notice will be receipted and the deed packet endorsed. The HSLO will update the Northgate housing system with details of the new lender
6.2	Further Advances
6.2.1	<p>In order to approve an application for a further advance the following documents are required from the shared owner:</p> <ul style="list-style-type: none"> • A copy of the offer from the lender confirming the amount the shared owner is planning to borrow • Written confirmation from the lender the current value of the home • Written confirmation from the lender of the current outstanding mortgage • A written explanation from the shared owner of why they plan to increase their borrowing • If the additional borrowing is for home improvements the shared owner will need to provide plans, specifications and quotations for the work. They will also need to complete the Alterations Request Form (see Shared Ownership Additional Management Procedures) • Further advance fee (A fee will be charged by WH for considering the application) • Details of current income and expenditure
6.2.2	<p>The circumstances in which WH can approve extra borrowing is set out in the Capital Funding Guide. Under the Mortgagee Protection Clause in the shared ownership lease protection for further advances only the following circumstances will be approved:</p> <ul style="list-style-type: none"> • To allow the shared owner to buy further shares in their home (see Shared Ownership Staircasing Procedure) • To comply with other conditions of the lease. For example, repairs to the property, for example, to replace a broken boiler • To allow one shared owner to buy out the interest of the other shared owner

6.2.3	The total amount of lending including the principal mortgage must not exceed the percentage share based on the current property value. Whilst some home improvements might result in an increase in the property value further borrowings for this purpose are not covered by the Mortgagee Protection Clause.
6.2.4	If the lender is still prepared to provide a further advance WH must: <ul style="list-style-type: none"> • Agree to the improvements being undertaken including how they are being undertaken and by whom • Approve the terms of any further borrowing
6.2.5	Requests for further advances to consolidate other debts will not be approved. The lease nor the funding regulations allow this. If the shared owner wants further lending for this or for any other reason other than stated in 6.2.2 the loan will have to be secured against the property in the form of a secured loan and not part of the mortgage. A secured loan will be secured on the leasehold title only and will not benefit from the Mortgagee Protection Clause.
6.2.6	If the shared owner is using the extra borrowing to buy all the remaining shares in the property (see Shared Ownership Staircasing Procedure) WH does not need to approve the mortgage as on completion the Mortgagee Protection Clause will no longer apply.
6.2.7	A written decision will be sent to the shared owner within 28 days of receipt of the documents. If the decision is to reject the application, full details of the reason for the rejection must be given in the letter. If the HSLO Officer wishes to reject the application this must be approved by the HHSL prior to it being shared in writing, Letter 1, to the shared owner.
6.2.8	If the further advance is approved then Letter 2 giving approval will be sent by the HSLO to the lender's solicitor.
17	Review This procedure will be reviewed annually
18	Appendices Letter 1 Letter 2 Re-mortgaging and Further Advances Leaflet

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