



## Marketing and Sales Policy

**Responsible Director:** Director of Development and Assets

**Responsible Officer:** Head of Sales

**Last review:** July 2023

**Next review:** July 2026

### 1.0 Purpose

- 1.1 To ensure NCHA develops the right homes for shared ownership at the right price and in the right location to meet our customers' needs.
- 1.2 To meet business plan targets for income by marketing properties for sale effectively.

### 2.0 Background/ Context

- 2.1 It is essential that the Association, through its Board and Executive are aware of the marketing and sales policy for new properties developed for shared ownership sale. The knowledge and effective management of the marketing and sales process will improve NCHA's ability to sell properties promptly and meet targets.
- 2.2 The Development Programme SP1 and SP2 includes 40% new build properties for sale, including shared ownership.

### 3.0 Glossary

- 3.1 **The Consumer Code:** Non-mandatory good practice guidance for home builders. The Home Warranty Bodies require all their registered builders to adopt and comply with the code.
- 3.2 **Shared Ownership:** A government initiative aimed at helping people who are unable to afford to purchase a property on the open market.

- 3.3 **New Model Shared Ownership:** changes to the model that were introduced in April 2021 and apply to properties funded from the AHP 2021 – 26 and SP2. It also applies to S106 properties that received planning permission after 1<sup>st</sup> April 2021.
- 3.4 **Old Model Shared Ownership:** the model of shared ownership used up to and including properties funded by the SOAHP 2016 – 21 and SP1.
- 3.5 **Homes England Calculator (HEC):** a tool for use by Mortgage Advisors to establish the maximum share a customer can afford to purchase.

#### **4.0 Site Appraisal**

4.1 The Development Team will send details of prospective sites to the Sales Team for consideration. The Sales Team will consider the following factors when assessing a site's suitability for sales:

- Market conditions
- The location
- The proposed development, size and layout
- Local market demand
- Specification
- Competitors in the local area
- Target market
- Recommended prices
- Comparable sold prices

4.2 The development appraisal is signed by the Head of Sales before submission to ET or Board for approval.

4.3 Where a site is located in a Designated Protected Area, the Project Manager will review the location and request a waiver from the local authority if appropriate. If not, or refused, the buy-back option on the lease will be used to avoid limiting the choice of lenders available to customers.

#### **5.0 Marketing**

5.1 The Sales Team will prepare a marketing plan for each development. The plan will include a timeline with the aim of marketing properties a minimum of 4 months before the forecast practical completion date, and securing off plan reservations. The Development Team will provide the following information before the marketing date:

- A full set of working drawings including floor plans, elevations, landscaping plans and a site plan.

- Predicted Energy Assessment for each plot (PEAs).
- CGIs for each house type or contact details for the architects
- Information about nomination agreements and/or S106 agreements.
- A detailed specification.
- Conveyancing documents as per the Required Document List.
- If the site is in a Protected Area, confirmation on whether it can or cannot be waived.

## **6.0 Valuation, Rents and Conveyancing**

6.1 The sales price will be based on a valuation from a Royal Institute of Chartered Surveyors (RICS) qualified independent valuer. If the property is not sold within 6 months of the original valuation an update will be required from the RICS valuer. Valuations will be obtained by the Development Project Manager.

6.2 The Project Manager will advise a target % share for the development. At initial marketing, shares will typically be offered at 40% - 75%, or other % depending on financial requirements of the development and the sales budget. Reservations and demand will be reviewed monthly and lower shares can be offered if financially viable.

Applicants who's financial assessment indicates a share below the target %, will be advised that we cannot offer lower shares initially due to financial targets, but we may be able to make an offer at a later date. Alternatively, we may be able to make an offer on another development.

6.3 The shared ownership rent will be set at 2.75% of the unsold equity, unless a different % figure is advised by the Development Project Manager.

6.4 The Sales Team are responsible for instructing solicitors to act on behalf of NCHA in the sale of shared ownership homes and providing all required documentation. The Homes England model form of leases will be used, including amendments to non-fundamental clauses required by the Homeownership Manager. An example form of lease will be retained on file for each development. The lease term for old and new model shared ownership homes must be a minimum of 990 years.

## **7.0 Panel of Lenders**

7.1 The Sales Team will maintain a panel of Independent Financial Advisers (IFAs) experienced in dealing with shared ownership mortgages, who will advise prospective customers. The Association's role is restricted to signposting customers towards IFAs; on no account will NCHA give, or appear to give financial advice. Initial advice from the IFAs on the panel must be free to customers.

7.2 Customers are not restricted to mortgage advice or taking out a mortgage with advisers linked to an estate agent handling sales, or an IFA from the Association's panel.

## **8.0. Show Homes**

- 8.1 The Sales Team will agree at appraisal stage whether a show home will be required. The building contractor may be required to complete a show home three months before the first sale homes are practically complete.
- 8.2 The Sales Team will create a brief for the show home, according to the target market and appoint a suitable show home provider.

## **9.0 Local Authority Nominations**

- 9.1 Where a nomination requirement exists with the Local Authority, contact should be established with the Officer within the local authority housing department who will deal with nominations. The Officer will be asked to provide a list of potential customers who have expressed an interest in shared ownership.

## **10. Sales Information Pack**

- 10.1 Prior to marketing The Sales Team will prepare a sales information pack for customers containing:
- Property brochure including floor plans and specification
  - Site plan/Conveyance red line plan showing boundary
  - Shared Ownership Guide
  - Application form
  - Panel of IFAs
  - An explanation of the home warranty cover
  - NCHA Sales contact details
  - Key Information Document 1 – includes a service charge breakdown
  - Key Information Document 2 – includes a summary of fees and future costs and example of rent increases - bespoke to each customer.
  - Key Information 3 – information about the shared ownership lease.

## **11.0 Advertising**

- 11.1 The marketing plan will outline advertising methods specific to the development, including but not limited to the following:
- Site Board/flags/hoarding
  - Brochure
  - Details on NCHA's website
  - Details on property portals
  - Promotional event

- Social Media
- For sale boards or door banners
- Local press advertising
- Show home

## **12.0 Applications and Eligibility**

- 12.1 The Association is responsible for the assessment and confirmation of the customers' eligibility, the share that they are able to purchase and the overall affordability and sustainability of the purchase.
- 12.2 Customers will be provided with a link to make an application via the NCHA website. Customers not able to complete an electronic form can be assisted by the Sales Team who can complete the form on their behalf, or receive a hard copy by post.
- 12.3 Applications will be processed on a first come, first served basis. The date the application along with the IFA advice and HEC is received by NCHA will be the date used. Supporting documentation should be supplied within two weeks of this date. This includes but is not limited to evidence of funds for deposit, payslips, Mortgage in Principal and identification documents. The exception to this is when Armed Forces personnel apply (see 13.2), or where there is a local connection requirement in the S106.
- 12.4 Customers for shared ownership must have a household income of less than £80,000 per year and must not already own or part own a property. Customers should not be able to purchase a home to suit their needs on the open market.
- 12.5 Priority will be given to MOD personnel and customers who meet any local connection requirements set by the Local Authority.

Ministry of Defence personnel will be prioritized for shared ownership schemes where:

They have completed their basic (phase 1) training and they are one of the following:

- Regular service personnel (including Navy, Army and Air Force)
- Clinical staff (with the exception of doctors and dentists)
- Ministry of Defence Police Officers
- Uniformed staff in the Defence Fire Service

They are ex-regular service personnel who have served in the Armed Forces for a minimum of six years, and can produce a Discharge Certificate (or similar documentation) as proof, where they apply within two years (24 months) of the date of discharge from service or

They are the surviving partners of regular service personnel who have died in service, where they apply within two years (24 months) of the date of being bereaved.

12.6 If a customer already owns a property, NCHA may decide to make a conditional offer. This will be subject to considering the following and subject to deadlines:

- Whether the customer has a sale already agreed on their current property
- Demand for the development

Customers are not permitted to complete the purchase of a shared ownership home while still owning another property. If exceptional circumstances mean they cannot sell their current property, permission to complete the sale must be sought from Homes England in line with guidance in the Capital Funding Guide.

12.7 Customers subject to immigration control will be assessed using the same criteria as other customers. Applications will be dealt with on a case by case basis. As long as NCHA is satisfied they can sustain their homeownership obligations they can access shared ownership.

### **13.0 Affordability**

13.1 The affordability assessment must be undertaken by a qualified and regulated mortgage advisor or independent financial advisor (IFA). Due to the specialist nature of shared ownership mortgages, the IFA should be suitably experienced in this area. Customers are able to buy an initial share of between 10% and 75% for the new model shared ownership, or 25% and 75% for the old model. The share is established by the IFA following a detailed affordability assessment, and illustrated using the Homes England Calculator (HEC) or a similar method. The HEC should only be used as a guide and illustration of affordability, the IFA's affordability assessment is the definitive source for the share to be purchased. The IFA advice and the HEC must be sent to the Sales Team and kept on file. If the customer is purchasing with a mortgage, they should provide a Mortgage in Principal (MIP) as part of their application.

13.2 Customers are encouraged to purchase the maximum share they can afford and sustain. In line with guidance in the CFG, maximising the share purchase means that between 25% and 45% of the net household income is spent on housing costs. The mortgage amount should be between 2.5 to 4.5 times the applicant's total gross household income. If the lower thresholds are not met and the IFA believes that this is appropriate for the customer's circumstances, then this can be allowed. The upper limits should not be breached. However, if after a detailed assessment the IFA and mortgage lender are in agreement that a higher share is affordable that exceeds these upper thresholds, then this can take precedence over the HEC. In such instances Homes England should be informed by contacting [sharedownership@homesengland.gov.uk](mailto:sharedownership@homesengland.gov.uk). This is not to seek permission but to enable HE to keep a record for future development of affordability guidance.

- 13.3 Customers purchasing with cash still need to have a financial assessment carried out by an IFA to establish the appropriate share level for their circumstances. A cash purchase is only permissible where there is no suitable mortgage available to the customer, for example if they have adverse credit. The Association requires customers purchasing without a mortgage to provide a credit reference report. Customers who are unable to secure a mortgage due to adverse credit will be assessed on a case by case basis and referred to the Head of Sales or the Homeownership Manager for a decision, taking into account the IFA's advice. Customers who have 2 or more County Court Judgements, Individual Voluntary Credit Agreements, Debt Relief Orders or bankruptcy within the last six years would not normally be accepted by the Association for shared ownership.
- 13.4 Customers can use unsecured lending to access shared ownership. This Association will consider this as part of the overall financial assessment.
- 13.5 The Sales Negotiator will carry out the assessment of individual customers to check that they meet the eligibility criteria, using the application form, IFA advice and HEC, evidence of funds, payslips, Mortgage in Principle and identification documents. This will be recorded on the Application Assessment Form. The form is signed by the Sales Negotiator and either the Senior Sales Negotiator or the Head of Sales.

#### **14.0 Incentives**

- 14.1 There is no scope for customers to negotiate a reduction on prices on shared ownership. The Sales Negotiator can use their discretion to offer incentives in some circumstances and where budgets allow, for example on hard to sell stock plots, early reservation offers or last plots.
- 14.2 When an incentive is agreed the details will be recorded on the sales file, reservation form and on the memorandum of sale. When the incentive is a cash equivalent this must be declared on the CML form.

#### **15.0 Money Laundering**

- 15.1 Customers will be required to provide proof of funds for their deposit in a UK bank account, identification documents and proof of address. The Sales Negotiator is responsible for checking and verifying identification documents in person before instructing solicitors. A record of the document check will be noted on the Application Assessment Form. Any suspicions raised with regards to Money Laundering must be reported to the Money Laundering Reporting Officer in accordance with NCHA's Money Laundering Policy.

#### **16.0 Processing Sales**

- 16.1 As far as possible sales will be agreed off-plan. Viewings will be arranged with the consent of the site manager. All customers must view the plot they are purchasing before sales completion takes place.
- 16.2 The Sales Negotiator will hold a pre-reservation meeting with the customer to discuss buying a shared ownership home with NCHA and the rights and responsibilities of becoming a shared owner. The customer can choose to invite another person/s to this meeting. Once this has taken place, the customer can contact the office to make a reservation payment. Once paid, the Sales Negotiator will complete the reservation agreement and send to the customer for signing. A copy of the reservation agreement signed by both parties must be retained on file and one sent to the customer. To comply with Consumer Contract Regulations, a 14 day cooling off period will apply. If the customer decides not to proceed within the cooling off period, NCHA will refund their reservation fee in full.
- 16.4 The customer will appoint a solicitor to act on their behalf and provide details to the Sales Team. After the 14 cooling off period, if a customer has not appointed a solicitor, or does not respond to correspondence within a reasonable time-frame, the Sales Team will re-market the property and retain up to 50% of the reservation fee for reasonable costs.
- 16.5 The Sales Team are responsible for progressing sales to exchange and completion in line with targets.
- 16.6 The Sales Team will provide the solicitor on instruction with the KID 2 and 3 documents that must be given to the customer's solicitor. The Sales Negotiator must endeavour to obtain a confirmation from the customer's solicitor that this has been provided to their client before an exchange date is agreed.
- 16.7 On sales completion, the Sales Negotiator will meet the customer at their new home and provide:
- Builders pack including all warranties and instructions
  - New Homes Warranty Cover Note
  - EPC
  - Gas and Electric Certificates
  - Leaseholder Handbook
  - Guide to the Initial Repair Period if new model shared ownership
  - Completed key handover form
  - Contact details for reporting defects and for the Homeownership Team.
- 16.8 Feedback from customers will be gathered and reviewed quarterly at Team Meetings and reported as a KPI at the Property Leadership Team Meetings.



## 17.0 Stock Plots

17.1 Stock plots are unreserved plots that have reach practical completion. If demand is low for a development, additional incentives can be offered. If at 3 months after practical completion, where a development has been marketed for over 6 months, and over 50% of the properties are unreserved the Head of Sales will review options with the Development Project Manager. This can include:

- Switching to Rent to Buy
- Switching to Affordable Rent
- Continuing to market

17.2 If the decision is made to switch the Development Team will make a business case to Homes England including the following:

- How long the property has been marketed for
- What actions have been taken to find a suitable purchaser
- Why these have not been successful
- What local authority support exists for the proposed new tenure

## 18.0 After Sales

18.1 Defects will be dealt with in line with the Defects Policy. Any defects sent to the Sales Team will be passed on to Customer Experience Team.

18.2 The Sales Team will retain a complete record of all sales including the original counterpart lease signed by each leaseholder (i.e. for each individual property). The Senior Sales Negotiator or the Head of Sales will review all completed sales files with reference to Homes England Compliance Audit requirements.

## 19.0 Sales Performance Monitoring

19.1 A number of reports and KPIs are used to monitor and report on sales within NCHA Group: NCHA Board approval is for a minimum average share of 35% across all 1<sup>st</sup> Tranche sales.

Name of Report/KPI	Produced by	Who is it sent to?	Due
End of Month Sales Report and Forecast	Head of Sales	Forecast used by Finance	1 <sup>st</sup> working day of month
Budget V Actuals End of Month Sales Report	Finance	ET and Board	On or before 20 <sup>th</sup> of the month.

Development and Sales Report for NCHA Board	Development and Sales	Board	Prepared for every Board meeting
Board KPI Dashboard	Head of Sales	Board	7 <sup>th</sup> of every month.
Property Leadership Team KPIs	Head of Sales	Reviewed at PLT meetings.	Monthly
Assets and Liabilities Register – sales forecast	Head of Sales / Finance	Governance Manager	20 <sup>th</sup> of the month.

19.2 Sales are reported externally on the Homes England Quarterly Survey and CORE log.

## **20.0 Risk Mapping and risk appetite**

20.1 Inability to meet business plan income targets from all sales is risk number 2 on the NCHA Strategic Risk Map.

20.2 NCHA have a risk appetite of 'Cautious' in relation to sales activity.

20.3 Risks related to lower % shares with the new model shared ownership leading to an increased likelihood of default on mortgage and rent payments.

## **21.0 References**

- 21.1 NCHA Group Corporate Plan
- 21.2 NCHA Strategic Risk Map
- 21.3 Value for Money Strategy
- 21.4 Service Standards: Homeownership
- 21.5 Homes England Capital Funding Guide
- 21.6 Money Laundering Policy
- 21.7 Homes England: Compliance Audit Checklist