

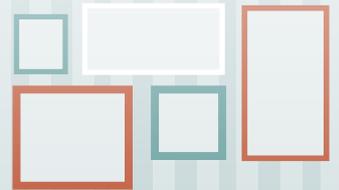


Llywodraeth Cymru
Welsh Government

Help to Buy – Wales

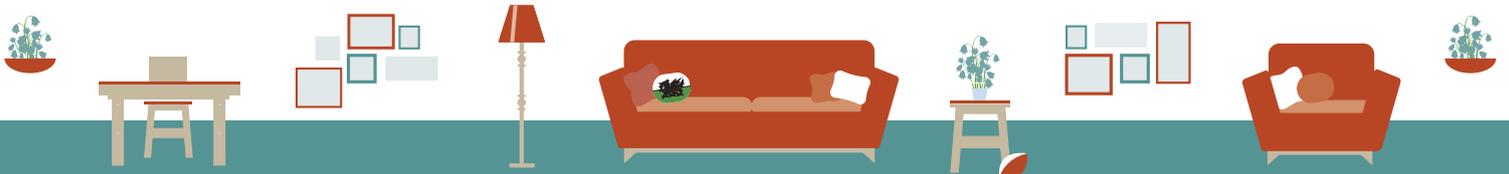
Affordability & Eligibility Guidance

Phase 3 Extension



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Affordability – General Guidance

Please use this document as a guide to the requirements of the affordability assessment of Help to Buy – Wales.

Considering Income

The income of all applicants is considered assuming they are party to the first mortgage and the Help to Buy – Wales shared equity loan.

Income should be considered in this order:

- 1) Basic Income
- 2) Other regular/permanent payments evidenced on consecutive payslips (contractual overtime – roles such as the fire service, EN, car allowance, shift allowance etc.)
- 3) Bonus, overtime, benefits and other inconsistent allowances.

Limits, Income Multiples (IMs) & Debt to Household Income Ratios (DHIs)

Applications where the Income multiple falls between 2x and 4.5x will be approved assuming all other scheme criteria is met.

Help to Buy – Wales are committed to responsible lending and ensuring applicants are able to comfortably afford the shared equity loan. Therefore:

- The maximum Debt to Household Income Ratios is 45%. Applications with a DHI above 45% will be declined.
- The maximum Income Multiple is 4.5x. Applications with an IM above 4.5x will be declined.

There is no flexibility on the above limits.

The principles of the Help to Buy – Wales scheme are to provide support to people who want to become home owners, who would not otherwise have access to an affordable mortgage or be able to get onto the property ladder. The scheme should not be used to provide a cost effective loan to those who could otherwise afford to buy their home.

Therefore, any applications which evidence that an applicant could reasonably afford more than 90% of the full purchase price will be declined. This calculation will be based on 4.5x household income.

Deposits

The overall deposit of an application must be a minimum of 5% of the property purchase price.

Applicants' own deposit contributions may consist of funds from:

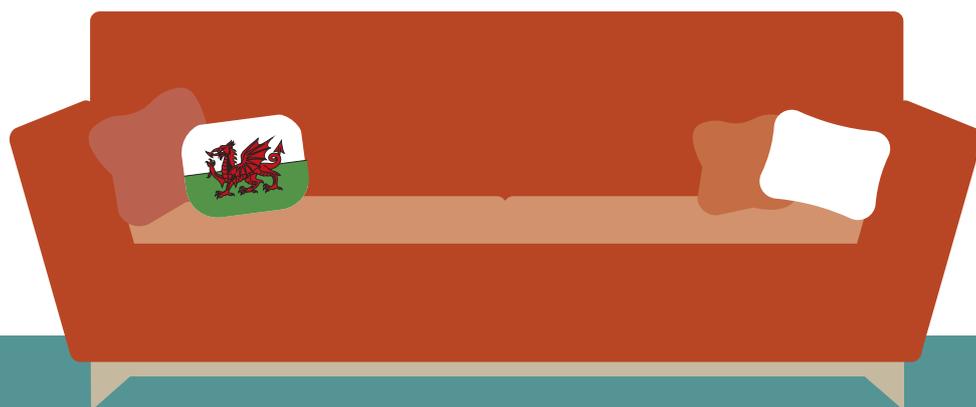
- Their own savings
- The sale of a previous property
- A gifted contribution
- A Help to Buy ISA
- Forces Help to Buy Deposit Contribution

Forces Help to Buy Deposit Contribution

The Forces Help to Buy Scheme enables Armed Forces Personnel to apply for an interest free loan and borrow up to 50% of their annual salary, to be used towards a deposit and other costs associated with purchasing a property. The loan is paid back in monthly instalments over a fixed term.

As the deposit contribution is a loan, HtBW will need to take the monthly repayments into consideration during our affordability assessment.

We require confirmation of the total deposit contribution and details of the monthly repayment figures. The monthly repayments should be input into the affordability calculator under 'Loan/HP Payments'.



Affordability – Employment

3 months or more in consecutive employment with the same employer

We require evidence of consecutive employment in the form of the most recent payslips covering the last 3 months. This can be:

- 3 x monthly payslips
- 3 x 4-weekly payslips
- 6 x fortnightly payslips
- 12 x weekly payslips

Less than 3 months in consecutive employment with the same employer

If 3 month’s payslips are not available from the buyer’s current employment, we will require 2 pieces of evidence to prove their current income. This can be:

- 2 payslips showing the monthly income from their current employment and 1 payslip from a previous role (to evidence consecutive employment over 3 months).

N.B. If there is a difference in income for the two roles, the current weekly/monthly income figure evidenced on the payslips for the new role should be input into the affordability calculator for the full 12 week/3 month period. This ensures the income accurately reflects what the buyer is currently earning.

Or

- A contract of employment/letter from the current employer confirming the buyer’s rate of pay, contracted hours and start date and the 1st payslip showing the buyer’s current monthly income.

N.B. The contract/letter should be on company headed paper and be signed by the employer. A contract/letter confirming the annual salary will not need to specify contracted hours.

If neither of the above can be provided, a conditional ATP may be issued. A full ATP can be issued on sight of the 1st payslip evidencing the buyer’s current monthly income.

Considering allowances from payslips

Car allowance; EN; Recruit retain pay; Shift Allowance; Other contractual work allowances	Can be included in the affordability assessment as basic income if evidenced consistently on payslips.
Expenses (including travel & food); Fuel allowance	Not accepted.

Payrises

If needed for affordability we can consider a pay rise if it occurs before exchange.

To consider a pay rise we will require 2 pieces of evidence showing the pay rise. This can be:

- 2 payslips showing the monthly income at their new increased rate of pay and 1 payslip showing their previous rate. One payslip showing the new annual salary (NHS payslips for example) can also be accepted.

N.B. The new weekly/monthly income figure evidenced on the latest 2 payslips should be input into the affordability calculator for the full 12 week/3 month period. This ensures the income accurately reflects what the buyer is currently earning.

Or

- A contract of employment/letter from the current employer confirming the buyer's new rate of pay, contracted hours and start date and the 1st payslip showing the buyer's increased rate of pay.

N.B. The contract/letter should be on company headed paper and be signed by the employer. A contract/letter confirming the annual salary will not need to specify contracted hours.

If neither of the above can be provided, a conditional ATP may be issued. A full ATP can be issued on sight of the 1st payslip evidencing the buyer's current monthly income.

For a small pay rise (cost of living/1%) we can just use the latest payslip.

Bonus and commission

Bonus and commission payments can be used in the affordability assessment if they are evidenced consistently on all payslips and are needed to pass affordability.

If bonus payments are not shown on all payslips, please provide the frequency of the bonus payments. Quarterly, 6 monthly and yearly bonuses can be evidenced with the buyer's most recent P60 or site of 12 month's payslips. Other inconsistent bonuses or those not evidenced on the most recent 3 month's payslips will not be considered.

For guaranteed share schemes such as Admiral, input shares and dividends as bonus on the affordability calculator.

Deductions – Pensions, student loans and child maintenance

Any essential deductions from payslips should be included in the affordability assessment. The most common include pension and student loan deductions. They should be added to the affordability calculator as they appear on each payslip regardless of what income is being considered. This means the pension and student loan figures we are using are considered the 'worst case scenario'.

If you are only considering basic income and the case passes affordability with the full pension and student loan amounts, there is no issue.

However, if the case does not pass affordability by using this method, you should add all other additional income to the affordability calculator.

N.B. In exceptional cases where the 'worst case scenario' method does not apply, use the following method to calculate the pension/student loan deduction as a percentage of the total income:

$(\text{Pension or student loan deduction} / \text{Total income shown on the payslip}) \times 100\%$

Any suggestion that the applicants have been advised to cancel pension contributions to pass affordability will be challenged.

Child maintenance deductions should be included in the affordability assessment as declared on the PIF.

Maternity Leave

For applicants who are currently on maternity leave we require:

- A letter/new contract from the buyer's employer confirming the anticipated return to work date and return salary/monthly income. The letter should

also confirm the contracted hours on which the buyer is returning to work as they may be different from the original contract or have a phased return to employment.

N.B. The letter/new contract should be on company headed paper and be signed by the employer. A contract/letter confirming the annual salary will not need to specify contracted hours.

And

- The last payslip from the employer before the buyer left for maternity leave confirming any student loan and pension deductions and the buyer's previous salary.

N.B. If the return to work salary/contracted hours is the same as the last payslip before maternity leave, we are able to input deductions into the affordability calculator as they appear on the last payslip.

If the return to work salary/contracted hours differs, you will need to calculate the pension/student loan deduction as a percentage of the total income.

Affordability – Self Employment

Sole traders and partnerships

To evidence self-employed income we require:

- The most recent year's HMRC tax year overview and HMRC tax calculation. Use the total income received figure from the HMRC tax calculation in the affordability assessment.

N.B. For Partnerships, check for a percentage split between partners.

Or

- The most recent year's HMRC tax year overview and the tax calculation from an accountant.

N.B. The accountant's tax calculation must match the HMRC tax year overview, be produced using accounting software and be certified by the accountant.

Or

- Audited accounts. Use drawings or net profit.

Director of a limited company

To evidence self-employed income we require:

- The most recent year's HMRC tax year overview and HMRC tax calculation. Use the total of director's remuneration, dividends and salary from the HMRC tax calculation in the affordability assessment.

Or

- The most recent year's HMRC tax year overview and the tax calculation from an accountant.

N.B. The accountant's tax calculation must match the HMRC tax year overview, be produced using accounting software and be certified by the accountant.

Or

- Audited accounts. Use drawings or net profit.

N.B. If the company has more than 1 director, clarify the percentage share received by the applicant.

Sub-Contractors

For sub-contractors who are considered 'self-employed' we require:

- The most recent year's HMRC tax year overview and HMRC tax calculation. Use the total income received figure from the HMRC tax calculation in the affordability assessment.

Or

- The most recent year's HMRC tax year overview and the tax calculation from an accountant.

N.B. The accountant's tax calculation must match the HMRC tax year overview, be produced using accounting software and be certified by the accountant.

Or

- Audited accounts. Use drawings or net profit.

For sub-contractors who are considered 'employed' (receive payslips/invoices showing PAYE Tax and National Insurance deductions) we require the most recent payslips/invoices covering the last 3 months. This can be:

- 3 x monthly payslips/invoices
- 3 x 4-weekly payslips/invoices
- 6 x fortnightly payslips/invoices
- 12 x weekly payslips/invoices

And

- A contract or letter confirming the length of the current contract and daily/hourly rate.

N.B. Income should not be calculated using the daily/hourly rate stated on the contract. This is 'potential' income and does not reflect actual income earned. Only income evidenced on payslips/invoices should be considered.

If the current contract has less than 6 months remaining, we require evidence of continuous employment over the last 12 months. Evidence of employment can be in the form of previous contracts or payslips/invoices covering the last 12 months or the applicant's latest P60.

Affordability – Pensions, Benefits and Allowances and Maintenance

Pensions

State, private and forces pension payments are accepted as a form of income.

They should be evidenced with a letter from the pension provider confirming the monthly payment amount and 6 months bank statements.

N.B. If the amount on the award letter does not correspond with the bank statements or the monthly payments are inconsistent, please provide an explanation for the inconsistencies shown.

Forces benefits & allowances

Armed Forces Independence Payments (AFIP)	Evidenced with 6 months bank statements. Award letter not needed as benefit is not reassessed. Currently £139.75 per week, paid every 4 weeks.
War Widow(er) Pension	Treat like other pensions.
Widowed Parent's Allowance	Evidenced with 6 months bank statements and award letter.

Disability benefits & allowances

<p>Additional disability premiums (for enhanced or severe disabilities);</p> <p>Blind Person’s Allowance;</p> <p>Constant Attendance Allowance;</p> <p>Disability Living Allowance (DLA) for children;</p> <p>Employment and Support Allowance (ESA) previously Incapacity Benefit;</p> <p>Exceptionally Severe Disablement Allowance;</p> <p>Income Support (as part of a disability benefit only);</p> <p>Industrial Injuries Disablement Benefit;</p> <p>Personal Independence Payment (PIP) previously Disability Living Allowance (DLA);</p> <p>Reduced Earning Allowance; (as an element of) Universal Credit</p>	<p>Evidenced with 6 months bank statements and award letter.</p>
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Benefits and allowances for third parties/dependants

Carers Allowance; Foster carer allowance	Evidenced with 6 months bank statements and award letter.
Child Benefit; Child Tax Credits (can be an element of Universal Credit)	Not accepted.
Child maintenance payments	Evidenced with 6 months bank statements and one of the following: <ul style="list-style-type: none"> – Copy of a Child Maintenance Service (CMS) agreement letter. – Copy of a Consent Order. – Copy of a letter confirming a private arrangement detailing the amount and frequency of maintenance payments and signed by both parents. – Copy of a private arrangement form fully completed and signed by both parents. The form can be found here.
Statutory adoption leave & pay	Treat the same as Maternity leave & pay. Evidenced on payslips.

Universal Credit – (each element is assessed separately)

Standard Allowance; Disability elements; Working Allowance/Working Tax Credit elements	Evidenced with 6 months bank statements and award letter/sight of 6 months UC statements.
Children/Child Tax Credit elements; Housing/Housing Benefit elements; Job Seekers element	Not accepted.

Bursaries and Student Stipends

Bursaries and student stipends (a form of salary for internships & apprenticeships) are accepted as a form of income.

They should be evidenced with a letter from the provider confirming the monthly/annual payment amount and 6 months bank statements (or a bank statement showing the annual amount being deposited).



Eligibility – General Guidance

Clearing Debt

If an application is not passing affordability because of a credit card balance or loan/HP payments and you wish for the figures to be removed from the affordability calculator, we will require proof that the credit card or loan balance has been paid off.

For credit cards we require a credit card statement showing payment of the balance.

For loan/HP payments we require a letter or email from the lender confirming the balance has been paid.

If clearing debt is required to pass affordability, proof must be provided in order for us to issue ATP. In some cases, it may be appropriate to issue a conditional ATP until we receive proof that the debt has been cleared. If we do not receive proof that the debt has been cleared, Help to Buy – Wales reserve the right to withdraw the ATP.

Commutable Distance

The acceptable commutable distance between an applicant's work place and the property is 50 miles. Any commute that is significantly more than 50 miles will be challenged.

If there are 2 applicants, at least one must work within a commutable distance of the property.

Remote Working and Working from Home

A remote worker is someone who can work 'remotely', usually from home.

Payslips of remote workers may contain the address of the company they work for and this could exceed the commutable distance guidelines (a head office in London for example). Please provide the address of the usual place of work (e.g. current home address) if different.

If in doubt, we may ask for proof from the employer that the applicant works remotely/ from home. This could be in the form of an email or letter from the employer and should confirm that the applicant does work remotely for the majority of their working hours.

Permanent Residence

The property must be the 'permanent residence' of at least one applicant.

Cases will be considered for occupations such as Armed Forces personnel who stay away from home for extended periods of time, if the property is intended as a permanent residence when the applicant returns to Wales.



Proof of Address

If the Equifax credit search shows that the applicant is not registered on the electoral roll at their current address, we will require proof of address.

We can accept the following documents for proof of address:

Driving license	Document must be in date.
Utility bill; Current account statement; Savings account statement	Most recent document dated within the last 3 months.
Council tax bill; Mortgage statement/offer; Benefit award letter; Pension letter; Grant letter from the Local Authority; HMRC tax correspondence; Rent card/tenancy agreement from the Local Authority	Most recent document dated within the last 12 months.

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.