

**How Tenant Shared Ownership enables mortgage applicants
to pass an affordability test**

	Example 1	Example 2	Example 3	Example 4
Open Market Value	£235,000	£235,000	£240,000	£240,000
Net Annual Income of applicant	£30,000	£30,000	£30,000	£30,000
Transferable Discount	£84,145	£84,145	£51,020	£51,020
Share	100%	25%	100%	25%
Property Share Value	£235,000	£58,750	£240,000	£60,000
Discount available pro rata equity	£84,145	£21,036	£51,020	£12,755
Mortgage required	£150,855	£37,714	£188,980	£47,245
Mortgage payments monthly	£882	£220	£1,105	£276
Current Monthly Net Rent	£446	£446	£446	£446
Monthly Rent Based on share	£0	£334	£0	£334
Service Charge Monthly	£0	£0	£0	£0
Total Monthly	£882	£554	£1,105	£611
% of net income	0.35	0.22	0.44	0.24
Additional monthly v rental	£436	£109	£659	£165
Test 1 Mortgage > 4.5 times Net annual earnings	Fail	Pass	Fail	Pass
Test 2 ratio of mortgage and rent outgoings to income test	Pass	Pass	Pass	Pass
Outcome to Test 1 & 2	Fail	Pass	Fail	Pass

Example 1, applicant to purchase house outright under the right to buy

Example 2, applicant to purchase house 50% under TSO

Example 3, applicant to purchase house outright under the right to buy but cost floor limits to discount

Example 4, applicant to purchase house 50% under the TSOI with cost floor limits to discount

Note: £84,145 is the average right to buy discount for a house in Barking and Dagenham (May 2015).