



PEABODY

This briefing note explains what flexible tenure is and how shared owners may apply for flexible tenure, which is also known as downward staircasing.

What is Flexible Tenure?

Flexible tenure is the re-purchase of some, or all, of a shared owner's entire equity share that they own in their home. Flexible tenure is only available to Peabody's shared owners who are in severe financial difficulty, for example, are about to be repossessed by a mortgage lender, and who have exhausted all other options and require flexible tenure as a last resort. If shared owners are facing severe financial difficulty they must seek professional debt advice as soon as possible, before the situation gets worse.

Who is Eligible for Flexible Tenure?

To qualify for flexible tenure, the application must be from a Peabody shared owner who owns less than 100% of the equity in the property. The shared owner must be paying rent on the remaining share of the property. 'Paying rent' does not include paying ground rent and/or any service charges. Flexible tenure may be offered, on a case by case basis, to those who are currently in severe financial difficulties.

Can Flexible Tenure be Used for Debt Consolidation?

Flexible tenure cannot be used to pay off other unsecured debts, for example, overdraft charges or credit card debts. It is a last resort to pay off mortgage, rent, service charge or major works arrears, depending on the shared owner's financial circumstances. Shared owners do not have the legal right to staircase down as they do for staircasing up and any offer of flexible tenure is made at Peabody's discretion and relies on there being enough public funding being available to Peabody to carry it out.

What Should Shared Owners do if they are in Financial Difficulty?

If a shared owner is in financial difficulty they should seek professional debt advice as soon as possible, before their situation worsens and their home is put at risk. The shared owner should speak to their mortgage lender and seek advice from an independent debt counselling agency, for example the [Consumer Credit Counselling Service](#), [Citizens Advice Bureau](#), or the [National Debtline](#). The shared owner should also contact Peabody's Welfare Benefits Advisors to see if Peabody can help them access all the benefits they may be entitled to.

Will Peabody Pay Off a Shared Owners Entire Mortgage?

This depends on the market value of the property and the remaining share that the shared owner owns. Peabody may buy back shares to the value of the outstanding mortgage on a case by case basis.

How does Peabody Work out Shared Owners Eligibility for Flexible Tenure?

Flexible tenure will only be approved by Peabody if the financial outcome for the shared owner will be manageable. Once all of the correct information has been received, Peabody will work out how much of the mortgage and any other arrears may be paid off, to leave the shared owner with a reasonable income to live on.

How Does Flexible Tenure Work?

Stage 1

The shared owner will need to send in written evidence of the following documents:

- evidence of all of the arrears, for example mortgage or rent arrears, that the shared owner is aiming to clear;
- a copy of their most recent mortgage statement;
- full details (using Peabody's standard forms) of the shared owners current financial situation, explaining why they wish to be considered for flexible tenure;
- a full market valuation of the property by an approved surveyor (if the shared owner has not arranged for Peabody to carry out the valuation); and
- evidence of steps that the shared owner has taken to avoid the arrears, for example, adverts to rent out spare rooms or wage slips for a second job.

The shared owner should provide as much written evidence that all other short and long term options have been exhausted. These include trying to rearrange any existing loans or selling the property and moving to a cheaper home. This information should be based on actual advice from an independent debt-counselling agency and should include consideration of the shared owner's eligibility for Housing Benefit.

Stage 2

Peabody will consider the shared owner's application once all of the documents are received. The flexible tenure assessment will include assessing the shared owner's ability to meet future repair and maintenance responsibilities. More information may be requested by Peabody and the shared owner may be referred to Peabody's Welfare Benefits Advisors if it may be possible to maximise the shared owner's income instead.

Stage 3

Once Peabody has assessed the shared owner's flexible tenure application, the shared owner will be contacted in writing with a decision. If Peabody does approve the shared owner's application for flexible tenure, the Finance Department will still need to approve the application for Recycled Capital Grant Funding (RCGF) to pay for the repurchase of the equity. There is no guarantee that this will be approved and may still mean that the flexible tenure application is turned down. If the shared owner is not eligible for flexible tenure, Peabody will write to them with the decision and when they can re-apply.

Stage 4

Once the application for RCGF funding is decided by Peabody's Finance Department, Peabody will write to the shared owner to tell them the decision. If the application is approved, Peabody will contact the shared owner's mortgage lender and our solicitors to sort out the repayment of your outstanding arrears. If there is no RCGF budget available for flexible tenure, Peabody will write to the shared owner to let them know and tell them when they can re-apply.

Stage 5

Peabody will write to the shared owner to tell them the revised rent payment that is due after the repurchase. If Peabody purchases back all of the equity in the property, the shared owner will be signed up on a new assured tenancy agreement at target rent.

Further Information

More information is available in the Flexible Tenure Policy, or by contacting the Commercial Initiatives Department through Peabody Direct on 0800 022 4040 or peabody.direct@peabody.org.uk