

Help to Buy - Client Guide

The Equity Loan | First Time Buyers Only | New Homes Only

ownyourhome.gov.uk

There are many helpful explanations and guides on the Help To Buy section of the government's website. You should look at this first if you have any queries.

There is a local Help To Buy Agent for every area of the country. Look on the website to find the one for your area. Their websites give the local contact information and further details of the scheme.

Each Local Help To Buy Agent's website also has links to approved Help To Buy housing developments in your area.

Your Local HTB Agent

Your Local Help to Buy Agent can guide you through the options available, and explain the eligibility and affordability criteria. They administer the Help to Buy: Equity Loan scheme, and have the authority to give the go-ahead for you to purchase a home with help from the equity loan scheme. The Agent makes other key decisions during the purchase process.

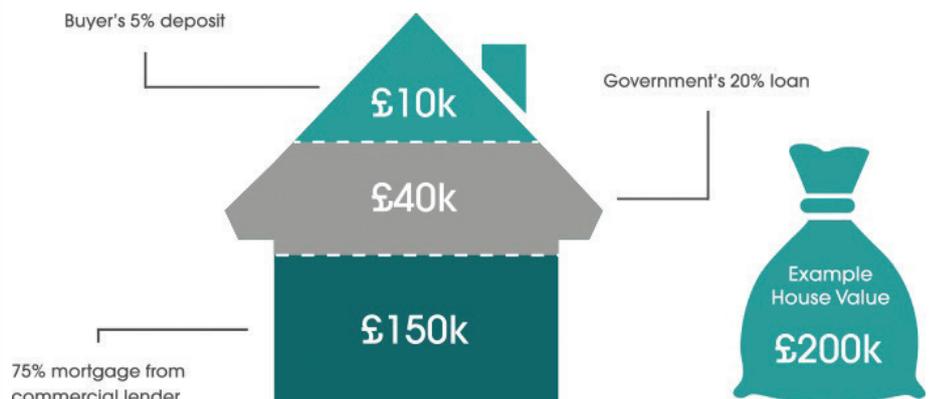
The Local Help to Buy Agent will assess whether you can afford the mortgage payments over the long term.

Your mortgage will be based on a multiple up to a maximum 4.5 times your household's income (before tax). Higher multiples **cannot** be approved by the Local Help to Buy Agent under any circumstances.

Your Local Help to Buy Agent will also work to a guideline to ensure that your monthly costs (mortgage, service charges and fees) are no more than 45% of your (joint) net disposable income.



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The new Help to Buy: Equity Loan scheme

The new scheme was launched in England on 1 April 2021. For Help to Buy in England, you must be able to put down at least 5% of the purchase price. You then take out a first mortgage (with a qualifying bank or building society) for at least 25% of the purchase price.

The total of the mortgage and your contribution, added together, must be for at least 80% of the price (but only needs to be for at least 60% in London).

Homes England (a Government body) will then lend you an 'Equity Loan' of up to 20% of the purchase price - max. £120,000 (in London up to 40% - max. £240,000).

This will top up your mortgage, and your contribution, to make up the full purchase price of your home. There are maximum purchase price limits which vary for different parts of the country, ranging from £186,100 in the North East to £600,000 in London. Further details are on the government's website.

First time buyers of new homes only

The scheme is **only** available to **first time buyers** of certain **new homes**, on approved new-build developments, by developers that are registered under the scheme.

To take part in the scheme you cannot own another home anywhere else in the world, either now or in the past.

The home you buy must be your only residence. Help to Buy is not available to assist buy-to-let investors, or those who will own, or will have any interest in, any residential property other than their Help to Buy home after completing their purchase.

You cannot rent out your existing home, and buy a second home through Help to Buy. Applicants who make fraudulent claims for Help to Buy assistance may be liable to criminal prosecution.

What is the 'Equity Loan'?

Under this scheme, Homes England will give you a **Equity Loan** of up to 20% of the value of the new-build home you are looking to buy (up to 40% in London).

This is secured as a second mortgage against your home. **You should ask your Financial Adviser, not us, to advise you in detail about its terms.** We will also need to make sure that you understand all of its terms. You have to repay the Equity Loan when you sell your home, or at the end of the loan term, if later.

When you sell your home, you will pay back the same percentage of the sale price to Homes England. If the value of your home increases, you will pay back more money than Homes England put in originally, and if the value goes down, you will pay back less. You will also pay Homes England a small monthly fee of £1.

There is no interest to pay on the Equity Loan for the first 5 years. From the 6th



The Society of Licensed Conveyancers

No more Help to Buy ISA

You can no longer open a Help to Buy ISA. If you already have one you should ask your Financial Adviser for advice on what to do with it. You may still be able to pay into it and use it to purchase a property.

The Lifetime ISA

You can use a Lifetime ISA to buy your first home, or save for later life. You must be 18 or over, but under 50, to open a Lifetime ISA. You should obtain advice from your Financial Adviser on your options.

In general, each buyer can put in up to £4,000 each year, until age 50. The government will add a 25% bonus to your savings, up to a maximum of £1,000 per year each.

You can use this towards the deposit needed on exchange, but it must be paid direct to us to avoid a 25% penalty.

You can use your Lifetime ISAs savings to help you buy your first home if all the following apply:

- the home costs £450,000 or less
- you buy it at least 12 months after you open the Lifetime ISA
- you're buying it with a mortgage.

You can only use the money towards the purchase price of the house, not towards SDLT, legal costs, or the other costs of buying your home.

Your Financial Adviser

Only authorised Help To Buy financial advisers should advise you on what product to use to save towards the deposit for your home, and which mortgage provider to use. We cannot advise on these issues.

You must make sure your financial adviser confirms to you that the proposed mortgage or ISA you use is suitable to use for your Help to Buy assisted purchase.

We are required to check your eligibility before we request any bonus or request mortgage funds from a lender. If we discover that the product you were advised to take out by your financial adviser is not suitable, you will have to find the money from somewhere, or risk being liable to the builder for breach of contract.

year you will pay a small monthly fee, calculated at 1.75%, rising annually by the increase in the Consumer Price Index plus 2%.

Can I redeem my equity loan in part?

The Help to Buy scheme allows you to repay all, or part, of your equity loan at any time, and must be a minimum of 10% of your home's current market value – whether that value is more or less than when originally purchased. If you plan on paying some of the loan off, you should check any additional conditions with your **Financial Adviser, local Help to Buy Agent, and your lender.** We cannot advise you on this.

Can I extend or alter the property or rent it out?

You cannot make structural alterations to your home without permission. Redecorating or fitting a new kitchen or bathroom will not generally require permission. Homes England's Mortgage Administrator should act reasonably in considering any application, and will review cases of hardship or if, for example, property modifications are required for a disability. You are not allowed to sublet your home without permission. You must have buildings insurance for your home and keep it in a good state of repair.

The Process - more complex than a normal purchase

The steps below are a general guide, and your circumstances may be different. We will keep you advised on what to do next, each step of the way.

- **Contact your Local Help to Buy Agent.** Check you are eligible in principle for the scheme, and whether any ISA can be used to help buy the property.
- **Reserve the new home** you are interested in with the builder (max. fee £500).
- **Apply for the Equity Loan.** The application form is called the '**Property Information Form**', and is available from the builder.
- **Authority to Proceed.** If the Local HTB Agent approve your application, they will issue us with an 'Authority to Proceed' which is valid for 3 months.
- **Arrange mortgage.** Your financial adviser can then broker a mortgage with one of the approved lenders. You may have to pay fees to them, and/or the lender.
- **Conveyancing** searches, contract and enquiries. We can then start making our usual searches and enquiries. We will report to you, and the Local HTB Agent, on what we find.
- **Valuation & Inspection.** Homes England will need to see the valuation and inspection prepared for your mortgage lender. The Local HTB Agent will also have to approve this, and the mortgage offer. There may be defects in the property which are not revealed by the valuation and inspection, and there may be omissions or inaccuracies in it which do not matter to Homes England but may matter to you. **Homes England recommend that you do not rely on this valuation and inspection in deciding whether to proceed with the purchase and that you obtain your own more detailed report on the condition and value of the property.**
- The Local HTB Agent then issue us with an **Authority to Exchange.**
- **'Exchange of contracts'** We can then make the binding contract between you and the builder to buy your new home.
- **Home finished.** When your new home is ready, we can then apply to the Local HTB Agent for the **Equity Loan**, and for the issue of the **Confirmation to Developer.** We need to give the Local HTB Agent at least **3 weeks notice.** We will also need to arrange for the completion of your main mortgage too.
- **Completion** of the legal purchase of your new home, and registration of the Equity Loan against the title of the property. You will need to provide us with the balance of the money needed to buy your new home (including all taxes and fees) **before** we can complete your purchase.

We will need to go through all the complex documentation with you carefully, in particular the obligations under the Equity Loan. This may add to the time taken for the transaction to go through compared to a normal transaction, and may increase the costs involved compared to a normal transaction.