

# Help to Buy - Client Guide

## The Equity Loan | Your Local HTB Agent | The Process

### [www.helptobuy.gov.uk](http://www.helptobuy.gov.uk)

There are many helpful explanations and guides on the Help To Buy 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.

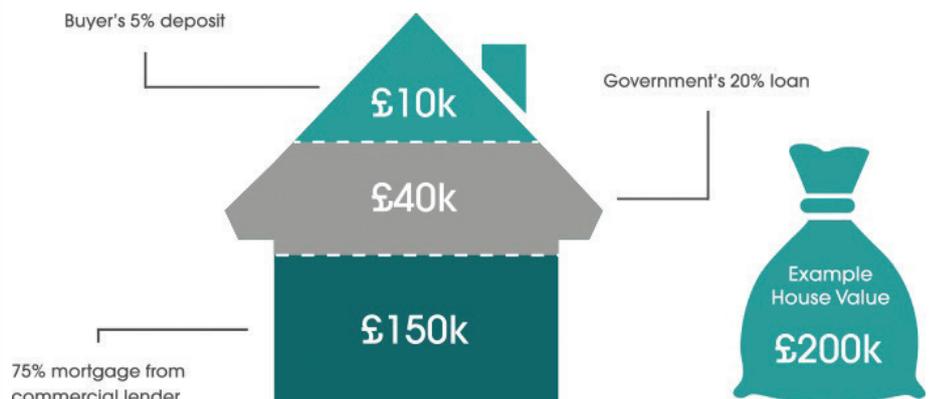
The Local Help to Buy Agent will assess whether you can afford the mortgage payments over the long term.

Your mortgage will be based on a multiple up to a maximum 4.5 times your household's income. 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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### How does it work?

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. The maximum purchase price is £600,000.

### Not just first time buyers, but new homes only

The scheme is **only** available to help you buy certain **new homes**, on approved new-build developments, by developers that are registered under the scheme.

If you are not a first time buyer, you will have to sell your existing home before (or at the same time as) you buy your new home. **To take part in the scheme you cannot own another home anywhere else in the world.**

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. We will need to carefully explain the terms of the Equity Loan to you, 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 25 years, 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 year you will pay a small monthly fee, calculated at 1.75%, rising annually by the increase in the Retail Price Index plus 1%.



The Society of Licensed Conveyancers

## The Help to Buy ISA

First time buyers can each save up to £200 a month towards their first home with a Help to Buy ISA, and the Government will boost those savings by 25%. That's a £50 bonus for every £200 saved, up to a maximum bonus of £3,000 each. The bonus is available for home purchases up to £450,000 in London and up to £250,000 outside London.

**This bonus cannot be used to fund the deposit needed on exchange of contracts for the purchase of your home**, as we can only request it just before completion.

## The Lifetime ISA

Alternatively you can each 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 can each put in up to £4,000 each year, until you're 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 each 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 with a mortgage.

For both types of ISA, 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 Advisor

Only authorised Help To Buy financial advisors 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 advisor confirms to you that the ISA product you take out is suitable to use for your Help to Buy assisted purchase.**

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

## Can I redeem my equity loan in part - 'staircasing'?

The Help to Buy scheme allows you to repay all, or part, of your equity loan. A partial repayment is often called 'staircasing'.

Staircasing payments can be made 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 local Help to Buy Agent, and your lender.

An independent valuer will be required to provide a valuation of your property, and you will also be responsible for all the associated administrative costs involved.

## Can I extend or alter the property?

Not without permission. Because Help to Buy is designed to help people move up the housing ladder, you should consider repaying part or all of the Equity Loan before making plans for improvements or alterations. This is because Homes England is seeking to help future aspiring buyers, and may use the proceeds of your repayments to make more assistance available to other home-buyers. Therefore, consent will not usually be granted for significant home improvements.

Homes England's Mortgage Administrator will act reasonably in considering any application, and will review cases of hardship or if, for example, property modifications are required for a disability.

## The Process - more complex than normal

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 that your 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'.
- **Arrange mortgage.** Your financial advisor 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.** You may have to pay for a valuation of the new home. The Local HTB Agent will also have to approve this, and the mortgage offer. The next step is when the Local HTB Agent issue us with an **Authority to Exchange**.
- **Lifetime ISA deposit withdrawal** - payment direct to us to avoid a 25% penalty
- **'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 the Local HTB Agent at least **3 weeks notice**. We will also need to arrange for the completion of your main mortgage too.
- **Help to Buy ISA Bonus claim** (where appropriate) - **three weeks notice** needed.
- **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.

Buying with the Help To Buy scheme means that your Local Help To Buy Agent will need to approve every step in the process. **They impose strict timetables.**

For example, the Valuation is only valid for a set time, and a fresh one might be needed, which you will have to pay for again. 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.