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Help-to-Buy Guide

What is Help to Buy?

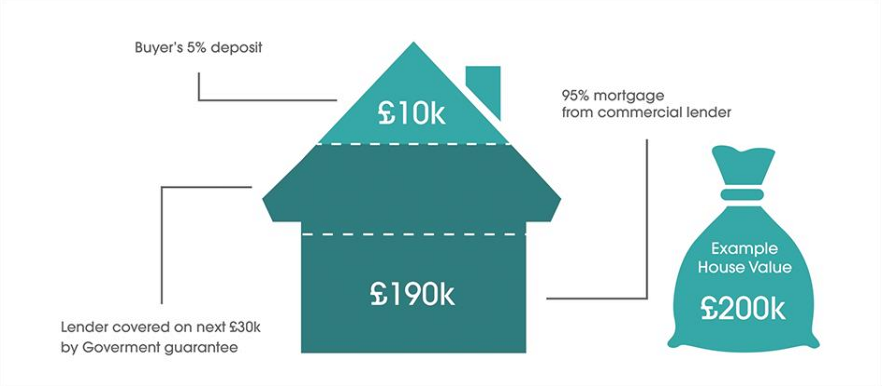
Help to Buy is a government backed shared equity scheme available on new build homes only.

Help to Buy equity loans are open to both first-time buyers and home movers on new-build homes worth up to £600,000.

How it works

With a Help to buy equity loan:

- you'll need to contribute at least 5% of the property price as a deposit
- the government will give you a loan for up to 20% of the price
- you'll need a mortgage of up to 75% to cover the rest



Example

For a property worth £200,000	Amount	Percentage
Cash deposit	£10,000	5%
Equity loan	£40,000	20%
Your mortgage	£150,000	75%

The mortgage is a conventional repayment mortgage with a participating Help to Buy lender. Not all lenders are lending under this scheme.

With Help to buy the minimum mortgage that can be taken is 25% of the purchase price.

Equity loan fees

The equity loan is an interest only loan.

You will be charged £1 per month for the duration of the loan.

In the 6th year, you'll be charged a fee of 1.75% of the loan's value. After this, the fee will increase every year in line with the RPI plus 1%.
Your Help to buy agent will contact you before the fees start, to set up monthly payments with your bank. You'll also be sent a statement about your loan each year.

Fees don't count towards paying back the equity loan.

Help to buy calculator and how much you can borrow

The maximum income multiples under Help to Buy are 4.5 time single/joint income, the mortgage payment and any existing credit commitment must not exceed 45% of the households take home income.
In all cases the Governments calculator must be completed to ensure affordability is met. The purchase price, income, term and cash contribution must all be manually entered as basic. If there are any loan payments, service charge or benefits these must also be added. The rest of the information will pre-populate itself. The idea of the calculator is that none of the boxes along the bottom are red. If the boxes are red then the case cannot proceed. It means that either there is too little deposit, not enough income or affordability.

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Selling your home and paying back the loan

The home will be in your name, which means you can sell it at any time. You'll have to pay back the equity loan when you sell your home or at the end of your mortgage period - whichever comes first.

You can also pay back some of your equity loan without selling your home. You can pay back either 10% or 20% or the total amount, so long as the loan is worth at least 10% of the value of your home.

If the home in the table above sold for £210,000, you'd get £168,000 (80%, from your mortgage and the cash deposit) and pay back £42,000 on the loan (20%). You'd need to pay off your mortgage with your share of the money.
Whenever or however you pay back all or a portion of your equity loan it will be based on the value of the property at that time. You will have to obtain an independent survey to ascertain the value of the property. If you intend to remortgage your home and increase your mortgage borrowing to pay off all or part of the equity loan the increase will have to be approved as affordable by the Help to Buy Agency.

Other Key points

If you have purchased under the Help to Buy scheme you cannot own any other property either in the UK or abroad.
You cannot sublet your Help to Buy home, the only exception to this is if you are a member of the Armed Forces and are posted out of the area.
If you are a current home owner exchange and completion must be simultaneous on the property being sold and the property being purchased.
A sole application cannot be made where the spouse/partner already owns a property.

For more information you can contact htbadvice@completeproperty.co.uk