Homes & Communities Agency

Help to Buy Buyers' Guide

Homes and Communities Agency
http://www.homesandcommunities.co.uk/helptobuy
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Key information

Buyers using this scheme must provide security in the form of a second legal charge over the home purchased with the Help to Buy equity loan.

Amount of loan	The maximum you can borrow from Help to Buy in England is £120,000 and up to £240,000 for London. There is no minimum amount.
Buyer deposit required	Buyers must provide a deposit of a minimum of 5% of the full purchase price of the home bought under this scheme.
Frequency, number and amount of repayments	After five years you will be required to pay an interest fee of 1.75% of the amount of your Help to Buy shared equity loan at the time you purchased your property, rising each year after that by the increase (if any) in the Retail Prices Index (RPI) plus 1%. More details are on page 18. The loan itself is repayable after 25 years or on the sale of the property if earlier.
Other payments and charges	You must pay a monthly management fee of £1 per month from the start of the loan until it is repaid.
Total amount repayable	The total amount repayable by you will be the proportion of the market value of your home that was funded by this loan, plus interest and charges. The amount you will have to repay under the loan agreement will depend on the market value of your home when you repay the Help to Buy equity loan and the rate of inflation in the meantime. An example is shown on page 21 including the equivalent APR.

What is Help to Buy?

Help to Buy is equity loan assistance to home buyers from the Homes and Communities Agency (HCA).

Help to Buy makes new build homes available to all home buyers (not just first time buyers) who wish to buy a new home, but may be constrained in doing so – for example as a result of deposit requirements – but who could otherwise be expected to sustain a mortgage.

Up to a maximum of 20% in England and up to 40% in London[1], of the purchase price is available to the buyer through an equity loan funded by the Government through the HCA.

Help to Buy is available in England from house builders registered to offer the scheme. Help to Buy has been available since 2013. In November 2015, Government announced an extension of the initiative up to 2021 (it may close earlier if all of the funding is taken up before 2021).

This guide provides an overview of the product. If you'd like to know more, or if you want to apply, please contact your Local Help to Buy Agent www.helptobuy.org.uk .

Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.

Check that these mortgages will meet your needs if you want to move or sell your home or you want your family to inherit it. If you are in any doubt, seek independent advice.

APR 5.2% typical (see page 21 for more information).

[1] As part of the Government's Autumn Statement (November 2015) it was announced that London Help to Buy will increase the equity loan available to a maximum of 40% of the purchase price from early 2016. This guide provides information and examples for both the London Help to Buy equity loan of 40% and the 20% equity loan that is available across the rest of England.

Help to Buy overview
With Help to Buy, the buyer ('you') buys a new home on a new build development with assistance from the Homes and Communities Agency ('the Agency') in the form of an equity loan.

For Help to Buy in England, not London, you must take out a first mortgage (with a qualifying lending institution e.g. a bank or building society) for at least 25% of the value of the property you wish to purchase . This mortgage, together with any cash contribution from you, must be a minimum of 80% of the full purchase price. The maximum full purchase price is £600,000.

For London Help to Buy 40% equity loan assistance, your first mortgage must be at least 25% of the value of the property you wish to purchase. The mortgage, together with the cash contribution from you, must be a minimum of 60% of the purchase price. The maximum full purchase price is £600,000.

Your cash deposit contribution must always be a minimum of 5% of the full purchase price.

The Agency will provide an equity loan to fund the balance needed to make up the full purchase price of your home, a minimum of 10% and up to a maximum of 20% (40% maximum for London Help to Buy) of the full purchase price

The equity loan must be repaid after 25 years, or earlier if you sell your home. You must repay the same percentage of the proceeds of the sale to the Agency as the initial equity loan (i.e. if you received an equity loan for 20% of the purchase price of your home, you must repay 20% of the proceeds of the future sale).

An initial monthly management fee of £1 is payable by direct debit from the start of the Agency loan until it is repaid. After the first five years you will pay an additional fee as interest of 1.75%, rising annually by the increase (if any) in the Retail Price Index (RPI) plus 1%.

Local Help to Buy Agents will assess and approve your purchase for Help to Buy, and you need their approval before you proceed with the buying process.

Further details on all these points and the buying process are set out within this guide.

How does it work?
Help to Buy enables buyers to purchase a new property, funded by a mortgage and with help from the Agency.

This enables you to take out a mortgage on which you make repayments in the normal way. Your mortgage lender will require that you contribute a deposit (minimum 5% of the full purchase price). Your mortgage and deposit must cover a combined minimum of 80% of the total purchase price (or 60% of total purchase price in London). The rest of the purchase price will be paid for with an equity loan from the Agency.

As a result of providing this assistance, the Agency has an entitlement to a share of the future sale proceeds equal to the percentage contribution required to assist your purchase. Examples of this are shown below.

For the first five years of Help to Buy home ownership you will pay an initial monthly management fee of £1. This continues until the loan is repaid. After five years, the equity loan will be subject to an additional interest fee (collected from you on behalf of the Agency by the Agency's Mortgage Administrator) of 1.75% per annum on the outstanding amount of the equity loan. From the fifth anniversary of the loan this fee will increase each year by the increase (if any) in RPI plus 1%. This is illustrated on page 18.

The management fee and interest fees are <u>not</u> capital repayments to your Agency equity loan – they do not reduce the amount owing.

When you sell your Help to Buy home (unless you have chosen to repay your equity loan earlier), you must repay the Help to Buy assistance from a share of the sale proceeds. So, if the Agency assisted your purchase with a 20% contribution, your repayment will be 20% of the total market value when it is sold. Turn to page 15 to see what happens if values have fallen.

Following the purchase you can choose at any time to make voluntary part repayments ('staircasing' or a full repayment) of the Help to Buy assistance at the prevailing market value. The minimum voluntary repayment is 10% of the market value at the time of repayment.

The Agency's entitlement to a share of the future sale proceeds is secured through a second charge on your home. This is done in the same way that your main mortgage lender will secure its lending through a first charge on your home. Although, if you buy through Help to Buy, you will have a mortgage for less than the full purchase price of the property, you will be the legal owner with 100% title to your home. The tables below show how it works.

In this example below, the Help to Buy buyer has purchased a £200,000 home with a deposit of £10,000 and a mortgage of £150,000. The Agency has contributed an equity loan totalling £40,000 or 20% of the total purchase price.

In this example, when the home is sold, the Agency will be entitled to 20% of the total sale price.

Example of Help to Buy home ownership in England, not London	£	%
Open market price of new home	**£200,000**	**100**
Help to Buy buyer mortgage @ 75%	£150,000	75
Help to Buy buyer pays minimum 5% deposit	£10,000	5
Help to Buy buyer total contribution	**£160,000**	**80**
Agency Help to Buy assistance 20% equity loan	**£40,000**	**20**

Help to Buy always requires that the buyer has a main mortgage of at least 25% of the full purchase price.

In this example below, the London Help to Buy buyer has purchased a £400,000 home with a deposit of £20,000 and a mortgage of £220,000. The Agency has contributed an equity loan totalling £160,000 or 40% of the total purchase price. In this example, when the home is sold, the Agency will be entitled to 40% of the total sale price.

Example of London Help to Buy home ownership	£	%
Open market price of new home	**£400,000**	**100**
Help to Buy buyer mortgage @ 55%	£220,000	55
Help to Buy buyer pays minimum 5% deposit	£20,000	5
Help to Buy buyer total contribution	**£240,000**	**60**
Agency London Help to Buy assistance 40% equity loan	**£160,000**	**40**

Help to Buy always requires that the buyer has a main mortgage of at least 25% of the full purchase price.

Because Help to Buy assistance is through an equity loan, the amount required to increase your equity share will be dependent on the total value of the property at the time you want to redeem part of your equity loan (sometimes known as ‘staircasing’) or repay in full.

The amount you need to do this will increase if your home increases in value and decrease if its value falls (see examples later in this guide).

Who can take part in the scheme?
It is open to all buyers seeking a new build home.

Help to Buy buyers outside London must be able to fund up to 80% of their selected property through a conventional mortgage and deposit. London Help to Buy buyers must be able to fund 60% of the property through a conventional mortgage and deposit.

Buyers must always provide a 5% cash deposit contribution (5% of the full purchase price).

Buyers must take out a first charge mortgage with a qualifying lender.

The maximum purchase price is £600,000.

The Local Help to Buy Agent (see below) will carry out an assessment of an application by a potential Help to Buy buyer to ensure that they are in a position to afford a conventional mortgage for their proposed purchase. This protects tax payers' investment in the Help to Buy home. Buyers cannot use the scheme if they require a main mortgage more than 4.5 times their household income.

You must have access to a minimum 5% deposit of the full purchase price.

The property purchased must be your only residence. Help to Buy is not available to assist buy-to-let investors or those who will own any property other than their Help to Buy property 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 will be liable to criminal prosecution.

Fraudulent claims will always require immediate repayment of the Help to Buy equity loan assistance.

What does the Help to Buy Agent do?
The Local Help to Buy Agents act on behalf of the Agency to signpost potential buyers towards Help to Buy schemes in their area and will carry out an affordability check on applicants.

They will also guide you through the process of buying your Help to Buy home and issue the approvals to your solicitor and the house builder to purchase the home through the Help to Buy scheme.
The role of the Local Help to Buy Agent is to:

- hold information about Help to Buy schemes for prospective buyers,
- assess affordability and eligibility, and
- give approval to a Help to Buy buyer's solicitor/conveyancer to proceed with a purchase.

Following the Help to Buy sale, your details will be transferred to the Agency's Mortgage Administrator.
The role of the Agency's Mortgage Administrator is to provide a single point of contact to:

- administer payment of fees and interest by buyers on their Help to Buy equity loans,
- recover the equity loans repayments as owners sell and move on or staircase, and
- provide advice and approval for exceptional cases relating to subletting, remortgaging and requests for additional borrowing.

Where are Help to Buy homes available?
Help to Buy homes are available from house builders registered to offer Help to Buy homes in England. Registered builders will make it clear in their advertising if Help to Buy homes are available on their development sites.

How to buy a Help to Buy home
The four-stage Help to Buy buying process

Stage 1: Application

- Contact house builders, visit schemes of registered house builders and identify your potential Help to Buy property.
- You must see an Independent Financial Advisor (IFA) to gain confirmation of your financial status. The Local Help to Buy Agent and house builders will be able to suggest some IFAs for you to try.
- You must ensure you have funds to pay:
    - a reservation fee if required (maximum £500)
    - a deposit on exchange of contracts of at least 5% of the full purchase price (some main mortgage lenders may require higher deposits)
    - other fees on completion (e.g. stamp duty, legal fees, main mortgage fees).
- You complete a Help to Buy "Property Information Form" (available from the house builder). You must complete this with details of your proposed purchase, your proposed main mortgage, deposit and including your household income. The Property Information Form also confirms your agreement to the funds due under the Help to Buy mortgage being paid directly to the house builder.
- You must also reserve the home. You will usually be expected to pay a reservation fee to the house builder.
- The signed Property Information Form and a copy of the builder's signed reservation form must be sent to the Local Help to Buy Agent.

Stage 2: Authority to Proceed

- Your Local Help to Buy Agent checks you can afford your main mortgage and ensures you have signed the declaration that the Help to Buy home will be your only residence. This is to protect tax payers' investment in the Help to Buy equity loan.
- If affordable, you will receive an "Authority to Proceed" from your Local Help to Buy Agent within four working days of the house builder submitting your fully completed Property Information Form and reservation form to the Local Help to Buy Agent. This process may be delayed if you do not fully complete your Property Information Form.
- You instruct a solicitor to act for you and tell your IFA so that a full mortgage application can be submitted.
- The 'Authority to Proceed' will be accompanied by instructions to you and your solicitor/conveyancer. This pack will include legal documents that will be explained to you by your solicitor/conveyancer.
- You should only submit your main mortgage application once you have the "Authority to Proceed" from the Local Help to Buy Agent.

Stage 3: Mortgage offer and exchange of contracts

- Your solicitor/conveyancer will advise you and ensure you sign the sale contract and the Help to Buy equity loan.
- Your solicitor/ conveyance will explain the legal implications of the equity loan, that the Help to Buy home must be your only residence and the consequences of a fraudulent application (see below).
- Your solicitor/conveyancer checks that your mortgage offer, property price and available funds are consistent with the Authority to Proceed, and requests permission to exchange contracts from the Local HomeBuy Agent.
- Your Local Help to Buy Agent issues approval to your solicitor/conveyancer and contracts are exchanged.
- You will have paid a deposit if required and are now legally contracted to complete the purchase by an agreed date.

Stage 4: Completing the purchase

- At completion, your lender provides its funds and the Agency will make its funds available to you via the house builder. Once completion has taken place you own the property and can move in.
- Your solicitor returns confirmation of the sale to your Local Help to Buy Agent who then registers your details with the Agency's Mortgage Administrator.
- A second charge is registered on your home by your solicitor in favour of the Agency, entitling it to a share of the future sale proceeds. The charge will be equivalent to the percentage contribution made towards the purchase price. You must repay the percentage contribution when you sell your home or after 25 years (whichever is earlier).

The property purchased must be your only residence. Help to Buy is not available to assist buy-to-let investors or those who will own any property other than their Help to Buy property 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 will be liable to criminal prosecution.

Fraudulent claims will always require immediate repayment of the equity loan assistance.

How long does the process take?
Once you find a property you want to buy, you need to reserve it and submit a duly completed 'Property Information Form' to your Local Help to Buy Agent.

Your Local Help to Buy Agent will seek to assess your affordability (from a fully completed Property Information Form) within four working days and will issue an Authority to Proceed.

Your Local Help to Buy Agent's 'Authority to Proceed' is valid for three months – the time limit for exchange of contracts. Typically, most house builders will be seeking buyers to exchange contracts within one month of making a reservation. You must legally complete on your purchase within six months of exchanging contracts.

You are responsible for securing your mortgage and appointing your solicitor/conveyancer, although your Local Help to Buy Agent and house builders will be able to suggest some options.

Further information
Help to Buy homes are only available from Help to Buy registered house builders who are in contract with the Agency to offer homes for sale through the Help to Buy programme.

Registered builders will make it clear in their advertising whether Help to Buy homes are available on their development sites.

Your Local Help to Buy Agent can also help you find out more about availability of Help to Buy homes in your area.

Your mortgage

What is the minimum and maximum contribution I must make to my Help to Buy home purchase?

Outside of London your minimum contribution must be 80% of the full purchase price which can be made up from your mortgage and your cash deposit contribution and any other savings. The maximum percentage you can contribute to through Help to Buy equity loan is 90%.

Buyers must have a first charge mortgage for a minimum of 25% of the full market value and always provide a minimum 5% cash deposit contribution (5% of the full purchase price).

London Help to Buy requires a mimimum contribution of 60% of the full purchase price. This can be made up from your mortgage and cash deposit contribution. The maximum percentage you can contribute through London Help to Buy equity loan is 90%.

Buyers accessing the London Help to Buy equity loan must have a first charge mortgage for a minimum of 25% of the full market value and always provide a minimum 5% cash deposit contribution (5% of the full purchase price).

The long term sustainability of your mortgage contribution will be assessed by the Local Help to Buy Agent.

Your mortgage will be based on a multiple up to a maximum 4.5 times your household 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 net disposable income. Higher percentages cannot be approved by the Local Help to Buy Agent under any circumstances.

With limited resources available, Government is seeking to assist as many buyers as possible to buy with a Help to Buy equity loan. Therefore, if it looks like you can already secure a c90% main mortgage you should think carefully whether a Help to Buy equity loan is right for you. There may be better options for you to consider and you should seek independent financial advice about this.

What is the legal mechanism that ensures the Agency receives their correct share when the equity loan is repaid?
The Agency's equity loan will be secured through a second charge registered on your property title at Land Registry; this process will be undertaken by your solicitor. This means your property cannot be sold in the future unless the Agency's equity loan percentage is repaid.

You must agree to the legal charge being secured on your home before your purchase can be completed. Your Help to Buy equity loan also includes other obligations such as the requirement for you to insure your property. Your solicitor/conveyancer will advise you on the legal implications of your obligations and these documents before they are signed.

What happens when I sell my Help to Buy home?
When you sell your Help to Buy home, (unless you have already chosen to repay your Help to Buy equity loan) you will repay the Agency's equity loan simultaneously. So if you initially purchased with a 75% mortgage and a 5% cash deposit and have made no other staircasing repayments (see Illustration 1 below), you will repay the Agency 20% of the value at the time you sell.

The Mortgage Administrator will collect the Agency's repayment.

You can sell your home at any time and an independent valuer must decide what it is worth. Your property should be sold on the open market at the prevailing market valuation. If you do sell your property for more than the prevailing market value then the amount due to the Agency under the equity loan will be their percentage value of the actual sale price. The Agency will not agree to release its charge over the property for sales at less than market value.

If there are any fees or interest outstanding, for example, interest arrears at the time of selling, these must be paid before the sale is completed.

The Help to Buy equity loan must be repaid when you sell your home. You will pay the costs of selling.

The illustrations below give examples of how the equity loan repayment is calculated assuming a Help to Buy home starting value of £200,000 and a buyer taking on a mortgage for 75% and paying a 5% deposit. Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 1a

Start of year	Estimated annual change in property price %	Total property Value	Help to Buy home owner your entitlement to 80% of property value	Agency entitlement to 20% of property value
1	+2	£200,000	£160,000	£40,000
2	+2	£204,000	£163,200	£40,800
3	+2	£208,080	£166,464	£41,616
4	+2	£212,242	£169,794	£42,448
5	+2	£216,846	£173,477	£43,369
6	+2	£220,816	£176,653	£44,163

In the example in 1a, if the buyer chose to sell their Help to Buy home at the start of year six (after owning the property for five years) and assuming property values increased by 2% every year, the buyer would receive an estimated £220,816 from the sale. The buyer would then use this to settle any outstanding balance on their main mortgage and to repay the £44,163 Help to Buy equity loan.

London Help to Buy example

The illustrations below give examples of how the equity loan repayment is calculated assuming a London Help to Buy home starting value of £400,000 and a buyer taking on a mortgage for 55% and paying a 5% deposit. Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 1b

Start of year	Estimated annual change in property price %	Total property Value	London Help to Buy home owner your entitlement to 60% of property value	Agency entitlement to 40% of property value
1	+2	£400,000	£240,000	£160,000
2	+2	£408,000	£244,800	£163,200
3	+2	£416,160	£249,696	£166.464
4	+2	£424,483	£254,690	£169,793
5	+2	£432,973	£259,784	£173,189
6	+2	£441,632	£264,979	£176,653

In the example above, if the buyer chose to sell their London Help to Buy home at the start of year six (after owning the property for five years) and assuming property values increased by 2% every year, the buyer would receive an estimated £441,632 from the sale. The buyer would then use this to settle any outstanding balance on their main mortgage and to repay the £176,653 Help to Buy equity loan.

What happens if property values fall?

Will I have to repay the full amount of Help to Buy assistance or just a percentage of the total sale proceeds?
When you sell your home, (unless you have repaid the Help to Buy equity loan document previously) the Help to Buy equity loan document commits you to repay a percentage of the market value equal to the percentage contribution of assistance received.

This means if the market value of your property falls below the level at which it was first purchased, you will repay less than the original amount the Agency contributed to the original purchase.

You must always show that the proposed sale value is at the prevailing market value before going ahead. The Agency's Mortgage Administrator must approve the sale before allowing the second charge to be released.

As long as you have complied with all your obligations in the Help to Buy mortgage deed, you will not be required to provide for any shortfall in the equity loan repayment if you sell when values have fallen.

If you do not comply with the terms of the Help to Buy mortgage deed, the Agency will seek to recover all the money they are owed. Your solicitor will explain the Help to Buy mortgage deed to you before the property is purchased.

Illustration 2a

Start of year	Estimated annual change in property price %	Total property Value	Help to Buy home owner your entitlement to 80% of property value	Agency Help to Buy entitlement to 20% of property value
1	-5	£200,000	£160,000	£40,000
2	-5	£190,000	£152,000	£38,000
3	-5	£180,500	£144,400	£36,100
4	+5	£171,475	£137,180	£34,295
5	+5	£180,049	£144,039	£36,010
6	+5	£189,051	£151,241	£37,810

In the above example, if no capital repayment has been made on the main mortgage, repayment of the £150,000 mortgage from sales proceeds would leave £39,051 to contribute to the repayment of the £37,810 equity loan.

London Help to Buy example

Illustration 2b

Start of year	Estimated annual change in property price %	Total property Value	London Help to Buy home owner your entitlement to 60% of property value	Agency Help to Buy entitlement to 40% of property value
1	-5	£400,000	£240,000	£160,000
2	-5	£380,000	£228,000	£152,000
3	-5	£361,000	£216,600	£144,400
4	+5	£342,950	£205,770	£137,180
5	+5	£360,098	£216,059	£144,039
6	+5	£378,102	£226,861	£151,241

In the above London Help to Buy example, if no capital repayment has been made on the main mortgage, repayment of the £220,000 mortgage from sales proceeds would leave £158,102 to contribute to the repayment of the £151,241 equity loan.

Can I redeem my equity loan in part, sometimes known as "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 prevailing market value – whether that value is more or less than when originally purchased. You may wish to check any additional criteria with your current lender.

An independent valuer must provide a valuation of your property and you will also be responsible for the associated administrative cost. Enquiries about administrative costs should be made to the Agency's Mortgage Administrator.

If you decide to staircase after five years of ownership, the fees (see below) you pay on your Help to Buy equity loan will reduce to reflect your smaller outstanding loan percentage.

If you extend your mortgage to fund your partial repayment of the Agency equity loan, your mortgage repayments will probably increase to reflect the fact that you have repaid some of the equity loan. The Agency's Mortgage Administrator will need to approve any increase in your first charge mortgage.

In the example below, the buyer chooses to staircase by 10% to reduce the Agency equity loan to 10% at the start of year six (after owning the property for five years). Assuming property values increased by 5% every year, the buyer would have to repay £25,526 to reduce the Agency equity loan to 10% based on the future property value.

If the buyer has any outstanding equity loan fees at the time of staircasing, these arrears must also be paid at the same time as the staircasing payment is made.

Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 3

Start of year	Estimated annual change in property price %	Total property Value	Help to Buy home owner your entitlement to 80% of property value	Cost to Help to Buy Home owner staircasing by 10%	After staircasing Help to Buy home your entitlement to 90% of property value
1	+5	£200,000	£160,000	Not applicable	Not applicable
2	+5	£210,000	£168,000	£21,000	£189,000
3	+5	£220,500	£176,400	£22,050	£198,450
4	+5	£231,525	£185,220	£23,153	£208,373
5	+5	£243,101	£194,480	£24,310	£218,790
6	**+5**	**£255,256**	**£204,204**	**£25,526**	**£229,730**

Are there any restrictions on the mortgage provider?

Your first charge mortgage must be from a qualifying lending institution. These include lenders who are authorised under the Financial Services and Markets Act 2000, and who have permission to enter into regulated mortgage contracts. This is likely to include most banks and building societies.

The Financial Conduct Authority keeps a register of authorised persons on its website. The register can be found at http://www.fca.org.uk/register/

Your solicitor/conveyancer will check that the lender is compliant before a sale can proceed.

Fees and costs

What are the monthly costs of Help to Buy?

Typically every month, you will need to make payments in addition to your normal monthly outgoings, including:

- mortgage repayments to lenders
- Initial monthly management fee of £1 per month to be paid by direct debit from the start of ownership until the loan is repaid
- after five years, interest fees on the Help to Buy equity loan (see below)
- service charges, if you buy a house or flat with shared areas that require maintenance
- council tax
- Life insurance
- buildings insurance
- utility bills and other costs of occupying the property.

How the interest fees are calculated on the Help to Buy equity loan?

If you have not repaid in full your Help to Buy equity loan after five years, you will be required to pay an interest fee of 1.75% of the amount of your equity loan at the time you purchased your property, rising annually from the fifth anniversary of your equity loan by the increase (if any) in the Retail Price Index (RPI) plus 1%. This fee is payable to the Agency's Mortgage Administrator.

The example below shows how interest fees are calculated. A monthly management fee of £1 is paid from when you you first purchase. The interest fee payment is not made for the first five years. After this date a monthly fee will be payable and the table below illustrates how this would work on Help to Buy equity loan totalling £40,000.

Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 4a

Start of year	Help to Buy equity loan assistance	Estimated RPI %+1	Interest Fee percentage	Annual interest fee and management fee due	Estimated monthly payment (interest fee and management fee)
1	£40,000	6%	0%	£12	£1
2	£40,000	6%	0%	£12	£1
3	£40,000	6%	0%	£12	£1
4	£40,000	6%	0%	£12	£1
5	£40,000	6%	0%	£12	£1
6	£40,000	6%	1.75%	£712	£59
7	£40,000	6%	1.86%	£756	£63
8	£40,000	6%	1.97%	£800	£67
9	£40,000	6%	2.08%	£844	£70
10	£40,000	6%	2.21%	£896	£75

At the start of year six, after five years of ownership, the Help to Buy owner in this example above has to pay a total monthly interest and management fee

of £59. At the start of year seven, after six years of ownership, the monthly interest and management fee will have risen to £63.

London Help to Buy example

The example below shows how interest fees are calculated. A monthly management fee of £1 is paid from when you you first ourchase. The interest fee payment is not made for the first five years. After this date a monthly fee will be payable and the table below illustrates how this would work on Help to Buy equity loan totalling£160,000.

Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 4b

Start of year	London Help to Buy equity loan assistance	Estimated RPI %+1	Interest Fee percentage	Annual interest fee and management fee due	Estimated monthly payment (interest fee and management fee)
1	£160,000	6%	0%	£12	£1
2	£160,000	6%	0%	£12	£1
3	£160,000	6%	0%	£12	£1
4	£160,000	6%	0%	£12	£1
5	£160,000	6%	0%	£12	£1
6	£160,000	6%	1.75%	£2,812	£234
7	£160,000	6%	1.86%	£2,988	£249
8	£160,000	6%	1.97%	£3,164	£264
9	£160,000	6%	2.08%	£3,340	£278
10	£160,000	6%	2.21%	£3,548	£296

At the start of year six, after five years of ownership, the London Help to Buy owner in this example has to pay a monthly fee of £234. At the start of year seven, after six years of ownership, the monthly fee will have risen to £249.

The interest fee structure is intended to encourage you to staircase and move to full ownership. The introduction of interest fees after five years also takes into account that you benefit from living in your own home, made possible by the Agency contributing part of the purchase price until your property is sold. The interest fee is not introduced until the start of year six, which means that you have a five year period of low management fees (£1 per month) at a time when many buyers are usually the most financially stretched.

The future rate of inflation cannot be predicted but you should assume your interest fees will always rise. The examples shown above in illustrations 4a and 4b assume annual inflation as measured by the RPI is 5% making the annual fee increase by 6%, from 1.75% to 1.86%, in year seven.

In illustration 4a by the start of year ten, if the same rate of inflation is maintained, the interestfee would be 2.21% equating to £75 per month based on the original equity loan totalling £40,000. The London Help to Buy example in illustration 4b shows at the start of year ten the interest fee would equate to £296 per month based on the original equity loan of £160,000.

Your annual interest fee will always increase by a minimum of 1% (from the fifth anniversary of your Agency equity loan) even if there is noincrease or there is a decrease in RPI.

Your payment of management and interest fees does not contribute towards repaying your Help to Buy equity loan. If you staircase or want to make full repayment of the equity loan, any interest fee arrears must be repaid at the same time.

Annual Percentage Rates (APR) for Help to Buy owners
Because you have to pay fees on your Help to Buy equity loan during your ownership, and you may have to pay more than the original contribution back to the Agency, the effect will be similar to a loan under which a buyer pays credit charges at a rate dependent on the growth in house prices combined with the percentage rates of fees payable.

The previous illustrations demonstrated separately the effects of house price changes and fees on the costs a buyer would have to pay for 2 examples: A Help to Buy purchase of a £200,000 market value home and mortgage and contribution of 80%, and a London Help to Buy purchase of a £400,000 market value home and a mortgage and contribution of 60%.

The combined effect of fees and repayments affects the APR which is the buyer's cost of credit.

Using the previous illustrations of standard Help to Buy, after six years of ownership, if the buyer decides to sell and house prices have grown for example by 5% every year, the buyer will have to repay £53,604 on their original equity loan of £40,000.

The owner will have also paid £700 in interest fees on the Help to Buy equity loan. This means the total amount payable after five years on the Help to Buy original assistance of £40,000 is £54,304.

Under the illustration of London Help to Buy, after six years of ownership, if the buyer decides to sell and house prices have grown for example by 5% every year, the buyer will have to repay £214,415 on their equity loan of £160,000.

The owner will have also paid £2,800 in fees on the Help to Buy equity loan. This means the total amount payable after five years on the Help to Buy original assistance of £160,000 is £217,215.

For this example, this is equal to an APR 5.2% typical. The total amount repaid is £54,304 or £217,215 under London Help to Buy. You should remember this is an illustration. House price inflation, the Retail Price Index and the fees and costs an owner pays could all vary substantially over time. Your solicitor/conveyancer will be able to provide a further illustration of APR when they advise you on your purchase.

As house values increase it may be in the Buyers interest to repay the Agency as their financial position improves and makes this possible.

Prospective buyers should always seek independent financial advice before proceeding with their Help to Buy purchase.

Additional Help to Buy equity loan administration charges

In line with other main mortgage lenders, the Agency's Mortgage Administrator will charge Help to Buy owners for loan redemption and other loan transactions. These charges are set out below. There are no applicaction or other administration charges when buyers first make their Help to Buy equity loan purchase. Similarly, there are no early redemption penalties payable by Help to Buy owners.

Transaction	**Adminstration charge payable by borrower (includes VAT)**
Full or partial repayment of the Help to Buy equity loan (including staircasing)	£200
Remortgaging of the main mortagage	£115
Additional main mortgage borrowing	£115
Changes of names	£50
Subletting or home improvements	£50
Arrears debt recovery charge	£100
Referral of unrecovered arrears to debt recovery agency	Up to £600

Questions and answers

Q Can I buy a home off plan?
Yes, you are able to reserve a new home off plan at any time. However, you cannot exchange contracts before six months to legal completion of the sale. You also need to ensure that your mortgage offer is valid through to legal completion.

Q Will I have to pay Stamp Duty?
The Government's standard rules and procedures for Stamp Duty Land Tax (SDLT) apply to all Help to Buy purchases.

SDLT is payable at the time of purchase, on the full purchase price of the home. That is, the amount paid by you (the first mortgage and any cash contribution) plus the value of the Help to Buy assistance.

There is no further SDLT to pay on any 'staircasing' repayments or repayment when the home is sold.

You should budget for SDLT on the full open market price of the property when you purchase a Help to Buy home.

Q Who pays for repairs and ongoing maintenance to my home?
It is your responsibility to repair and maintain your home. New homes often come with a guarantee that will cover certain defects for up to 10 years after it was built. This guarantee usually only covers defects in the house builder's workmanship. Your solicitor/conveyancer will be able to advise in more detail on this.

Q Who provides the contribution for Help to Buy?
The equity loan is provided by the Homes and Communities Agency and administrated by your local Help to Buy agent. The contribution is secured by a second charge on your property title registered at Land Registry.

Q How long will it take before I can move in?
Because Help to Buy homes are generally on new developments (and may still be under construction), in common with most new home sales, you will normally be expected to arrange a mortgage and exchange contracts within one month of paying your reservation fee.

Your moving in date may depend on the time required to complete construction work, which will vary from scheme to scheme. Some Help to Buy applicants may need to wait for a longer period of time for a home that matches very specific needs whereas others may buy from a development that allows earlier occupation.

Q What happens if the completion of my home is delayed?
Once you have committed to buy a home (at exchange of contracts) the house builder will have agreed to build the home and keep you informed of progress.
If you are unhappy about any delays in construction you must speak to the house builder. Your solicitor/conveyancer will be able to advise on the house builder's contractual responsibilities before you agree to the sale.
You should check with your house builder that the funding will be available on the date you expect to complete your purchase.

Q Are there any restrictions on the properties that I can purchase?
All Help to Buy homes are on new build developments where the Agency has a registration agreement with the house builder. You can only purchase from these house builders. The maximum purchase price is £600,000.

Q Can I sublet my Help to Buy home?
No. Help to Buy is designed to assist you to move on to or up the housing ladder. If you wish to sublet, you will first have to repay the Help to Buy equity loan assistance. In exceptional circumstances (e.g. a serving member of the Armed Forces staff whose tour of duty requires them to serve away from the area in which they live for a fixed period, then sub-letting is allowed. In these circumstances you would also require approval from your mortgage lender and the Agency's Mortgage Administrator).

Q Can I own other homes and buy a Help to Buy home?
No. Help to Buy is designed to assist you to move up the housing ladder and must be your only residence. This means you will be expected to sell your current home if moving up the ladder. The disposal of your current home will be verified by your solicitor/conveyancer before you can proceed to exchange contracts on the Help to Buy Home.

In addition you cannot be linked to another property financially. For the avidance of doubt, married couples own assets jointly and therefore if one owns a property the other is directly linked to the asset and treated as a home owner also.

Q Can I own a Help to Buy home and buy a second home?
No. Help to Buy is designed to assist you to move up the housing ladder. If you can afford to purchase another home you will have to repay the Help to Buy equity loan. Married couples also standardly by law own each others assets, therefore all assets in a single name are treated as jointly owned in this scenario.

Q What are the key differences between the Help to Buy equity loan offered across England and the one offered in London.
The Autumn Statement in November 2015 announced an increase in the London Help to Buy equity loan from 20% to 40%. The eligibility and requirements for the programme otherwise have remained the same. The table below details the extent of the changes.

Feature	Help to Buy	London Help to Buy
Maximum equity loan available	20% of purchase price	40% of purchase price
Buyers cash deposit	5% of purchase price	5% of purchase price
Minimum mortgage required	25% of purchase price	25% of purchase price
Maximum purchase price	£600,000	£600,000

The property purchased must be your only residence. Help to Buy is not available to assist buy-to-let investors or those who will own any property other than their Help to Buy property 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 will be liable to criminal prosecution.

Fraudulent claims will always require immediate repayment of the equity loan assistance.

Q Can I use cash from my council, Housing Association or other public sector body to buy with the addition of help through Help to Buy?
Provided that your local council is satisfied that this represents value-for-money and the other funding is compatible with Help to Buy. Funding provided which must be secured against your home would not be compatible with the Help to Buy scheme. Assistance from Local Authority Clearance Payments are not permitted through Help to Buy.

Q After purchasing my home, can I increase my mortgage or take out another loan?
Not without permission from the Agency's Mortgage Administrator. Further advances must be approved by the Agency's Mortgage Administrator.

Advances to be used for staircasing or repaying the equity loans will usually be welcomed and approved. Advances for other purposes will be considered by the Agency's Mortgage Administratoron a case by case basis (see question below regarding extending or altering the property).

You can transfer your mortgage to another qualifying lending institution (see page 17), following prior permission from the Agency's Mortgage Administrator. However, you must ensure your new lender is informed that your home is a Help to Buy property with a second charge entitling the Agency to a share of the future sale proceeds.

The Agency's Mortgage Administrator may decline permission for further advances or transfer to another lender if after assessment they consider you may be putting yourself in an unsustainable financial position.

Q 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 Agency's contribution before making plans for improvements or alterations. This is because the Agency is seeking to help future aspiring buyers and may use the proceeds of these repayments to make more assistance available. Therefore, consent will not usually be granted for significant home improvements. The Agency's Mortgage Administrator will act reasonably in considering any application and will review cases of hardship if, for example, property modifications are required for a disability.

When your property is sold in the future, if improvements have been made with the approval of the Agency's Mortgage Administrator, these will be ignored when your property is valued to work out how much should be repaid to the Agency.

Q After five years of ownership how is the fee collected?
Fees can be paid in a single yearly payment or in monthly instalments. The monthly management fee (£1) is always paid monthly by direct debit.

The Agency's Mortgage Administrator will collect your fees and interest by direct debit. They will contact you at least a month before your fees are due, to set up (if not already done so) your repayment arrangement.

You will also receive a statement each year confirming when your fees are payable. The annual statement will also show any payments you have made once you start paying the fee.

Q What if I die after purchasing a Help to Buy home?
This depends on whether you bought your home alone or with others.
If you bought the house/flat on your own and you die, the home will be passed on in the normal way under the terms of your will and the payments explained in this guide will be made by your estate in accordance with the scheme. If you have not made a will it will pass under the laws of intestacy.

It is recommended that a sole buyer seeks independent legal advice about this.

If you bought your home with others and one of them dies, their interest in the property will either be transferred to the surviving co owner (s) or will pass under the terms of their will, or (if there is no will) the laws of intestacy.

It is recommended where there are two or more owners, that they seek independent legal advice about this.

Q Can owner names be added or changed on the Help to Buy property?
Only with permission from the Agency's Mortgage Administrator and you will be required to cover their administration costs. This will require a deed of accession and/or a deed of release to be completed by you. This is a legal document that permits name changes on the property.

Q Can I get help with benefits to pay the Help to Buy fees and interest if, for example, I lose my job?
Because Help to Buy fees and interest are not classified as rent, they do not qualify for Housing Benefit. You should make sure you have made arrangements to ensure you can continue to make you Help to Buy payments if your income falls. You should seek independent financial advice about this before purchasing a Help to Buy home.

Q What happens if my partner moves out and no longer wants to be party to the equity loan agreement?
The Agency's Mortgage Administrator will be able to arrange for a 'Deed of Release' which will release your partner from the obligation of having to repay the equity loan. Assuming that your first charge mortgage lender is content for this to take place and that you are able to provide evidence that you can meet your housing costs and still have a reasonable standard of living, permission should be a formality.

Find your Local Help to Buy Agent

To find out the nearest location of Help to Buy homes in your area, you should contact your Local Help to Buy Agent.

Go to http://www.helptobuy.org.uk/equity-loan/find-helptobuy-agent to locate them on the map. All contact details can be found on the website.