

# Help to Buy Scheme

## What is Help to Buy?

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

With Help to Buy, the buyer ('you') buy 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.

You must take out a first mortgage (with a qualifying lending institution e.g. a bank or building society). This mortgage, together with any cash contribution from you, must be a minimum of 80% of the full purchase price. The Agency will provide an equity loan to fund the balance needed to make up the purchase price of your home, up to a maximum of 20% 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 sale).

The equity loan is interest free for the first five years. After that, you will pay a fee of 1.75%, rising annually by the increase (if any) in the Retail Price Index (RPI) plus 1%. Please see your personal worked example for more information regarding the same.

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. Again, please refer to your Personal Worked Example.

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 mortgage lender will secure its lending through a first charge on your home.

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' – please see below) 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

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.