

Help to Buy Schemes

Help to buy schemes are a government initiative to help individuals with the cost of house purchase where available mortgage funding is not enough. There are two main schemes:-

1. Help to Buy Equity Loans
2. Help to buy Mortgage Guarantees

Help to Buy Equity Loans

In the basic scheme the government makes a loan of up to 20% of the price where the lending on the first mortgage is up to 75% and the individual pays at least 5% to make up the balance. There will be a second charge against the property securing the government loan and this will need to be repaid when the property is sold at 20% of the then sale price or whatever the percentage of the original price of the loan was. No interest is charged on the loan for five years. In the sixth year there is a charge of 1.75% and in subsequent years a charge based on the RPI is used.

Individuals should note that if they use this scheme they cannot sublet their property but must use it as their main residence.

There is a variation on this scheme for shared ownership properties (part rent part buy) created by housing associations. To qualify individuals must normally be first time buyers, currently renting council or housing association property where the household income is £60,000 or less.

There is another variation for new build properties ("New Buy"). This applies to properties costing £500,000 or less which will be used as the individual's main residence and where the builder belongs to the scheme. Individuals need not be first time buyers and there is no limit on income levels.

Help to Buy Mortgage Guarantees

In this scheme the government gives the mortgage lender a guarantee provided that the price of the property is £600,000 or less and is not shared ownership, a second home or rented out. There is no need for the borrowers / owners to be first time buyers and no limit on income.

Individuals should note that lenders can choose what interest rate to charge. At present participating banks include RBS, Bank of Scotland, NatWest, HSBC and Halifax. The guarantees they provide will be valid for seven years.

For further information please see the government website: www.gov.uk/affordable-home-ownership-schemes alternatively, please do not hesitate to contact our office for information and advice.

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