THE HOMEBUYERS' GUIDE TO

Help to Buy: Equity Loan

2021–2023 Help to Buy scheme


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Your guide to a Help to Buy: Equity Loan

As a first-time buyer searching for a newly built home, you may need a little financial help. With the government's Help to Buy: Equity Loan scheme, buying your own home could become a reality.

This guide provides useful information about Help to Buy: Equity Loan (2021-2023), a home ownership scheme. It will help you to understand what is involved in taking out an equity loan, how it works and how to apply.

Information in this guide is about how the scheme works for homebuyers in England. Separate schemes are available in Wales and Scotland.

This guide is for information only and must not be considered as advice. Consider seeking independent financial advice about whether the Help to Buy: Equity Loan is right for you.

What is a Help to Buy: Equity Loan?

Help to Buy: Equity Loan is a loan from the government that you put towards the cost of buying a newly built home.

Help to Buy aims to help first-time buyers to get on the property ladder.

If you're eligible for an equity loan, you can borrow up to 20% (40% if you're in London) of the market value of a new home.

When you take out an equity loan, you only pay interest on the amount you borrowed. You should be aware that the interest payments you make do not go towards repaying your equity loan.

You cannot make monthly repayments to reduce your loan. But you can choose to repay it all or in part at any time. If you sell your home, you will need to repay all of your equity loan.

You can only apply for Help to Buy if you reserve your new home with a Help to Buy registered homebuilder.

Who provides the loan?

Help to Buy: Equity Loan is provided by the Homes and Communities Agency (trading as Homes England).

We are a government agency funded by the Ministry of Housing, Communities and Local Government.

Homes England

Key things you should know before taking out a Help to Buy: Equity Loan

Help to Buy: Equity Loan is not a discount scheme or a price reduction - the purchase price of the new home will be the same whether you buy with or without an equity loan.

The equity loan is not "interest free" – We do not charge interest for the first 5 years of the equity loan, but you will begin to pay it from year 6.

The total equity loan amount you repay is linked to the value of your home at the point of repayment, and not the amount you originally borrowed.

You cannot have an equity loan without a repayment mortgage, which is valid for the duration of the equity loan.

How does it work?

With an equity loan, we lend you a minimum of 5% and up to 20% (or up to 40% in London) of the market value of your newly built home.

The amount you can spend on the home depends on where in England you buy it.

Help to Buy: Equity Loan price caps – April 2021 to March 2023

Region	Maximum property price
North east	£186,100
North west	£224,400
Yorkshire and the Humber	£228,100
East Midlands	£261,900
West Midlands	£255,600
East of England	£407,400
London	£600,000
South east	£437,600
South west	£349,000

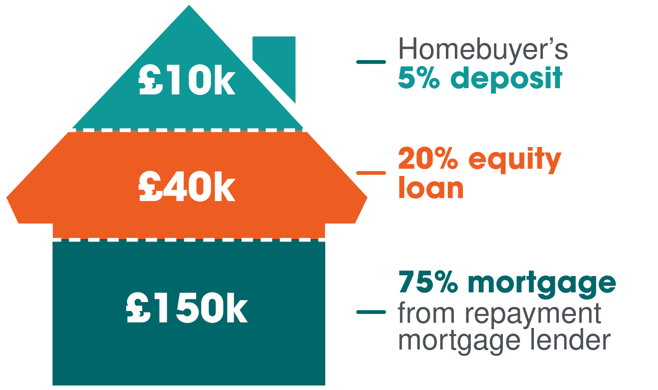
The maximum property price is the full purchase price. You cannot change or negotiate this price. Your homebuilder will be able to confirm if the home you want to buy is within the price range.

You must:

- pay a deposit of 5% of the purchase price of your new home at exchange of contracts
- arrange a repayment mortgage of at least 25% of the purchase price of your new home.

An equity loan is secured against your property in the same way a repayment mortgage is. The Help to Buy: Equity Loan scheme is not regulated by the Financial Conduct Authority (FCA).

Example of how much your deposit, mortgage and equity loan may be if you buy a new home worth £200,000



For the first 5 years:

- the equity loan is interest free
- pay a £1 monthly management fee by Direct Debit.

From year 6:

- pay the £1 monthly management fee
- pay a monthly interest fee of 1.75% of the equity loan
- interest fees will rise each year in April by the Consumer Price Index (CPI), plus 2%
- continue to pay interest until you repay your loan in full.

You must repay the equity loan when you pay off your repayment mortgage, sell your home or reach the end of your loan term, normally 25 years.

You can pay off your equity loan in full any time before then or make part payments. Your first part repayment will need to be at least 10% of what your home is worth at that time.

Funding your home purchase:
Example of the percentage you pay and what you can borrow

Help to Buy: Equity Loan

	Regional	London
Equity loan	5% – 20%	5% – 40%
Your deposit	Minimum 5%	Minimum 5%
Repayment mortgage	Minimum 25%	Minimum 25%

Example of how much your deposit, mortgage and equity loan may be if you buy a new home:

Buying in a region using Help to Buy: Equity Loan

Price of new home	£200,000	
Equity loan	20%	£40,000
Repayment mortgage	75%	£150,000
Deposit	5%	£10,000

Buying in London using Help to Buy: Equity Loan

Price of new home	£600,000	
Equity loan	40%	£240,000
Repayment mortgage	55%	£330,000
Deposit	5%	£30,000

Am I eligible?

To be eligible for Help to Buy: Equity Loan 2021-2023 you must be a first-time buyer.

You and anyone you're buying a home with must:

- not own a home or residential land now or in the past in the UK or abroad
- not have had any form of sharia mortgage finance.

All applications made by anyone that is married or in a civil partnership will have to be a joint application with their spouse or civil partner.

You will need to sign a legal declaration to confirm that you are first-time buyers. Your conveyancer will explain this to you.

When you buy your new build home with an equity loan, you must be able to afford the monthly fee and interest payments

You must tell us if you or anyone you are buying with has a connection with a homebuilder, as this could affect your eligibility for the equity loan scheme.

If you have a large deposit and can secure a mortgage without our support, consider if an equity loan is right for you. Getting independent financial advice could help you make the right choice.

Quality standards

We aim to make sure that homes sold with Help to Buy are of a high standard. Our homebuilders agree to follow:

1. Consumer Code for Home Builders

All Help to Buy registered homebuilders follow a code of customer care and standards set out within the Consumer Code for Home Builders. Find out more about the code visit https://consumercode.co.uk/

2. New Homes Ombudsman

All Help to Buy registered homebuilders must agree to sign up to New Homes Ombudsman, which will launch in 2021. The scheme aims to compensate homebuyers for poor building work and enforce high building standards.

3. Star rating homebuilders

Homebuilders who are members of the Home Builders Federation (HBF) Star Rating Scheme must display their star rating on all their marketing materials. The scheme awards homebuilders with stars for customer satisfaction based on homeowner feedback. HBF announce new star ratings every spring.

4. Building Safety Charter

Homebuilders who develop high rise buildings must sign up to the Building a Safer Future Charter. The charter promotes a build environment which makes living and working on new build sites safer. Find out more visit www.buildingasaferfuture.org.uk/

5. Planning permission and building regulations

Homebuilders must comply with minimum building regulations and planning permissions. Your conveyancer is responsible for making sure these are evidenced.

6. New home warranty

Your homebuilder must give you a new home warranty before you complete the purchase.

You won't be able to buy your home without it. The warranty will:

- deal with defects you may find when you move into your new home
- offer you, us and your mortgage lender protection.

If you have any questions about the new home warranty, your conveyancer or homebuilder will be able to give you more information.

Lease restrictions on Help to Buy homes

The government has set out rules to protect you from unfair lease terms and costs when you buy a home.

There are very few Help to Buy homes you can buy that will include a lease.

If you are buying a flat with a lease, check with your conveyancer that the terms of the lease meet the requirements of Help to Buy. For example, homebuilders are not allowed to charge you ground rent.

How to apply

1. **Find and reserve your home**

   Registered homebuilders advertise Help to Buy homes for sale on their developments. You must reserve your home and pay the fee of no more than £500 before you can apply for an equity loan. This fee is fully refundable if you're not eligible for an equity loan or you do not exchange contracts.

2. **Get professional advice**

   Help to Buy agents will help you to apply for an equity loan if you're eligible and can afford the equity loan on top of your other outgoings.

You must check that the equity loan meets your needs and that you can afford to repay it. Consider seeking independent advice to help you understand your financial situation.

Your Help to Buy agent will guide you through our 4-stage buying process (go to page 14).

You can find your Help to Buy agent at www.helptobuy.gov.uk/equity-loan/find-helptobuy-agent.

If your equity loan is approved, your Help to Buy agent will give your conveyancer and homebuilder permission to proceed with buying your home.

Buying your new home with an equity loan

Before you get started, make sure you have the funds to pay for:

- **a reservation fee to reserve your home (up to £500)**
- **a 5% deposit on exchange of contracts (the rest of your deposit would be payable on completion)**
- **other fees on completion (stamp duty, legal fees, mortgage fees).**

Stage 1: Applying

Find your new home

Search online for new homes for sale using a Help to Buy: Equity Loan. Look for the Help to Buy, backed by HM government logo on registered homebuilders new home development sites.

Reserve your home

Reserve your home with the homebuilder and pay a fee of no more than £500. This fee is fully refundable if you're not approved for an equity loan. Make sure the homebuilder gives you a signed copy of the reservation form, you'll need it when you apply for the equity loan.

Get financial advice

Buying a new home can be a daunting process, but there are many organisations that offer free advice. Consider seeking independent financial advice.

Apply for your equity loan

You need to complete a Property Information Form to apply for an equity loan. You will need to provide personal and financial information, such as household income, the property details, your proposed repayment mortgage and deposit details.

The information you provide when you apply must be accurate and true. False details will lead to delays and may put you at risk of fraud, which is a criminal offence.

Return your paperwork

Send your signed Property Information Form and a copy of the homebuilder's signed reservation form to your Help to Buy agent.

Stage 2: Authority to Proceed

Know how your finances stack up

Your Help to Buy agent will check if you're eligible for the scheme.

The agent will use our Help to Buy eligibility calculator tool to check your monthly income and outgoings, including household bills and estimated mortgage repayments in the calculations.

Your repayment mortgage should be less than 4.5 times your gross annual income.

Get Authority to Proceed

If your application is approved, the Help to Buy agent will give you the Authority to Proceed (ATP) to buy your new home. This is valid for 3 months.

Apply for a repayment mortgage

You are responsible for arranging your repayment mortgage. Only apply for your repayment mortgage once you have the Authority to Proceed from your Help to Buy agent. If you apply for a repayment mortgage first and are not eligible to apply for Help to Buy, you may lose money. Your credit rating may also be affected if the mortgage lender has carried out a credit check on you.

Get the conveyancer's pack

When you have the Authority to Proceed, your conveyancer will receive legal guidance and forms to complete. Return these to your Help to Buy agent so you can buy your home. Your conveyancer is responsible for explaining the legal information to you.

Stage 3: Mortgage offer and exchange of contracts

Your conveyancer will:

- explain the Help to Buy: Equity Loan contract and your legal responsibilities. They will remind you that your application must be accurate and true. False or misleading information could be fraud. This is a criminal offence and you may have to repay the equity loan in full
- ask you to sign the property sale contract and the Help to Buy: Equity Loan contract and sign a declaration to confirm that you and anyone you're buying with are first-time buyers
- make sure your repayment mortgage offer, property price and deposit are the same amount as agreed in the Authority to Proceed
- ask your Help to Buy agent for permission to exchange contracts.

Your Help to Buy agent will:

Check all the paperwork is correct and issue the Authority to Exchange (ATE) to your conveyancer so they can exchange contracts.

You will:

- pay your deposit and be legally bound to buy your new home by an agreed date. You pay 5% deposit when you exchange contracts, even if your full deposit is more
- make sure your repayment mortgage offer does not expire before the completion date.

Home visits

You can visit your new home once you exchange contracts. Your homebuilder will arrange this for you. This will give you a chance to confirm any last-minute details or changes before you move in. Speak to your conveyancer or your homebuilder for more information about home visits.

Stage 4: Completing the purchase

Pay for your new home

On completion:

- you pay the rest of your deposit (if more than 5%)
- your mortgage lender provides its share of the funds to buy your new home
- we pay your equity loan to the homebuilder
- you legally own your new home, get the keys and can move in.

Confirm the sale

Your conveyancer contacts the Help to Buy agent to confirm the sale. Your Help to Buy agent will pass your details to our equity loan administrator to help you manage payments and make changes to your equity loan account.

Registration of interest

Your conveyancer will register a legal charge on your home for us. They will also register a separate legal charge for your mortgage lender. This is recorded with HM Land Registry and will be shown on your property title deeds. When you're ready to sell your home, you need to let us know. You must pay back your equity loan and repayment mortgage before we can remove our legal charge on the property.

Your home may be repossessed if you do not keep up repayments on your repayment mortgage, equity loan or other loans secured against it. Consider seeking independent financial advice before making any financial decisions.

Equity loan administrator

After you buy your home, your Help to Buy agent will pass your details onto our equity loan administrator, who will:

- set up your Direct Debit to pay the £1 monthly management fee
- arrange for you to pay fees and interest payments on your equity loan
- help set up repayments when you're ready to repay some or all of your equity loan
- help you get approval to make changes to your equity loan account.

How long does it take to buy a new home with an equity loan?

You have 3 months to exchange contracts when you get our Authority to Proceed.

You must complete buying your home within 6 months of exchanging contracts.

When you exchange contracts, you make a legal commitment to buy the property. If you change your mind, you may have to pay costs.

Repaying your equity loan

When you take out your equity loan, you agree to repay it in full, plus interest and management fees.

You must repay your equity loan in full:

- at the end of the equity loan term
- when you pay off your repayment mortgage
- when you sell your home
- if you do not comply with the terms set out in the equity loan contract and we ask you to repay the loan in full.

There are no monthly equity loan repayments to reduce the total amount of equity loan you borrow. You can pay off all or part of your equity loan any time before then.

We collect payments by Direct Debit. This helps to keep your payment details up to date. The payments are managed by our equity loan administrator.

You may pay back more than you borrow

The percentage you borrow is based on the market value of your new home when you buy it.

When you repay your loan in full or in part, the amount you pay back is worked out as a percentage of the market value at the time you choose to repay.

If the market value of your home rises, so does the amount you owe on your equity loan. And if the value of your home falls, the amount you owe on your equity loan falls too.

Your home could be at risk if you do not keep up with repayments on your mortgage, so it's important to consider how you will manage if your home drops in value.

If your home is worth less than when you bought it, it may affect your ability to pay your repayment mortgage. Consider talking to a financial adviser about what you could do if this happens.

Work out what you need to repay

You can pay off all or part of your equity loan any time before then.

At any time, you can make part repayments of at least 10% of what your home is worth, to reduce how much you owe.

For example, you could repay 10% if you took out a 20% loan. Or repay 10%, 20% or 30% at a time if you took out a 40% loan.

To work out how much you pay back we need to know the current market value of your home.

You will need to get a Royal Institution of Chartered Surveyors (RICS) valuation report. A qualified surveyor will estimate the value of your home, based on its condition and the current housing market.

If you are selling your home, we use the current market value of your home as determined by a Royal Institution of Chartered Surveyors (RICS) valuer, or the price it sells for, whichever is highest. In all other circumstances the market value will be determined by RICS valuer.

Understanding your interest payments

Interest is what we charge for lending you the funds to help you buy your Help to Buy home.

Interest payments do not go towards paying off your equity loan.

- You start to pay interest from year 6, on the fifth anniversary that you took out your equity loan
- Your first interest payment will be 1.75% of the amount you borrowed
- Your interest will go up each year in April by the Consumer Price Index (CPI), plus 2%

The amount of monthly interest you pay is worked out by **multiplying:**

1. **the Help to Buy: Equity Loan amount** (purchase price x equity loan percentage). The equity loan percentage will reduce following any part repayment
2. **by the interest rate** (in the first year this is 1.75%). The interest rate increases every year by adding CPI plus 2%. The interest rate from the previous year is then used to work out the interest rate rise for the following year.

Payments are worked out as an annual figure and then divided by 12 equal instalments to get a monthly interest payment.

We work out monthly interest payments using this sum:

Help to Buy: Equity Loan amount x interest rate ÷ 12

£300k purchase price and equity loan of £60,000 (20% equity loan percentage)

(300,000 x 20%) x 1.75% = £1,050 (per annum) ÷ 12 = £87.50 per month

How we work out interest rate increases

Interest rates go up each year in April by the Consumer Price Index (CPI), plus 2%. The table below shows how the interest rate rise is worked out.

Year	Interest rate increase calculation	Interest rate
1 - 5	No interest payments	0%
6	Not applicable	1.75%
7	1.75% (year 6 rate) + 0.08% (1.75% x (2.5% CPI + 2%)	1.83%
8	1.83% (year 7 rate) + 0.08% (1.83% x (2.5% CPI + 2%)	1.91%

Based on the yearly interest rate rises, it is possible to show the typical annual and monthly payments, including interest and management fees. You will receive a personalised example which estimates the fees you'll pay on your equity loan. The figures used below are examples only.

Table 1: Typical annual and monthly payments, including interest and management fees, based on an equity loan in a region of £40,000 and inflation (CPI) of 2.5%:

If the market value of your home at the time of purchase was £200,000 and you borrowed a Help to Buy: Equity Loan amount of £40,000 (20%), in year 6, on the fifth anniversary of taking out your equity loan, the interest rate used to work out your monthly interest fee would be 1.75%.

So the sum is:

(£40,000 x 1.75%) ÷ 12 = £58.33 interest every month in year 6.

Fees and interest	Annual payments	Monthly payments
Year 1 to 5		
No interest payments	£0	£0
Management fee	£12.00	£1
Year 6		
1.75%	£700.00	£58.33
Management fee	£12.00	£1
Year 7		
1.83%	£732.00	£61.00
Management fee	£12.00	£1
Year 8		
1.91%	£764.00	£63.67
Management fee	£12.00	£1

Table 2: Typical annual and monthly payments, including interest and management fees, based on an equity loan in London of £240,000 and inflation (CPI) of 2.5%:

If the market value of the home at the time of purchase was £600,000 and you borrowed a Help to Buy: Equity Loan amount of £240,000 (40%), in year 6, on the fifth anniversary of taking out your equity loan, the interest rate used to work out your monthly interest fee would be 1.75%.

So the sum is:

(£240,000 x 1.75%) ÷ 12 = £350.00 interest every month in year 6.

Fees and interest	Annual payments	Monthly payments
Year 1 to 5		
No interest payments	£0	£0
Management fee	£12.00	£1
Year 6		
1.75%	£4,200.00	£350.00
Management fee	£12.00	£1
Year 7		
1.83%	£4,392.00	£366.00
Management fee	£12.00	£1
Year 8		
1.91%	£4,584.00	£382.00
Management fee	£12.00	£1

Differences in interest payments

You will pay slightly less interest if you take out an equity loan at the start of the year, and slightly more interest if you take it out later.

Your interest payments start in year 6, on the fifth anniversary that you took out your equity loan if your equity loan anniversary is between:

- **1 April and 31 December,** your first interest rate rise will be the coming April. For example, if you take out your equity loan on 1 June 2022, interest payments will start on 1 June 2027 (year 6) and the increase in interest will take place in April 2028. **This means your interest will rise to the next rate sooner.**
- **1 January to 31 March,** your first interest rate rise will be a year or more later in the following April. For example, if you take out your equity loan on 1 January 2022, interest payments will start from 1 January 2027 (year 6) and the increase in interest will take place in April 2028. **This means you will pay a lower rate of interest for slightly longer.**

What happens if the Consumer Price Index (CPI) is below 0%?

CPI can go up and down.

If when we work out your interest, CPI is 0% or less, a figure of 0% will be used for CPI to calculate your interest rate rise. This means the interest rate increase will be a minimum of 2%. CPI will never be less than 0% when used to work out the interest rate increase.

Example:

Where CPI is equal to or less than 0%, we use 0% to work out the interest rate rise:

0% + 2% = 2% interest rate rise.

Equity loan fees and costs

You agree to pay the fees and costs when you take out the equity loan, and these include:

Monthly management fee

When your equity loan starts you must pay a £1 monthly fee. This is paid by Direct Debit for the life of your equity loan. For example, if you have the equity loan for 5 years (60 months) you will pay a total of £60 in management fees.

Interest

You start to pay interest from year 6, on the fifth anniversary of your equity loan and this is calculated at a rate of 1.75% of the equity loan amount. The interest rate will rise each year thereafter in April by the Consumer Price Index (CPI), plus 2%.

The interest you pay during the life of the equity loan does not reduce the amount you owe.

The amount of interest you pay will reduce if you make part repayments. Interest will be worked out on the amount of equity loan left to pay.

Administration fees

You pay administration fees to make changes to your equity loan. If you choose to remortgage or make a repayment, for example, you will need to pay an administration fee as part of your application.

Here is a link to the current list of Help to Buy: Equity Loan administration fees – www.myfirsthome.org.uk/iwantto/understand-charges/

In addition to administration fees, you are responsible for paying other costs and fees, such as a Royal Institution of Chartered Surveyors (RICS) valuation report, legal fees, mortgage arrangement fees.

Costs for late payment

You may be charged interest on overdue money you owe us. Interest is worked out based on the amount you owe. Interest is applied every day until the money you owe is paid in full. You may also be asked to pay other reasonable costs that we have paid for, if we need to take action against you.

We collect interest and management fee payments by Direct Debit. This helps to keep your payment details up to date. The payments are managed by our equity loan administrator.

Help to Buy: Equity Loan and mortgages

Help to Buy: Equity Loan normally has a term of 25 years. If you choose to switch lenders to get a better deal on your repayment mortgage, either with your current or a new lender, you will need to get our permission first.

You may wish to remortgage without borrowing more, and we would generally allow this.
But, if you want to borrow more on your mortgage, you will need to meet certain conditions.

You can only borrow more when you remortgage if you use the money to pay:

- for repayment of all or part of your equity loan
- for structural alterations on medical grounds, if we agree to it
- to remove or add a homebuyer to the equity loan agreement (Transfer of Equity)
- for other personal circumstances that you agree with us.

If your new mortgage deal is more than 25 years, we will extend the term of your equity loan to match it.

Add and remove homebuyers from the equity loan

With our permission, you can add or remove a homebuyer from the equity loan. Homebuyers who are added must meet our Help to Buy eligibility criteria. One of the homebuyers named, must stay the same as when the equity loan was taken out.

Structural alterations

Help to Buy homes are for first-time buyers, now and in the future. We want to make sure they are always affordable.

Making structural alterations to your home can increase its market value.

You cannot make structural alterations to your home without our permission, such as adding an extension or converting a bedroom into a bathroom.

We will only give permission to make structural alterations on medical grounds.

The equity loan is linked to the value of your home. So, if you make structural alterations without our permission and it increases the value of your home, the equity loan amount you owe will increase.

If we give permission to make structural alterations and the value of your home increases, we will ignore the value of that alteration when we work out how much you owe on your equity loan.

Redecorating or fitting a new kitchen or bathroom are not structural alterations, and you do not need our permission to do this.

You have the option to repay your equity loan before you make structural alterations.

Other restrictions

You are not allowed to sublet your home without our consent.

Like your repayment mortgage, you must have building insurance for your home, keep it in a good state of repair and comply with other conditions.

!

This will mean you pay interest and fees on your equity loan for longer. Remember that the interest rate increases each year.

Consider seeking independent financial advice to make sure you understand how a new mortgage deal may affect your equity loan and the interest payments.

You can't sell your home or pay off your mortgage without repaying the equity loan in full.

Changes in the housing market could affect your property price

Changes in the housing market means that house prices can go up and down. These examples show what could happen if a property price increases.

Example 1 – Increase in a home in the regions

In this example, the homebuyer has:

Property value	£200,000
Homebuyer's deposit	£10,000 (5%)
Equity loan %	£40,000 (20%)
Repayment mortgage	£150,000 (75%)

This assumes the property value increases by 2% every year. If you sell your home at the start of year 6, you would need to repay £44,163 (20% of the sale price) to settle the equity loan.

Start of year	Property price (%) increase	Property price	Homebuyer entitlement: 80%* of property value	Help to Buy entitlement: 20% of property value
1	0%	£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	£169,793	£42,448
5	2%	£216,486	£173,189	£43,297
6	2%	£220,816	£176,653	£44,163

*This entitlement excludes any balance you owe on your repayment mortgage

Example 2 – Increase in a home in London

In this example, the homebuyer has:

Property value	£400,000
Homebuyer's deposit	£20,000 (5%)
Equity loan %	£160,000 (40%)
Repayment mortgage	£220,000 (55%)

This assumes the property value increases by 2% every year. If you sell your home at the start of year 6, you would need to repay £176,653 (40% of the sale price) to settle the equity loan.

Start of year	Property price (%) increase	Property price	Homebuyer entitlement: 60%* of property value	Help to Buy entitlement: 40% of property value
1	0%	£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

*This entitlement excludes any balance you owe on your repayment mortgage

Changes in the housing market could affect your property price

Changes in the housing market means that house prices can go up and down. These examples show what could happen if a property price decreases.

Example 1 – Decrease in a home in the regions

In this example, the homebuyer has:

Property value	£200,000
Homebuyer's deposit	£10,000 (5%)
Equity loan %	£40,000 (20%)
Repayment mortgage	£150,000 (75%)

This assumes the property value decreases by 5% every year. If you sell your home at the start of year 6, you would need to repay £30,951 (20% of the sale price) to settle the equity loan. Since the sale price of your home in this example is less than when you bought it, it may affect your ability to pay your repayment mortgage and the Help to Buy: Equity Loan.

Start of year	Property price (%) decrease	Property price	Homebuyer entitlement: 80%* of property value	Help to Buy entitlement: 20% of property value
1	0%	£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%	£162,901	£130,321	£32,580
6	-5%	£154,756	£123,805	£30,951

*This entitlement excludes any balance you owe on your repayment mortgage

Example 2 – Decrease in a home in the London

In this example, the homebuyer has:

Property value	£400,000
Homebuyer's deposit	£20,000 (5%)
Equity loan %	£160,000 (40%)
Repayment mortgage	£220,000 (55%)

This assumes the property value decreases by 5% every year. If you sell your home at the start of year 6, you would need to repay £123,805 (40% of the sale price) to settle the equity loan. Since the sale price of your home in this example is less than when you bought it, it may affect your ability to pay your repayment mortgage and the Help to Buy: Equity Loan.

Start of year	Property price (%) decrease	Property price	Homebuyer entitlement: 60%* of property value	Help to Buy entitlement: 40% of property value
1	0%	£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%	£325,803	£195,482	£130,321
6	-5%	£309,512	£185,707	£123,805

*This entitlement excludes any balance you owe on your repayment mortgage

Glossary

Capital repayments

Capital is the money you borrow; interest is the charge made by the lender (in this case, Homes England) on the amount you owe.

Completion

This is the final stage in the sale of a property, and the point at which it legally changes ownership to you, the homebuyer.

Consumer Prices Index (CPI)

CPI is a government annual measure of inflation. CPI is measured at different points in the year. We use the September measurement and apply it to our interest rate rise every April.

Deposit

A house deposit is usually an upfront payment which is normally a percentage of the house price and not included in the mortgage. In the case of a Help to Buy home, the deposit at exchange of contracts must be 5% of the price of the home. A deposit is your equity in the house you buy.

Exchange of contracts

Where you and the seller have all the paperwork in place, you legally agree to buy a home. When contracts are exchanged, you'll need to pay an exchange deposit of 5% to the seller. At this point, an agreement to buy becomes legally binding.

Interest

Interest is the cost of borrowing money. You will usually pay interest for borrowing money, such as an equity loan. Interest is usually shown as a percentage of the amount you borrow. This percentage is called the interest rate. The higher the rate of interest, the more interest you pay back. For example, on £100 at a 5% interest rate you'll pay £5 in interest.

Leasehold

You only own a leasehold property for a fixed period. A lease is a private legal agreement between you and the freeholder and sets out the rights and responsibilities of both parties. There may be charges and fees included in a lease. Since June 2019, leaseholds are only allowed on Help to Buy homes in rare circumstances.

Market value

The value of a Help to Buy home as determined by an independent organisation called the Royal Institution of Chartered Surveyors (RICS) valuer, or the price a home sells for, whichever is highest.

Mortgage

This is an amount of money you borrow from a lender to put towards the full asking price of a property. You normally borrow it for a set amount of time and pay back a set amount each month, for an agreed time.

There are 2 main types of mortgage:

- **Interest-only** – you only pay interest based on the amount you owe, and these payments do not reduce how much you owe. At the end of your mortgage term, you will still owe the same amount you borrowed. If you get a Help to Buy: Equity Loan, you cannot have an interest-only mortgage.
- **Repayment** – you repay the full amount (capital) borrowed, plus interest. The amount you owe will decrease until you repay it all by the end of your mortgage term.

With Help to Buy: Equity Loan, you must have a repayment mortgage. A mortgage uses your home as security for the debt, so it is important you're able to keep up with mortgage repayments.

Net disposable income

The amount of money left over from your wages or salary that is available to invest, save or spend as you please, after bills and expenses.

New build or new home

A newly built home, including converted commercial premises and conversions which have not been used as residential dwellings before conversion. Homes split into flats are not included. Homes which have been previously occupied either by an owner occupier or a tenant before sale may not be purchased with Help to Buy.

Part repayment

A minimum voluntary payment of 10% of the current market value of the home, paid on top of your regular monthly interest payments. This will reduce the amount you owe on the equity loan.

Sharia mortgage

A sharia compliant mortgage is non-interest bearing and offered by certain banks in order to comply with faith requirements.

Sublet

You're unable to rent out your entire house to another person/tenant when you buy a home with Help to Buy. You can rent out rooms to lodgers, but you must continue to live in your Help to Buy home.

To apply for a Help to Buy: Equity Loan, visit **www.helptobuy.gov.uk/equity-loan/find-helptobuy-agent** to find your local agent.

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If you would like this guide in an accessible format, please email: **enquiries@homesengland.gov.uk**

This guide is for information only and must not be considered advice. Consider seeking independent financial advice before making any financial decisions on whether the Help to Buy: Equity Loan is right for you.

Please be aware that investments can go down as well as up and you may get back less than you invested.

Your home may be repossessed if you do not keep up repayments on your mortgage, equity loan and other loans secured against it.