

Help to Buy

Your guide to the scheme

Help to Buy is a scheme backed by the Homes and Communities Agency who are working with selected developers to make it easier for you to buy a new home.

Currently, many buyers are struggling to raise a large enough deposit to get a mortgage. Through Help to Buy, you only need to raise a 5% deposit (depending on your chosen mortgage lender), and can then access up to 20% of the property price through an equity loan. This equity loan is provided by the Homes and Communities Agency (HCA).

You pay nothing on the equity loans for the first five years. After five years the equity loan will be subject to a fee of 1.75% per annum on the outstanding amount of the equity loan. This fee will increase each year by RPI (Retail Price Index) plus 1%. We always recommend that you seek financial advice to determine how much your monthly payments will be at this point.

When you sell your property, or choose to repay some or all of the equity loan, the amount you have to pay back will be based on the market value of your property at that time.

Help to Buy proved to be a winner for Reece Bullen, Kirsty Storey and three-year-old Charlie, as it was only through the equity loan scheme that they were able to afford to buy their very first home.

The young family lived separately with their parents for 18 months, while they saved to buy at Hill's development, Aston Vale, on the outskirts of Stevenage. Using their savings and with help from their parents, they were able to save a 5% deposit, so with an 20% equity loan from the Government and a 75% mortgage they were then able to purchase a spacious two bedroom family house with a garden.

Reece and Kirsty comments: "We were desperate to find a place which had enough room for Charlie and which would be somewhere we could make our life together as a family. But with property prices rising, even our joint incomes weren't enough for us to save a deposit. I had heard about the Help to Buy scheme in papers and when I found out the details it was the perfect option. Without Help to Buy we wouldn't have been able to get on the property ladder. When we moved in we were over the moon and I've never seen Charlie so happy. Our house is perfect, the layout is family friendly and the materials used in the house are high quality. Aston Vale is a brilliant place to bring up a family because there are so many green open spaces and you feel very safe. We're so happy that we've been able get on the ladder and now we're looking forward to planning our future together."





The basic facts

- Help to Buy is available to first time buyers and current homeowners who meet the qualifying criteria
- There's no upper limit on your household income
- You can buy a new home at participating developments with a maximum price of £600,000
- A minimum of 5% deposit is required
- The 20% equity loan is covered by the Homes and Communities Agency and doesn't have to be repaid until you sell your property*
- You obtain a mortgage for 75% of the price of your new home
- The scheme is exclusively for owner occupiers
- At the time of completion this can be the only property you own

*Interest on equity loan is charged after 5 years



How it works

Typical example:

Cost of your new Hill home	£300,000
5% deposit	£15,000
20% equity loan	£60,000
75% mortgage	£225,000
Total	£300,000

The figures above are provided for illustration purposes only, Hill are not able to give financial advice, please consult an independent financial advisor.



Help to Buy repayment example after 6 years

Cost of your new Hill home	£300,000
Value of your home after 6 years*	£402,029
Repayment due to HCA	£80,406
Fee of 1.75% on HCA Equity Loan	£1,050
Total repayment after 6 years	£81,456

* Assuming 5% increase per annum

You should always seek independent financial advice before proceeding with any purchase. Hill is not qualified to give financial advice and the information provided in this leaflet is for guidance only.

If you are struggling to raise a large enough deposit to get a mortgage, Help to Buy maybe a solution for you, as you only need to raise a 5% deposit (depending on your chosen mortgage lender), and can then access up to 20% of the property price through an equity loan. This equity loan is provided by the Homes and Communities Agency (HCA).

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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 HCA, 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 starting with a £300,000 market value home and a buyer's affordable mortgage and contribution of 80%.

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

Using the previous illustrations, 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 £80,406 on their equity loan.

The owner will have also paid £1,050 in fees on the Help to Buy equity loan. This means the total amount payable after six years on the Help to Buy original assistance of £60,000 is £81,456.

For this example, this is equal to an APR 5.2% typical. The total amount repaid is £81,456. 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.

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.

