

# HELP TO BUY: EQUITY LOAN SCHEME

*How could the scheme help to get me on the property ladder?*

If you want to buy a home of your own, but don't have a very large deposit, the government's Help to Buy: Equity Loan scheme is there to lend a hand.

It could help you pay a lower deposit and pay less per month for the first five years. Over half a million properties have been bought since 2013 using a government Help to Buy scheme.

## WHAT IS HELP TO BUY?

Help to Buy is a government equity loan scheme to help you buy a property. The scheme provides an equity loan for you to use towards a deposit. That loan is interest-free and fee-free for the first five years.

By allowing you to put down a larger deposit than you could afford on your own, the scheme helps you to get a better rate on your mortgage, and lower monthly repayments.

Depending on where you live, the government will lend you between 15% and 40% of the property price. You will need to put down a deposit of at least 5% and get a mortgage to cover the rest of the property's value.

The amount you can borrow is as follows: Up to 20% in England and Wales, up to 40% in London, up to 15% in Scotland. Help to Buy equity loans aren't currently available in Northern Ireland.

This article focuses on Help to Buy in England.

## HOW DOES IT WORK?

You'll need to save enough money to cover 5% of the value of the property you'd like to buy. The government will then provide a loan to help you put down a larger deposit on that property.

## The amount you can borrow through the scheme depends on where you're buying:

- In London, the Help to Buy scheme lends up to 40% of the value of the property
- Outside London, the Help to Buy scheme lends up to 20% of the value of the property

To cover the remaining cost of the property, you'll need to apply for a repayment mortgage from a lender who participates in the scheme. These include Barclays, NatWest and Halifax.

## HOW MUCH COULD YOU BORROW?

Here are a couple of examples of how much you could borrow through the scheme.

### For a property in London costing £400,000:

Your deposit	Help to Buy loan	Mortgage	Total
5%	40%	55%	100%
£20,000	£160,000	£220,000	£400,000

### For a property outside London costing £200,000:

Your deposit	Help to Buy loan	Mortgage	Total
5%	20%	75%	100%
£10,000	£40,000	£150,000	£200,000

**WHO IS ELIGIBLE FOR HELP TO BUY?**

The main criteria you must meet to get a Help to Buy loan are:

- You must be buying a property you plan to live in, not rent out
- You must not currently own a property
- From April 2021, you will have to be a first-time buyer

**WHAT PROPERTIES CAN YOU BUY WITH THE SCHEME?**

Currently, you can apply for a Help to Buy loan only if you are buying a newly built property from a registered Help to Buy builder, up to the value of £600,000 (£300,000 in Wales). Regional price caps may apply from April 2021.

**HOW DO YOU REPAY THE LOAN?**

Unlike your mortgage, you don't have to repay the loan monthly. Instead, you can pay off the loan in full when you sell your home, or after 25 years (whichever comes first).

The amount you pay back is based on how much your home is worth at the time of repayment, not at the time you borrowed.

So, if you borrowed 40% of the value of your home, and your home is worth £450,000 at the time of repayment, you'll pay back £180,000.

**CAN YOU MAKE EARLY REPAYMENTS?**

Yes, you can make early repayments on the loan, as long as you're paying back at least 10% of the value of your home each time. This is a little more complicated, as your home is likely to change in value over time.

Here's a simplified example:

	Property value	Help to Buy loan	
		% borrowed	£ borrowed
At time of purchase	£400,000	40%	£160,000
		% repaid	£ repaid
At time of repayment 1	£410,000		
At time of repayment 2	£420,000		
At time of repayment 3	£430,000		
At time of repayment 4	£440,000		

**HOW MUCH WILL THE FEES COST?**

The loan is fee-free for the first five years. In year six, the loan fee is 1.75% of the loan amount. Each year after this, the fee will increase according to the Retail Prices Index plus 1%.

**RESTRICTED TO FIRST-TIME BUYERS FROM APRIL 2021**

The Help to Buy: Equity Loan scheme is continuing in its current form, despite the coronavirus outbreak. The Equity Loan scheme in England will be restricted to first-time buyers from April 2021, and will end completely in 2023. ■

THINK CAREFULLY BEFORE SECURING OTHER DEBTS AGAINST YOUR HOME. YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

