

## Help to Buy – The Government initiative to support all buyers of new build homes



### Frequently Asked Questions (FAQ)

#### **What is Help to Buy?**

Help to Buy is made up of two schemes – “equity loan” where the Government will loan you up to 20% of the value of your new build home and “mortgage guarantee” where lenders will be incentivised to make more mortgages available for people with small deposits.

#### **Why has the Government set up these schemes?**

The Government wants to help more people across the country make the aspiration of home ownership a reality. Help to Buy is aimed at increasing the supply of low-deposit mortgages as well as new housing.

#### **Can I buy a house using Help to Buy?**

If you have a 5% deposit and want to buy a new build home, you’ll be able to access the Help to Buy: equity loan scheme from 1 April 2013. If you want to buy a property which is either new build or an existing property, the Help to Buy: mortgage guarantee will be available from January 2014.

#### **What if I don’t have a deposit – can I still get a mortgage?**

To access a Help to Buy product, buyers will need a minimum 5% deposit.

#### **Am I guaranteed to get a mortgage? Are there any criteria I need to meet?**

For both schemes, borrowers will need to meet appropriate tests to ensure they can pay back the mortgage, as well as passing their chosen lender’s credit and affordability checks.

#### **How much can I borrow?**

Subject to meeting the eligibility criteria and affordability checks, you’ll be able to use either Help to Buy scheme to purchase a property with a value up to £600,000.

**Can existing homeowners access the scheme?**

Yes. Both schemes are available to home movers as well as first-time-buyers, subject to meeting the relevant eligibility criteria.

**Can I get an interest only mortgage using Help to Buy?**

Help to Buy is only available on capital repayment mortgages.

**Can I buy a property using Help to Buy and rent it out?**

Help to Buy will only be available on properties which are occupied by the individual or individuals taking out the mortgage.

**How do I go about accessing these schemes?**

Help to Buy: equity loan will be available from 1 April 2013. Buyers will be able to access this through participating housebuilders and HomeBuy agents.

Help to Buy: mortgage guarantee will be available from January 2014. The Government will provide further details about the scheme later in the year.

**Can I get a mortgage through an incorporated company?**

Help to Buy mortgages are only available to an individual or individuals rather than incorporated companies.

**Can I still get a NewBuy mortgage?**

Yes. This scheme is still in place and remains open to buyers.

## Questions on Help to Buy: equity loan

### **What is the Help to Buy: equity loan scheme?**

The Government will provide buyers with an equity loan of up to 20% of the value of a new build property. The loan is interest free for the first five years. From year six a fee of 1.75% is payable on the equity loan, which rises annually by RPI inflation plus 1%.

### **When will I be able to get a Help to Buy: equity loan?**

Help to Buy: equity loan will be available from 1 April 2013.

### **When will I have to pay back my equity loan?**

The equity loan can be repaid at any time within 25 years (or the terms of the mortgage), or on sale of the property.

### **Why can't I get an equity loan on a property that's not new build?**

Help to Buy: equity loan is focused on new build properties only. Buyers wanting to purchase an existing property may be interested in the Help to Buy: mortgage guarantee.

## Questions on Help to Buy: mortgage guarantee

### **What is the Help to Buy: mortgage guarantee?**

Subject to the final scheme design, the Government will make available £12bn of guarantees to lenders which will be sufficient to support £130 billion of high loan to value mortgages. The purpose of the scheme is to increase the availability of mortgages for buyers with small deposits.

### **How does the scheme work?**

The Government will provide lenders with the option to purchase a guarantee on the high loan-to-value portion of the mortgage. This guarantee will incentivise lenders to offer a greater number of mortgages to buyers with small deposits.

### **When will I be able to get a Help to Buy: mortgage guarantee?**

Help to Buy: mortgage guarantee will be available from January 2014.

### **Will the Government be guaranteeing my mortgage payments for me?**

No. Under Help to Buy: mortgage guarantee, the Government will provide guarantees to lenders on a proportion of the mortgage. If a borrower's property is repossessed, the Government will cover a proportion of the losses suffered by lenders.

### **What type of property can I buy?**

Help to Buy: mortgage guarantee will be available on all residential properties in the UK, up to a value of £600,000.

### **I have a deposit which is larger than 20% – will I still be able to get a Help to Buy: guarantee mortgage?**

Help to Buy: mortgage guarantee will only be available to buyers with deposits between 5% and 20%. Mortgages are already widely available for those with a deposit of 20% or more.

**Will I be able to get a Help to Buy: mortgage guarantee on a property that's not new build?**

Help to Buy: mortgage guarantee will be available on both new build homes and existing properties.

**Who should I contact about getting a Help to Buy: mortgage guarantee?**

The Government will provide further details on how to get a Help to Buy: mortgage guarantee later this year. Help to Buy: guarantee mortgages will not be available until January 2014.

**Will lenders have to offer me a guaranteed mortgage?**

No. Lenders may choose whether to use the guarantee or not.

**What will the interest rate be on Help to Buy: mortgage guarantee?**

Interest rates on products supported by Help to Buy: mortgage guarantee will be set by lenders. The Government will not be involved in setting the price, which is a commercial decision for individual lenders.