

HELP TO BUY SCHEME

A short guide to understanding
the UK Government's
Help to Buy Scheme



 Benham
& Reeves

Equity Loan

Help to Buy is available in England from house builders registered to offer the scheme. The current Help to Buy scheme is scheduled to end in April 2021, the extension until March 2023 will have different terms.

Help to Buy

In General

- 5% deposit required
- 20% loan from Government
- 75% Mortgage from a bank

Help to Buy

In London

- 5% deposit required
- 40% loan from Government
- 55% Mortgage from a bank

“ With a Help to Buy Equity Loan, in London the Government will lend up to 40% of the cost of your newly built home.

So you'll only need a 5% cash deposit and a 55% mortgage to make up the rest. ”

HM GOVERNMENT



How it Works

The Property



It is open to all buyers looking to purchase a new build home and is not limited to first time buyers.

The scheme is not available to investor landlords and the home purchased must be your ONLY residence.

The Loan



The Government will provide an equity loan of up to 40% of the value of the property.

You must be able to get finance for the remaining amount.

The in London purchase price can be up to a maximum of £600,000.

The Duration



The equity loan must be repaid after 25 years, or earlier if you sell your home.

You must repay the same percentage of the proceeds of the sale to Homes England as the initial equity loan.

Bank Loan

About Bank Loans

Remember not all Bank Loans are created equal

For a single person, banks will typically lend 3.25 times the borrower's annual salary but it could be up to 4.5 times. For a loan of £275,000:

- A single person would need an annual salary of at least £60,000
- A couple would need to have a joint income of around £80,000
- Monthly repayments would be approximately £1,100 per month plus interest
- An interest only mortgage may be available, if taken, monthly payments would be around £350

Finding a Mortgage

Online comparison website or a mortgage broker can help find a mortgage

Try: <https://www.moneysupermarket.com/mortgages/>

Want to know how much to borrow

An online calculator can be used to estimate the income required based on specific borrowing requirements.

Try: <https://www.moneysavingexpert.com/mortgages/how-much-mortgage-borrowing/>

London Help to Buy

Representative Example on a **£300,000** purchase

5% Cash Deposit	£ 15,000
40% Equity Loan	£ 120,000
55% Mortgage	£ 165,000
Purchasing Fees (Stamp duty, etc.)	£ 0
Legal Fees	£ 500
Valuation Fee	£ 350
Other Costs	£ 250

Total Cash Required £ 16,100

London Help to Buy

Representative Example on a **£500,000** purchase

5% Cash Deposit	£ 25,000
40% Equity Loan	£ 200,000
55% Mortgage	£ 275,000
Purchasing Fees (Stamp duty, etc.)	£ 10,000
Legal Fees	£ 500
Valuation Fee	£ 400
Other Costs	£ 250

Total Cash Required £ 36,150

About the Government Loan

Years 1-5



For the first 5 years the government loan is interest free.

Only payment is the £1 a month fee.

Year 6



From Year 6 interest would be payable on the government loan. The initial interest rate is 1.75%. This would be approximately £300 per month in the first year.

Year 7+



On the 7th and subsequent years there is an increase on the interest rate payable by 1% of the RPI at the time as well as 1% of the interest rate on the previous year.

Year	Interest Rate
0-5	0.0000%
6	1.7500%
7	1.7875%
8	1.8254%
9	1.8636%
10	1.9023%
11	1.9413%
12	1.9807%
13	2.0205%

Understanding Interest Rate Increase

Basic breakdown

Assuming that:

- The initial interest rate is 1.75%; and
- RPI is fixed at 2% year-on-year

Interest Rate on **Year 7** is calculated as followed:

- 1% of RPI (2%) is equal to 0.02%
- 1% of Previous Years Interest Rate (1.75%) is equal to 0.0175%
- Combined with the existing interest rate, the new interest rate is 1.7875%

Interest Rate on **Year 8** is calculated as followed:

- 1% of RPI (2%) is equal to 0.02%
- 1% of Previous Years Interest Rate (1.7875%) is equal to 0.0179%
- Combined with the existing interest rate, the new interest rate is 1.8254%

Recommended Participating Schemes



Western Circus, Acton



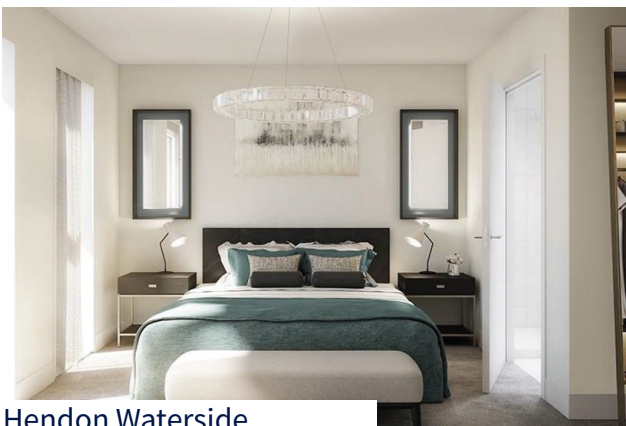
Hayes Village, Hayes



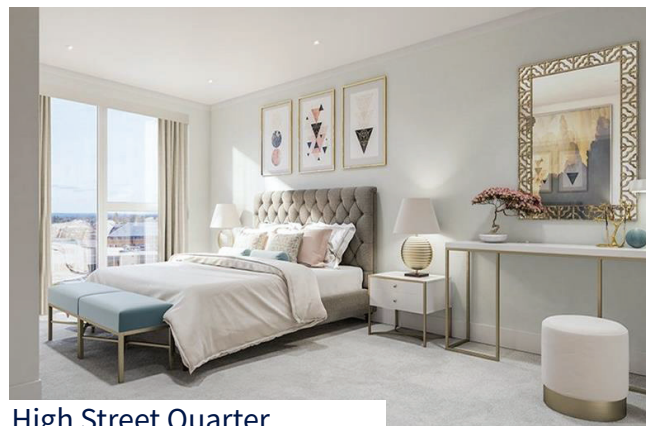
Eastman Village



Millbrook Park

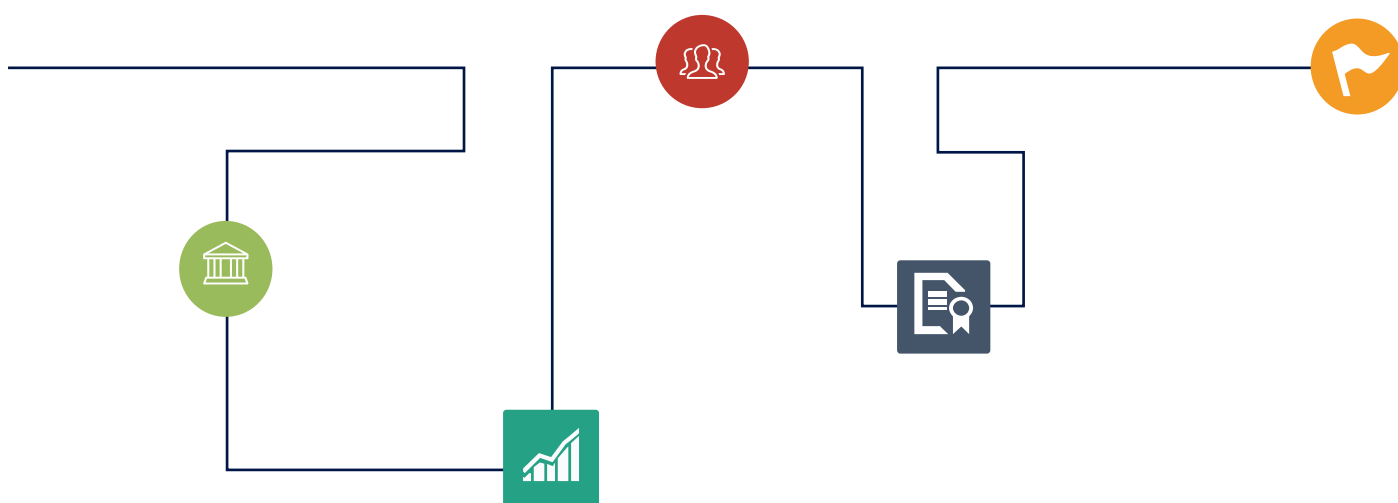


Hendon Waterside



High Street Quarter

If You Are Interested



We want to help you get on the housing ladder

If you want any help contact us as we may be able to get you a discount or a better deal than you normally would be able to.

If you want to know more please drop an email to:

Philip Lingard
philip.lingard@benhams.com
London Sales Manager
BENHAM & REEVES