



Linden Homes Help to Buy scheme

Terms & Conditions

If you're looking to buy your first or next home with a conventional mortgage, you may be able to get help through an 'equity loan' scheme. **Help to Buy** is a government led equity loan scheme offering up to 20% of the purchase price of your new home.

Your questions answered

Q. What is Help to Buy?

A. Help to Buy is a new Government-backed scheme designed to help first and next time buyers secure the new home they need with a 5% deposit. With many aspiring homeowners struggling to raise a large enough deposit to qualify for a mortgage, the Help to Buy Scheme provides a government funded equity loan of up to 20% of the purchase price, enabling buyers to secure a conventional mortgage for the remaining 75%.

Q. Who is eligible for a Help to Buy equity loan?

A. The scheme is open to all buyers seeking a new build home. Buyers must be able to fund up to 80% of their selected home through a conventional mortgage and must take out a first charge mortgage with a qualifying lender.

The maximum purchase price is £600,000 and you must have access to a minimum 5% deposit to secure your mortgage. The property purchased must be your only residence. Help to Buy is not available to assist buy-to-let investors or those who will own any property other than their Help to Buy property after completing their purchase.

Q. How much deposit will I be required to put down to secure a mortgage?

A. Under the Help to Buy scheme you are required to provide a minimum deposit equating to 5% of the full list price. For example, when buying a house with a list price of £200,000 you would require a 5% deposit equating to £10,000 to secure a mortgage.

Q. How do I apply for an equity loan?

A. Your Linden Homes Sales Executive will refer you to our recommended mortgage advisor, New Homes Mortgage Helpline, who will take you through the next steps and progress your application in conjunction with the local HomeBuy Agent. You will need approval from the HomeBuy Agent before you can proceed with the purchase.

Q. What is a HomeBuy Agent?

A. A HomeBuy Agent is a local housing association that has been authorised by the Homes and Communities Agency (HCA) to administer the scheme in partnership with house builders.

Q. How do equity loans work?

A. With an equity loan, you buy your home with up to 75% of the cost met by a conventional mortgage and a 5% deposit.

The remaining cost of the home is paid for by the government through an equity loan.

The home's title will be in your name, which means you own 100% of it and can sell your home at any time.

The government will then get the same share of your home's price when you sell it.

The loan is called an equity loan because its value changes based on how much your home is worth. This means the amount you owe will rise and fall with the value of your home.

Example of a purchase with an equity loan scheme	Cost	Percentage (%)
Purchase price of new home	£200,000	100%
Your mortgage	£150,000	75%
Your deposit	£10,000	5%
Equity loan	£40,000	20%

If this home sold for £210,000, you would receive £168,000 (80%) and be required to repay your mortgage with this share of the money. The remaining balance of £42,000 (20%) would be used to repay your equity loan.

Q. Will there be a second charge on my home?

A. Yes, the government equity loan will be secured through a second charge registered on your property title at Land Registry; this process will be undertaken by your solicitor. This means your property cannot be sold in the future unless the equity loan percentage is repaid.

Q. What is the maximum purchase price under Help to Buy?

A. The maximum purchase price applicable under the Help to Buy scheme has been set at £600,000.

Q. How long do I have to pay back the equity loan?

A. The outstanding balance on your equity loan will need to be repaid during or at the end of the 25 year term. You must repay the same percentage of the proceeds of the sale to the government as the initial equity loan (i.e. if you received an equity loan for 20% of the purchase price of your home, you must repay 20% of the proceeds of the sale).

Q. Can I make early repayments on the equity loan?

A. Following the purchase you can choose at any time to make voluntary part repayments ('staircasing' or a full repayment) of the Help to Buy loan at the prevailing market value. The minimum voluntary repayment is 10% of the market value at the time of repayment.

Q. What interest is payable on the equity loan?

A. You won't be charged any fees for the first five years of owning your home.

In the sixth year, you will be charged a fee of 1.75% of the equity loan value. Every year after this, the fee will increase. The amount of increase is calculated by using the Retail Price Index (RPI) + 1% (The RPI measures inflation).

For example, if the RPI in year 7 was 5%, the 1.75% fee charged in year six would increase by 6% (5% RPI + 1%) in year seven to 1.86%. The table below shows a worked example based on the original purchase price of £200,000.

Year	Equity loan	Fee rate	Yearly fee	Monthly fee
5	£40,000	0%	£0	£0
6	£40,000	1.75%	£700	£58.33
7	£40,000	1.86%	£744	£62

Fees are charged in addition to the equity loan.

Q. Who collects the interest on the equity loan?

A. Once you start paying interest on the equity loan in year six, the National HomeBuy Agent will start collecting fees on the equity loan. The HomeBuy Agent will contact you at least one month before you start paying your fees to arrange the direct debit with your bank. You can pay your fees monthly or in a single yearly payment.

They will also provide you with a statement every year after you complete your purchase. This will tell you when you need to start paying your fee. This yearly statement will also show any payments you have made once you start paying the fee.

Q. Are there any other costs associated with the repayment of the equity loan?

A. You will have to pay valuation costs and solicitor's fees on repayment of the loan. You should ask your conveyance solicitor for details.

Q. Do I still have to pay Stamp Duty?

A. Stamp Duty (SDLT) is payable on the full purchase price on any home with a purchase price over £125,000. The SDLT rates are available on the Inland Revenue website.

Q. Will I need to appoint an independent financial and/or legal advisor?

A. You will need to appoint a mortgage advisor and solicitor to complete your purchase. All of our buyers are referred to independent mortgage advisors New Homes Mortgage Helpline for pre-qualification and to confirm you are eligible for the scheme, however you do not have to use them to arrange your mortgage, this is your choice. In appointing a solicitor, our Sales Executives will recommend our local nominated solicitor to you, to enable a smooth transaction, although you are free to choose who you wish to appoint.

For further information on Help to Buy visit homesandcommunities.co.uk/help-to-buy

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

*Available on selected homes only subject to Help to Buy terms and conditions and only available to customers where a primary mortgage is required to secure the purchase. Not available in conjunction with any other offer or promotion.

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