



A BUYERS GUIDE TO: HELP TO BUY EQUITY LOAN

Why buy from HfL?

Working with national house builders and local contractors, HfL build high quality homes with stylish yet functional design and sustainable finishes in popular locations that all come with a National House Building Council (NHBC) warranty or equivalent.

HfL develops housing for sale and to rent. We work closely with Lambeth Council and the Greater London Authority to provide quality homes where they are needed most.

Register with HfL

The first step to buying a Help to Buy home is to register with HfL. By filling out the online enquiry form, and you can start to receive updates on homes available now and those coming soon. You will also be able to search for homes in your area and request viewing details.

As a first-time buyer searching for a newly built home, you may need a little financial help. With the government's Help to Buy: Equity Loan scheme, buying your own home could become a reality.

This guide provides useful information about the Help to Buy: Equity Loan (2021-2023) scheme, a government home-ownership scheme. It will help you to understand what is involved in taking out an equity loan, how it works and how to apply.

Information in this guide is about how the Help to Buy: Equity Loan scheme (Help to Buy) works for homebuyers in England. Separate schemes are available in Wales and Scotland.

What is the Help to Buy: Equity Loan?

This is a government scheme for first-time buyers. It provides a loan, called an equity loan, that you put towards the cost of buying a new build.

Help to Buy cannot be used to buy a home that has been lived in before. Help to Buy aims to help first-time buyers to get on the property ladder. If you're eligible for an equity loan, you can borrow up to 20% (40% if you're in London) of the market value of a new build.

Key things you should know before taking out an equity loan

Help to Buy is not a discount scheme or a price reduction - the cost of the home will be the same whether or not you get an equity loan.

The equity loan is not interest free. We do not charge interest for the first 5 years, but you will start to pay it from year 6.

The total amount you repay is linked to the value of your home at the time, and not the amount you originally borrowed.

You cannot have an equity loan without having a repayment mortgage in place for the duration of the equity loan.

How does it work?

With an equity loan, we lend you between 5% and 20% (or 40% in London) of the market value of your home.

The amount you can spend on the home depends on where in England you buy it.

The maximum property price is the full purchase price. You cannot change or negotiate this maximum. Your homebuilder will be able to confirm if the home you want to buy is within the price range.

You must:

- pay a deposit of 5% of the purchase price of your new home at exchange of contracts, and
- arrange a repayment mortgage of at least 25% of the purchase price of your new home.

An equity loan is secured against your property in the same way a repayment mortgage is. This means that if you do not keep up with repayments, you may be at risk of losing your home. Equity loans are not regulated by the Financial Conduct Authority (FCA).

Repaying the loan

You must repay the equity loan in full when you pay off your repayment mortgage, sell your home or reach the end of your loan term, normally 25 years.

You can pay off your equity loan in full, or make part payments, at any time before then.

Who is eligible?

To be eligible for an equity loan you must be a first-time buyer and buying a new-build home.

You and anyone you're buying a home with must:

- not own, or have ever owned, a home or residential land in the UK or abroad, and
- not have had any form of Sharia mortgage.

Quality Standards

1. Consumer Code for Home Builders

All our registered homebuilders must meet standards set out within the Consumer Code for Home Builders. Find out more about the code.

2. New Homes Ombudsman

All our registered homebuilders must sign up to the New Homes Ombudsman scheme, which will launch in 2021. The scheme aims to enforce high standards and compensate homebuyers for poor building work.

3. Star Rating

Registered homebuilders who are members of the Home Builders Federation (HBF) Star Rating scheme must display their star rating on all their marketing materials. The scheme awards homebuilders with stars for customer satisfaction based on homeowner feedback. HBF announce new star ratings every spring.

4. Building Safety Charter

Registered homebuilders who develop high-rise buildings must sign up to the 'Building a Safer Future' Charter. The charter promotes practices which make living and working on new housing developments safer. To find out more, visit their website.

5. Planning permission and building regulations

Registered homebuilders must keep to building regulations and the conditions of their planning permissions.

Quality Standards

6. New Home Warranty

Your homebuilder must give you a new-home warranty before completion.

You won't be able to buy your home until you have a new-home warranty. The warranty will:

- deal with any issues with the design or construction of your home (defects), which your homebuilder is legally responsible for fixing, and
- offer you, us and your mortgage lender protection.

If you have any questions about the new-home warranty, your conveyancer or homebuilder will be able to give you more information.

Restrictions on leasehold new builds

If you buy a 'leasehold' new build, you own the property, under a lease, for a fixed period. A lease is a legal agreement between you and the freeholder (the person who owns the land the new build stands on) and sets out your and their rights and responsibilities.

The government has set out rules to protect you from unfair lease terms and costs when you buy a home. If you are buying a leasehold property, check with your conveyancer that the terms of the lease meet the requirements of Help to Buy. For example, homebuilders are not allowed to charge you ground rent.

Applying for an equity loan

You will need to arrange a repayment mortgage of at least 25% of the purchase price of your new home. This is separate from the equity loan.

If you are married, in a civil partnership, or living with a partner as if you were married, you will have to make a joint application with your husband, wife, civil partner or partner.

You will need to sign a legal declaration to confirm that you are a first-time buyer. Your conveyancer will explain this to you.

When you buy your home with an equity loan, you must be able to afford the monthly fee and interest payments.

You must tell us if you or anyone you are buying with has a connection with the homebuilder, as this could affect your eligibility for an equity loan.

If you have a large deposit and can get a mortgage without our support, think carefully about whether an equity loan is right for you. Getting independent financial advice could help you make the right choice.

Homes for Lambeth

The Homes for Lambeth vision is **to build more and better homes for the people of Lambeth**. It also works towards achieving the strategic objectives as set out in the HfL Business Plan:

- Build new sustainable homes for local people.
- Deliver high quality community places and a great landlord service.
- Generate surpluses for reinvestment in new homes.
- Build the Homes for Lambeth infrastructure and a high performing team.

Contact us

If you have any further questions about Help to Buy: Equity Loan, please contact:

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