

**A STEP-BY-STEP GUIDE TO:**

**THE HELP TO BUY:  
EQUITY LOAN BUYING  
PROCESS**

# A Step-by-Step Guide to: Help to Buy: Equity Loan Buying Process

## Stage 1: Applying

### Find your New Home

Search online for new homes available to buy using Help to Buy. Look for the Help to Buy logo on homebuilders' websites.

### Reserve your home

Reserve your home with the homebuilder and pay a reservation fee of no more than £500. This fee will be refunded if you're not approved for an equity loan. Make sure the homebuilder gives you a signed copy of the reservation form. You'll need it when you apply for the equity loan.

### Get financial advice

Buying a new home can be daunting, but there are many organisations that offer free advice. Consider getting independent financial advice.

### Apply for your equity loan

If you're eligible for an equity loan and can afford the monthly fee and interest payments on top of your other outgoings, your Help to Buy agent will help you apply for the equity loan.

You will need to fill in a Property Information Form to provide personal and financial information, such as your income and details of the property, your proposed repayment mortgage and your deposit. You can get a Property Information Form from your Help to Buy agent.

The information you provide must be true. Providing false information will lead to delays and could be considered to be fraud, which is a criminal offence.

Send your signed Property Information Form and a copy of the signed reservation form to your Help to Buy agent.

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## Stage 2: Authority to Proceed

### Get Authority to Proceed

If your application is approved, your Help to Buy agent will give you an Authority to Proceed. This is an official document which means you're eligible for the scheme and can progress with buying your home.

Once you have the Authority to Proceed, your conveyancer will give you legal guidance and forms for you to fill in. Return these, along with the Authority to Proceed, to the Help to Buy agent.

The Authority to Proceed is valid for 3 months. If it expires you will need to make another application for an equity loan.

### Apply for a repayment mortgage

You are responsible for arranging your repayment mortgage. Do not apply for the mortgage until you have the Authority to Proceed. If you apply for a repayment mortgage before then and are not eligible for an equity loan, you may lose money. Your credit rating may also be affected.

Your repayment mortgage should be less than 4.5 times your annual income (before tax).

If your home is worth less than when you bought it, it may affect your ability to pay off your repayment mortgage. Consider talking to a financial adviser about what you could do if this happens.

Your home could be at risk if you do not keep up with repayments on your mortgage.

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## Stage 3: Exchange of Contracts

When you have the Authority to Proceed, your conveyancer will receive necessary legal information and forms for you to fill in and send to your Help to Buy agent.

### Your conveyancer will do the following:

- explain the equity loan contract and your legal responsibilities. They will remind you that your application must have been accurate and true, and give you the opportunity to correct any issues. Giving false or misleading information could be fraud. This is a criminal offence and you may have to repay the equity loan in full.
- ask you to sign the sale contract, the equity loan contract, and a declaration to confirm that you and anyone you're buying with are first-time buyers.
- make sure your mortgage offer, the property price and your deposit are the same as shown in the Authority to Proceed
- ask your Help to Buy agent for permission to exchange contracts.

### Your Help to Buy Agent will do the following:

- Check all the paperwork is correct and send your conveyancer an Authority to Exchange so they can go ahead with exchanging contracts.

### You must do the following:

Pay at least 5% your deposit.

When contracts are exchanged, you will be legally bound to buy your new home, usually by an agreed date (the completion date). You should speak to your conveyancer about making sure your repayment mortgage offer does not end before the completion date.

Once you have exchanged contracts you may have to pay costs if you change your mind about buying the home.

### Home visits

You can visit your new home once you have exchanged contracts. Your homebuilder will arrange this for you. This will give you a chance to confirm any last-minute details or changes before you move in. Speak to your conveyancer or your homebuilder for more information about home visits.

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## Stage 4: Completion

At completion:

- you pay the rest of your deposit (if your deposit is more than 5%)
- your lender pays the homebuilder the full amount of the repayment mortgage
- Homes England pay your equity loan to the homebuilder, and
- you legally own your new home and can move in.

Your conveyancer will register a legal charge on your home for Homes England. They will also register a separate legal charge for your mortgage lender.

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.

The legal charges will be recorded with HM Land Registry and will be shown on the title deeds (ownership documents) for your home. The legal charges will not be removed until you have paid off your equity loan and your repayment mortgage.

Your home may be repossessed if you do not keep up repayments on your repayment mortgage, equity loan or other loans secured against your home. Consider getting independent financial advice before making any financial decisions.

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## Equity Loan Administrator

After completion, your Help to Buy agent will pass your details to Homes England's equity loan administrator. They will:

- set up your Direct Debit to pay the £1 monthly management fee
- arrange for you to pay fees and interest payments on your equity loan (after the first 5 years)
- help you if you want to pay off some or all of your equity loan
- help you if you want to make changes to your equity loan account.

## How long does it take to buy a new home with an equity loan?

When you get the Authority to Proceed you have 3 months to exchange contracts.

You must complete buying your home within 6 months of exchanging contracts.

Once you have exchanged contracts, you may have to pay costs if you change your mind about buying the home.

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## Repaying your Equity Loan

When you take out your equity loan, you agree to repay it in full, plus interest and management fees.

You must repay your equity loan in full when any one of the following happens:

- the equity loan term ends
- you pay off your repayment mortgage
- you sell your home
- we ask you to repay the loan in full (if you have not kept to the conditions of the equity loan contract).

You cannot make regular monthly payments towards paying off the equity loan. However, you can pay off all of your equity loan, or make part payments, at any time. If you want to do this, contact the equity loan administrator.

## You may pack more than you borrow

The amount you borrow is based on the market value of your new home when you buy it.

When you repay some or all of your equity loan, the amount you pay is worked out as a percentage of the market value at that time.

If the market value of your home increases, so does the amount you have to repay. And if the value of your home falls, the amount you have to pay also falls.

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## Work out what you need to repay

You can pay off all or part of your equity loan at any time. You can make part payments of at least 10% of the full repayment amount, based on what your home is worth at the time, to reduce how much you owe.

For you to make a payment, Homes England need to know the current market value of your home. You will need to get a Royal Institution of Chartered Surveyors (RICS) valuation report from a qualified surveyor who has estimated the value of your home, based on its condition and the current housing market.

If you are repaying the full equity loan after selling your home, the amount you pay will be based on:

- the market value of your home, as set out in a RICS valuation report, or
- the price you sold the home for, whichever is higher.



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## Understanding your interest payments

Interest is charged on the equity loan.

Your monthly interest payments do not go towards paying off your equity loan.

- You start to pay interest from year 6.
- Your first interest payment will be taken on the fifth anniversary of the completion date and will be 1.75% of the amount you borrowed.
- The interest rate will rise in April each year based on the rate of inflation at the time (according to the Consumer Prices Index) plus 2%. If the rate of inflation is 0% or less, the interest rate will rise by 2%.

## How monthly interest payments are worked out

We first multiply the amount of the equity loan outstanding by the current interest rate. This gives the annual interest due.

We then divide the annual figure by 12.

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## Difference in interest payments

You will pay slightly less interest if you take out an equity loan at the start of the year, and slightly more interest if you take it out later.

Your interest payments start in year 6, on the fifth anniversary of your equity loan being paid to the homebuilder.

If the fifth anniversary is between 1 April and 31 December, the first interest rate rise will be the following April. For example, if your equity loan was paid to the homebuilder on 1 June 2022, interest payments would start on 1 June 2027 (the fifth anniversary and the start of year 6) and the interest rate would increase in April 2028. This means your interest would rise in less than 12 months, so you would pay more interest overall.

If the fifth anniversary is between 1 January and 31 March, the first interest rate rise will be in April of the following year. For example, if your equity loan was paid to the homebuilder on 1 January 2022, interest payments would start on 1 January 2027 (the fifth anniversary and the start of year 6) and the interest rate would increase in April 2028. This means you would pay a lower rate of interest for slightly longer.

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## Equity Loan fees and costs

When you apply for an equity loan you agree to pay interest and other fees and costs. These include the following:

### Monthly management fee

When your equity loan starts you must pay a £1 monthly fee. This is paid by Direct Debit until you pay off the full equity loan.

### Administration fees

You pay administration fees for making changes to your equity loan, such as making a part payment. You can find the current Help to Buy: Equity Loan administration fees on the website at [www.myfirsthome.org.uk](http://www.myfirsthome.org.uk).

### Costs for late payment

Interest may be charged on overdue amounts you owe. Interest will be applied every day until the money you owe is paid in full. You may also have to pay other reasonable costs if action is needed to be taken against you to collect amounts you owe.

Interest and management fee payments are collected by Direct Debit. This helps to keep your payment details up to date. The payments are managed by our equity loan administrator.

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## Equity loans and repayment mortgages

Equity loans from Help to Buy normally have a term of 25 years. If you choose to re-mortgage (by switching your mortgage to a different lender or switching to a different mortgage deal with your current lender), you will need to get Homes England's permission first.

You may want to switch mortgage deal without borrowing more, and Homes England would usually allow this.

If you want to borrow more Homes England will only consider agreeing to this if you use the extra money to:

- pay off all or part of your equity loan
- pay for structural alterations that need to be made to your home for medical reasons
- pay to remove or add a homebuyer to the equity loan agreement (see the next section) or
- pay for other personal circumstances that you agree with us.

If your new mortgage deal is for more than 25 years, Homes England will extend the term of your equity loan to match it.

Consider getting independent financial advice to make sure you understand how a new mortgage deal may affect your equity loan and the interest payments.

## Add and remove homebuyers from the equity loan

If we give our permission, you can add or remove a homebuyer from the equity loan contract. This is known as a 'Transfer of Equity'. At least one of the homebuyers named in the equity loan contract must stay the same, and not be removed, throughout the term of the equity loan.

Homebuyers who are added to the equity loan contract must meet the Help to Buy eligibility criteria.

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## Structural alterations

You cannot make structural alterations to your home, such as adding an extension or converting a bedroom into a bathroom, without Homes England's permission.

Homes England will only give permission for structural alterations that are needed for medical reasons.

Structural alterations can increase the market value of your home, and your equity loan is linked to the value of your home.

- If you make structural alterations without our permission, and they increase the value of your home, the equity loan amount you owe will increase.
- If we give you permission to make structural alterations, and they increase the value of your home, when we work out how much you owe on your equity loan we will ignore the increase in value relating to the alteration.

Redecorating or fitting a new kitchen or bathroom is not a structural alteration, and you do not need Homes England's permission for this.

You have the option of paying off your equity loan before you make structural alterations.

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## Other restrictions

You are not allowed to sublet your home (move out and rent the whole property out to someone else) without Home England's consent.

You must have building insurance for your home, keep your home in a good state of repair and keep to all other conditions of the insurance policy.

You cannot sell your home or pay off your mortgage without repaying the equity loan in full.

## Changes in the housing market could affect your property price

House prices can go up and down. As your equity loan is linked to the market value of your home, any change in property prices can affect the amount you have to repay.

## 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, please contact:

Addition Homes

0333 444 0342

[info@additionhomes.co.uk](mailto:info@additionhomes.co.uk)

**AdditionHomes.co.uk**  
**HomesforLambeth.co.uk**