

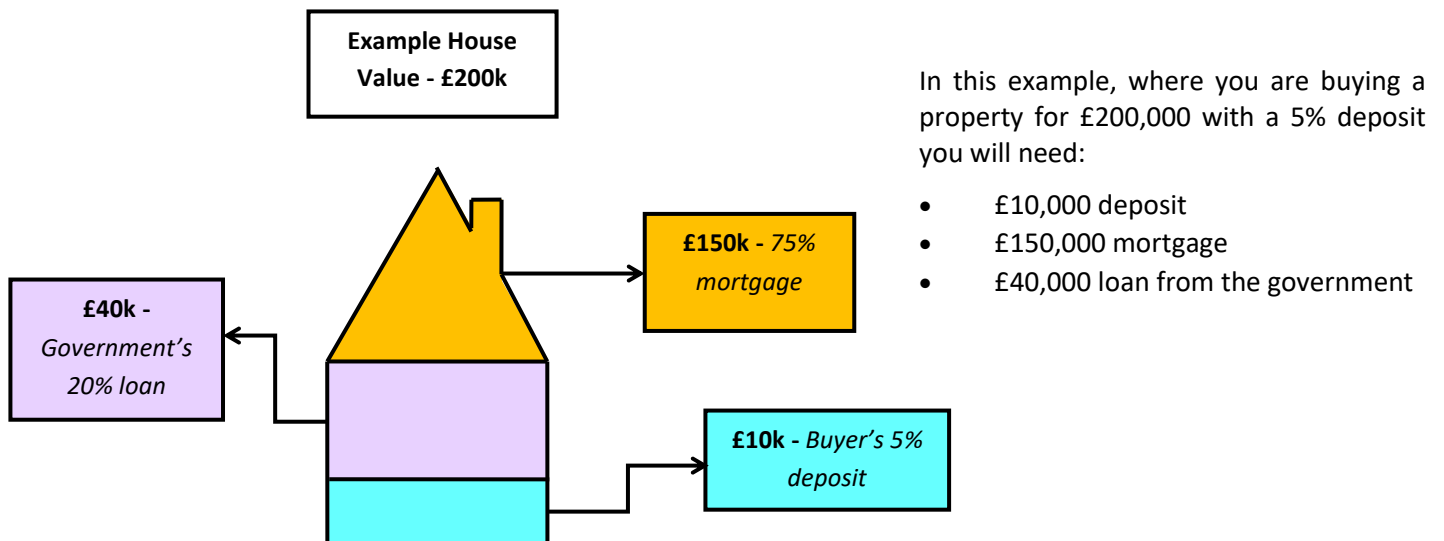
Our Guide to Help to Buy—Equity Loan

Help to Buy Equity Loans are part of the Help to Buy scheme. These Loans are only available for New Build properties.

To be eligible for a Help to Buy equity loan you must:

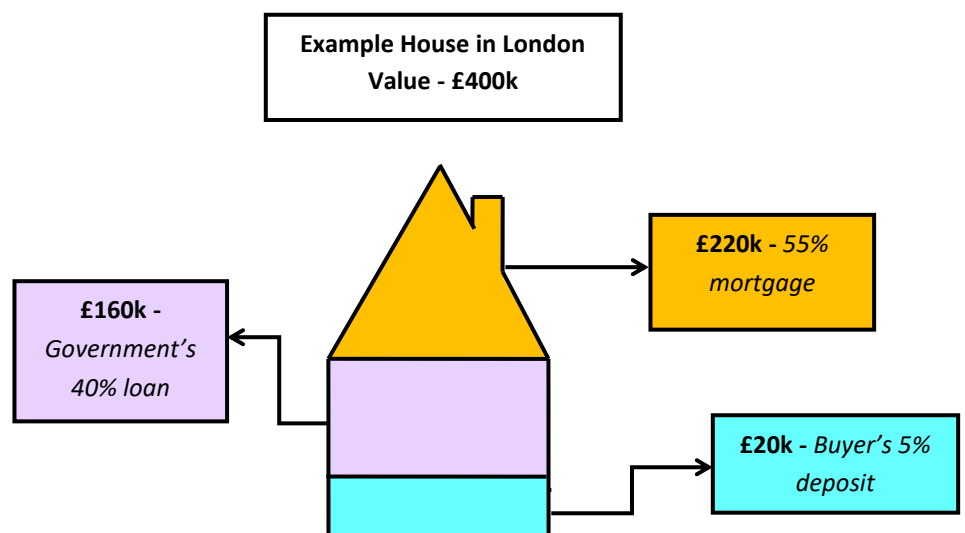
- Have a deposit of 5%
- Buy a home for £600,000 or less
- Purchase the property and intend to live in it (i.e. not to let out or be used as a second home)

Under the Help to Buy scheme, the government lends you up to 20% of the cost of your newly built home so you will only need a 5% cash deposit and a 75% mortgage to make up the rest. You won't be charged loan fees on the government loan for the first 5 years of owning your home.



The advantages of using an equity loan are that you will only need to pay a 5% deposit and as you are only borrowing 75% (instead of up to 95%) you will be able to access cheaper mortgage rates.

If you are buying a property in Greater London, the scheme's upper loan limit is 40% of the purchase price (in all London Boroughs).



What you will have to pay

As stated above, Help to Buy Equity Loans are interest free for the first 5 years. After that you will have to pay a monthly admin fee which starts at 1.75% of the loan. It will then rise each year by the increase in the retail price index plus 5%.

Be aware that the Equity Loan from the Government will not decrease in size (unless you choose to repay part of it early). Over time the administration fee will continue to rise. You will also be paying these fees in addition to your mortgage repayments.

You will need to repay the equity loan in full after 25 years when your mortgage term finishes or when you sell your home – whichever happens first. You will repay the market value of the loan at the time rather than the amount you originally borrowed. You can also choose to repay part of the loan early in chunks of either 10% or 25% of the total value.

An example under Help to Buy Equity Loans

It is important to understand the way Help to Buy loans work as you could end up paying back more or less than you borrowed depending on whether your home rises or falls. How it works is as follows:-

- You take a 20% equity loan to buy a Property worth £200,000
- So the loan is £40,000
- When you come to sell the Property, it is worth £250,000
- You repay £50,000 – this is 20% of the new value of your home, not the amount that you borrowed

An example under a London Help to Buy Equity Loans

- You take a 40% equity loan to buy a Property worth £200,000 so the Equity Loan value is £80,000
- When you come to sell the Property it is worth £250,000
- You repay £100,000 – this is 40% of the new value of your home not the amount you borrowed

The information obtained in this guide is intended for general guidance only and is not a substitute for obtaining legal advice as the guide does not take into account specific circumstances.

Call us on 020 8313 1300 to instruct us on your purchase

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