

### Q What is the Help to Buy (HTB) Shared Equity Loan Scheme?

A The government's HTB Scheme is designed to help both first time buyers and home movers purchase a new build home. The government lends the customer 20% of the cost of their newly built home so the customer only needs to contribute a 5% deposit. Lenders will treat the loan and deposit as a 75% LTV advance. The customer doesn't have to pay any interest on the government loan for the first 5 years of owning the property. If the customer decides to sell, they pay back 20% of the equity based on the sale price. This means that if the property reduces in value, the customer is not penalised. For more information, visit [www.help2obuy.gov.uk/equity-loan/equity-loans](http://www.help2obuy.gov.uk/equity-loan/equity-loans)

### Q Who funds the equity loan?

A The scheme in England is funded by the government through the Homes and Community Agency (HCA). It is funded in Wales through Help to Buy Wales.

### Q Can the customer make voluntary part-payments to reduce the equity loan?

A Following the purchase, a customer can make voluntary part repayments (also known as 'staircasing') or a full repayment at the prevailing market value at any time. The minimum voluntary repayment is 10% of the market value at the time of repayment. Please note this refers only to the equity loan and not to the mortgage.

### Q What is the process of applying for HTB Shared Equity Loan?

A There are 4 stages to the process:

- ▶ **Application** – The customer completes a Property Information Form and reserves the home with the builder. The form and a copy of the builder's reservation form are sent to the local HTB agent.
- ▶ **Authority to proceed** – The agent checks the customer can afford the mortgage and that the relevant declarations have been signed. If everything is satisfactory, the customer receives the Authority to Proceed (usually within 4 working days). The mortgage application can now be submitted and the solicitor instructed.
- ▶ **Mortgage offer and exchange of contracts** – Once the mortgage offer has been agreed, the solicitor will carry out further checks and ensure the customer fully understands their HTB obligations. Once satisfied, the solicitor and local agent will exchange approval contracts. At this point, the customer will pay their deposit and is legally contracted to buy the property.
- ▶ **Completing the purchase** – Precise Mortgages releases funds to the solicitor and the agent pays their funds directly to the builder. Once completion has taken place, the solicitor confirms the sale with the agent who then registers the customer's details with their mortgage administrator. A second charge is then registered on the property, entitling the agent to a 20% equity share in future sale proceeds.

**NOTE: The property purchased must be the customer's only residence and they must not own any buy to let or other properties.**

### Q Is the Scheme available throughout the UK?

A Precise Mortgages offers mortgages for the HTB Shared Equity Loan Scheme in England and Wales. There is also a specific London scheme.

### Q What is the maximum property value that can be purchased?

A The maximum purchase price is £600,000 in England and £300,000 in Wales.

### Q What is the maximum mortgage term allowed?

A 35 years.

### Q When do customers have to repay the loan to the government?

A The loan must be repaid after 25 years or upon sale of the property, whichever comes first.

### Q What is the maximum equity loan a customer can apply for?

A 20% in England and Wales, 40% in London.

### Q How is the government's loan fee calculated?

A The equity loan is interest free for the first 5 years. A fee will apply from year 6 onwards. This is calculated at 1.75% of any outstanding loan amount and can be paid on an annual or monthly basis. The fee will then increase on an annual basis in line with the Retail Price Index, plus 1%

### Q How will Precise Mortgages assess affordability?

A The affordability is assessed by multiplying the equity loan by 1.75% and then dividing it by 12 to calculate the monthly figure. This figure is what the broker must key into the Decision in Principle under the unsecured loan commitments section.

Continued overleaf

**Q** Is there an income cap?

**A** Yes. The HTB agent will carry out an assessment of a customer's income to ensure they can afford a conventional mortgage for the proposed purchase. The customer cannot use the scheme if they require a mortgage that is more than 4.5 times their household income, even though a lender may be prepared to lend them more.

**Q** What is the maximum Shared Equity Loan available in England?

**A** The maximum loan amount is £120,000 in England or £240,000 if purchasing in London. There is no minimum loan amount.

**Q** Can the customer have the mortgage on an interest-only basis?

**A** No. The mortgage must be on a capital and interest basis

**Q** Can a customer use the loan to purchase any property?

**A** No. The property must be a new build.

**Q** Can the property purchased be used as a buy to let?

**A** No.

**Q** What is the minimum customer deposit?

**A** 5%.

**Q** Does Precise Mortgages allow builder incentives on HTB applications?

**A** Yes. We allow up to 5% financial incentives from the builder. This will be checked against the Disclosure of Incentives form provided by the developer. We will also allow non-cash incentives, within reason, for items such as carpets and soft furnishings. Please note a builder's incentive cannot replace the customer's minimum 5% deposit contribution.

**Q** Does Precise Mortgages allow a family gift to be used as the customer's deposit?

**A** Yes. Family gifts are acceptable, including gifts from aunts and uncles. However, the gifts must have originated within the EU

**Q** How long are offers valid for?

**A** Offers are valid for 6 months and can be extended for a further 3 months subject to additional documentation and a re-inspection fee (currently £95).

**Q** The customer is married, but only wants one name to be included on the application. Is this acceptable?

**A** No. Both names must be on the application.

**Q** Will Precise Mortgages consider Forces HTB loans?

**A** Yes, although the way Precise Mortgages deals with the mortgage application will be determined by whether the customer is purchasing a HTB new build or a traditional new build/second hand property.

▶ **New build HTB (+ Forces HTB)** - This will need to be keyed in as an HTB application. When carrying out the DIP, make sure that BOTH the HTB equity loan and the Forces HTB loan are keyed in the unsecured loan section of the commitments page. The maximum the applicants can borrow in this instance is 75% (70% maximum advance, 20% HTB equity loan and 5% Forces HTB). The customer can use more from the Forces HTB scheme and apply for a lower advance from Precise Mortgages.

▶ **Traditional new build/second hand property (Forces HTB only)** - The customer can apply for a 15% Forces HTB loan and then borrow 85% from Precise Mortgages. When carrying out the DIP, you must select 'residential' from the drop-down menu (NOT 'HTB') and revert to our standard lending criteria.

In both cases, it is NOT necessary for the customer to provide their own 5% deposit.

**Q** Are customers with a Debt Management Plan (DMP) eligible for the HTB Scheme?

**A** Customers with an active DMP will not be accepted. If they have had a DMP in the past, it must have been satisfied for at least 36 months prior to making an application.

**Q** Can the customer use Precise Mortgages' HTB cashback products as a deposit source?

**A** No. The cashback available on HTB products cannot be used as a deposit. It can, however, be used to pay for stamp duty.

**Q** Is there anyone I can speak to if I have a query about a case that's in progress?

**A** Yes. We have a Priority Processing Team which is dedicated to handling cases and answering any questions you may have quickly and efficiently. They can be contacted by calling 0300 024 0349.

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# What you need to know about...

## Help to Buy (residential mortgages)

At Precise Mortgages we offer a range of Help to Buy products that could provide a lending solution for customers that are eligible for the scheme.

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| <b>What is a Help to Buy?</b> | There are <b>two</b> Help to Buy schemes: | An Equity Loan for customers purchasing a new build property with the Government lending them up to 20% (40% in London) interest free for the first five years. After this period the interest payments are payable at 1.75% in year one, rising by RPI+1% each year thereafter.<br>The equity loan must be repaid after a maximum of 25 years. However, the customer can make lump sum payments at any time, or repay the loan in full when the property is sold.<br>Or, a Mortgage Guarantee, also referred to as Help to Buy 2. This scheme closed to new applicants on 31.12.2016. Please note, Precise Mortgages did not accept this option.<br>On either scheme customers are unable to own additional properties, including buy to lets. |
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| <b>Specific Precise Mortgages Help to Buy criteria</b> | <b>Criteria</b>          | <ul style="list-style-type: none"><li>▶ 5% customer deposit can be supplemented by up to 5% builder offered incentive (in addition to the scheme's 20% contribution, or 40% for Help to Buy London customers)</li><li>▶ 35 year term subject to age at end of mortgage term (maximum age of 70)</li><li>▶ Equity loan repayment calculated at 1.75% for affordability purposes - please see our DIP tips for more information</li><li>▶ Self-employed accepted with 1 year's figures</li><li>▶ Fees can be added to the loan</li><li>▶ Flats (up to 20 storeys) and houses accepted</li></ul> |
|  | <b>Allowable adverse</b> | Precise Mortgages' products are tiered to meet individual credit profiles. The maximum allowable adverse is shown below.<br><b>Defaults:</b> 5 in 24 months<br><b>CCJs:</b> 3 in 24 months<br><b>Missed mortgage/secured loan arrears:</b> worst status 1 in 12 months - 3 in 36 months<br><b>Unsecured arrears:</b> are not counted but may affect customer's credit score<br><b>Debt Management Plans (DMPs):</b> Allowed if satisfied over 36 months ago<br>Applicants must not have any defaults, CCJs or secured arrears recorded in the 3 months before application.                    |

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| <b>DIP tips</b> | We are committed to making the Decision in Principle (DIP) and application process as simple as possible for our intermediaries.<br><ol style="list-style-type: none"><li>1. When keying Help to Buy loan details they should be added to the 'Applicant Commitments' section under 'Other Commitments'.</li><li>2. The monthly amount to be keyed into the DIP under the unsecured loan commitments section should be calculated as shown in the following example:<br/><b>Equity Loan (£50,000) x 1.75% = £875</b><br/><b>£875 divided by 12 = £72.91</b></li></ol> |
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Please refer to the product guide and criteria guide for further information.

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# Help to Buy

## Key information sheet



The Government's Help to Buy scheme aims to get new home owners on to the property ladder and move those already there up to the next rung. Our Help to Buy products could help your customers make the most of this opportunity.

### Key points of interest

- ▶ Available in England and Wales.
  - ▶ Maximum valuation in England - £600,000.
  - ▶ Maximum valuation in Wales - £300,000.
- ▶ Non-repayable family gifted deposits are allowed.
- ▶ Offers valid for 6 months, may extend for a further 3 months.
- ▶ Lending on new build flats with commercial ground floor considered.
- ▶ Up to 20 storey blocks considered.
- ▶ Section 106 Planning Obligations considered.

### Product features

- ▶ 5% customer deposit can be supplemented by up to 5% incentives offered by builder (in addition to the scheme's 20% contribution, or 40% for Help to Buy London customers).
- ▶ Adverse credit considered - please see 'Allowable adverse' below.
- ▶ 35 year term subject to age at end of mortgage term (maximum age of 70).
- ▶ Equity loan repayment calculated at 1.75% for affordability purposes.
- ▶ Self-employed with 1 year's accounts accepted.
- ▶ Fees can be added to the loan.
- ▶ Refund of standard valuation fee (up to £630) on select products.
- ▶ 4% cashback available on select products.

### Affordability calculation

The affordability assessment includes an assessment of the equity loan as an expense. This is calculated by multiplying the equity loan by 1.75% and then dividing it by 12 to calculate the monthly figure.

This figure must be keyed into the Decision in Principle under the 'Unsecured Loan Commitments' section.

An example of how the **monthly figure** is calculated is shown below.

**Equity Loan (£50,000) x 1.75% = £875**

**£875 divided by 12 = £72.91**

### Allowable adverse - residential mortgages

Precise Mortgages' products are tiered to meet individual credit profiles. The maximum allowable adverse is shown below.

**Defaults:** 5 in 24 months.

**CCJ:** 3 in 24 months.

**Missed mortgage/secured loan arrears:** Worst status 1 in 12 months/3 in 36 months.

**Debt management plans (DMPs):** Allowed if satisfied over 36 months ago.

Applicant must not have any defaults, CCJs or secured arrears recorded in the 3 months before application.

Unsecured arrears are not counted but may affect customer's credit score.

**For further details on our products please refer to the residential mortgages product guide and criteria guide.**