

Help to Buy Initiative Operated by the Homes and Communities Agency

Information for Solicitors/Legal Representatives

Introduction

The Homes and Communities Agency (the **Agency**) operates an initiative called Help to Buy (**Help to Buy**) by which assistance is provided to enable qualifying applicants to buy a newbuild property on a new development. It is intended to help applicants by providing a stepping stone onto the property market or by allowing those selling their existing home to access a new property. It is intended to allow purchasers to access mortgage funding at a lower loan to value ratio than might otherwise be possible. The Agency operates Help to Buy for the whole of England.

Your receipt of these papers means that the applicant for whom you are being asked to act has been successful in his/her application for such assistance and is intending to purchase a property from a provider who is participating in the Help to Buy Initiative (the **Provider**).

For the avoidance of doubt, a qualifying applicant (the **Buyer**) currently includes:

- those that are intending to be owner/occupiers (the properties cannot be bought for investment purposes);
- those that have satisfied the eligibility conditions as assessed by the Help to Buy Agent;
- those that are obtaining a first ranking mortgage (from a qualifying lending institution) for the maximum amount which he/she is able to afford on usual terms and is likely to be sustainable by them; and
- applicants who do not (or will not at the point of purchase of the Help to Buy property) possess any interest in any other dwelling.

By way of background, the Agency provides the assistance to the Buyer by making a payment at the Buyer's direction and with the Buyer's agreement directly to the Provider (on a property by property basis). The Buyer's obligation to pay the Full Purchase Price for the property is then satisfied by paying a lower Reduced Purchase Price and entering into an Equity Mortgage in favour of the Agency. The total deduction in price will represent up to 20% of the total purchase price of the home that is being acquired if the property is outside the London Area (the percentage being defined as the **Contribution Percentage**). Where the property is inside the London Area, the Contribution Percentage will represent up to 40% of the purchase price. The full purchase price must not exceed £600,000.

Accordingly, the maximum contribution will be £120,000 from the Agency where the Property is outside the London Area. Where the Property is inside the London Area, the maximum contribution will be £240,000 from the Agency. Exact figures will be provided for each property.

Full details of the scope of the London Area are set out at Schedule 11.

The Reduced Purchase Price will be referred to in the Provider's sale contract and will correspond to the amount which is affordable to the Buyer as assessed by the Help to Buy Agent (via the Agency's affordability assessment calculator) under the initiative. The intention is that Buyers have assistance for the element which is not affordable through normal private mortgages together with any financial contribution which the Buyer can afford to make from their own resources (including through the sale

of any existing property). The Help to Buy Agent therefore calculates the Contribution and the Contribution Percentage and notifies these to the Buyer the Agency and the Provider, via the Authority to Proceed. The terms of the purchase contract will need to correspond with this. In order to qualify for this product the Buyer must be entering into a first ranking mortgage prior to the Agency's charge.

When the Buyer purchases a property under this Initiative he/she then pays the Reduced Purchase Price on completion to the Provider instead of the Full Purchase Price. The difference between the two (i.e. the Contribution) expressed as a percentage of the Full Purchase Price will be the Contribution Percentage (which the Buyer will direct is paid to the Provider). When the Buyer sells the property he/she will be obliged to pay the Agency the Contribution Percentage of the eventual sales proceeds. The mortgage term in the Agency charge is 25 years.

For the avoidance of doubt, in calculating the Reduced Purchase Price (i.e. the amount of funding to be provided by the first qualifying lending institution together with any contribution from the Buyer's own reserves), any mortgage fees that may be added by the first qualifying lending institution are to be ignored.

The obligation to make the repayment to the Agency has to be secured on the property by a second legal charge ("the Equity Mortgage") which must rank immediately behind the loan of the qualifying lending institution (such as a building society, bank or insurance company) who will be providing a conventional mortgage for a sum up to the remainder of the total purchase price.

The Agency has appointed a Post Sales Agent for the purpose of administering the Equity Mortgage and collecting all payments due including partial and full redemption payments as well as the monthly management fee and the interest payments due after the first five years of the mortgage. This will mean that the Buyer has one nominated point of contact for the Equity Mortgage.

A restriction in favour of the Agency is set out in the Equity Mortgage. The Land Registry have confirmed that the restriction contained in the Equity Mortgage is in a standard form. This restriction will need to be registered against the title at the same time as the transfer is registered in the name of the Buyer. A Form RX1 will be required to register this restriction. An undertaking will be required prior to completion of the Equity Mortgage from you to ensure that this restriction is registered together with the Equity Mortgage. You must also ensure that, within 5 working days of completion, the first qualifying lending institution is served a notice that the second charge is in place in accordance with a method of service of notice as set out in the Land Registration Rules 2003 (as may be varied or amended from time to time).

You are also required to send to the Help to Buy Agent as soon as practicable (and no later than 5 working days after completion):

- Original Homes and Communities Agency Equity Mortgage
- Copy completed AP1 form as submitted to HM Land Registry

and no later than 10 working days following receipt from HM Land Registry a certified copy Office Copy Entries confirming that the Equity Mortgage Document has been registered against the title to the Property.

The Buyer must not obtain a first loan for more than the Reduced Purchase Price (excluding any mortgage fees of the first qualifying lending institution) and you will be expected to provide the Help to Buy Agent with verification of the total purchase price payable and the amount of the first loan.

Please note that the qualifying lending institution cannot make further advances to the Buyer without the consent of the Agency (which will not normally be given). It is important that you confirm that the amount secured by the charge does not exceed the Reduced Purchase Price, save in respect of any mortgage fees (or, if less, the amount of the first loan save in respect of any mortgage fees).

It is also important that you confirm that, in calculating the Contribution (and therefore the Contribution Percentage) the mortgage fees of the first qualifying lending institution have not been (and will not be) included in the calculation of the Reduced Purchase Price. In addition, no tacking will be permitted in relation to the first loan and no obligation on the qualifying lending institution to make further advances may be registered at the Land Registry unless written confirmation has been provided by the Qualifying Lender that they will not make further advances without first consulting the Agency.

The Buyer will either repay early voluntarily (the Buyer can repay the whole or part of the amount provided at any time) or when they sell the property or on a compulsory basis on the happening of specified events in the Equity Mortgage. The amount of the required repayment is equivalent to the value of the property (or the actual sale price if higher) at the date of repayment (whether that value has increased or decreased) multiplied by the Contribution Percentage.

By way of illustration, if the Contribution Percentage is 20%, the Buyer must pay the Agency 20% of the sale price when he or she sells the property. The actual amount to be repaid will therefore increase if the property increases in value but will decrease if the property decreases in value. The Agency, via the Help to Buy Agent, will require a copy of the property valuation before exchange of contracts.

It is anticipated that, as the Buyer's income improves, it will buy out the Agency by advance repayment or will move up the housing ladder by selling and moving on to home ownership which is not supported by an Equity Mortgage. An initial monthly management fee of £1 is payable by direct debit from the start of the loan until it is repaid. An additional monthly fee (expressed as interest) is payable on the Equity Mortgage from the sixth year of the term (i.e. the fifth anniversary of the date of the Equity Mortgage). To start with this is a proportion of 1.75% of the value of the property on the date of acquisition as specified in the Equity Mortgage. The proportion is calculated as a percentage of the total interest charge representing the percentage outstanding under the equity loan. From the seventh year (ie from the sixth anniversary of the date of the Equity Mortgage) the 1.75% is subject to an annual increase based on the percentage increase in RPI (if any) plus 1%. Again, payment is to be made to the Post Sales Agent or such other party as the Agency may nominate.

Although there will be a small administration fee when the Agency is repaid (currently £200), there is no redemption fee or penalty. As house values increase it may be in the Buyers interest to repay the Agency as his or her financial position improves and makes this possible.

Instructions for Solicitor/Legal Representatives from Homes and Communities Agency

The Agency is instructing you to act on its behalf in connection with our Help to Buy Initiative in accordance with the Council of Mortgage Lenders Handbook and our specific instructions set out in this document.

Please note that no retainer with the Provider exists.

Your charges and disbursements are payable by the Buyer and should be collected from the Buyer on or before completion. You must not allow non-payment of fees or disbursements to delay the payment of Stamp Duty Land Tax, the lodging of any Stamp Duty Land Tax return and registration of

documents. For solicitors, the Law Society recommends that your costs for acting on our behalf in connection with the mortgage should, in the interest of transparency, be separately identified to the Buyer.

In accordance with the accompanying Authority to Proceed, the Buyer will be able to pay a Reduced Purchase Price on completion but will be obliged to pay to the Agency the Contribution Percentage of its eventual sale proceeds when the home is sold. You will be responsible for registering the Equity Mortgage at the Land Registry to secure this.

You will receive with these instructions the Equity Mortgage for execution by the Buyer.

Summary

A brief summary of your role under this initiative is as follows:

- Verify identity of Buyer;
- Return the Solicitor's Form 1 to the Help to Buy Agent no later than 5 working days before exchange of contracts (having checked and enclosed a copy of the Buyer's first mortgage offer and, where available, the first lender's valuation);
- Obtain a completed copy of the CML Disclosure of Incentives form from the conveyancer acting on behalf of the Provider who is selling the property that the Buyer is intending to purchase;
- Advise the Buyer fully of all terms/provisions of the Help to Buy Initiative (including, for the avoidance of doubt, the Help to Buy Buyer's Information Sheet set out in Schedule 10 ('Help to Buy Buyer's Information Sheet'), the Authority to Proceed as set out in Schedule 7 ('Form of Authority to Proceed') and the Equity Mortgage;
- Check confirmation of receipt/authorisation to exchange;
- Exchange contracts within three months of the date of the Authority to Proceed and subsequently (within 2 working days of exchange) confirm exchange of contracts to the Help to Buy Agent by returning Confirmation of Exchange Form to the Help to Buy Agent;
- Obtain confirmation from the Buyer that they do not (or will not at the point of purchase of the Help to Buy property) possess an interest in any other Dwelling;
- Ensure that the information inserted in the Equity Mortgage corresponds with the information contained in the Authority to Proceed ;
- Ensure that the Buyer properly executes the Equity Mortgage;
- Provide the Solicitor's Form 2 to the Help to Buy Agent no later than 5 working days before completion;
- Complete and register the Equity Mortgage as a second charge and ensure the restriction referred to in the Equity Mortgage is noted on the title at the Land Registry;

- Provide a certified copy of the completed Equity Mortgage and the relevant completed Form AP1 to the Help to Buy Agent as soon as reasonably practicable and in any event within 5 working days of completion.
- Ensure that the prior lender's charge documentation does not include an obligation on the prior lender to make further advances or to permit tacking (see below for more detail);
- Serve written notice of the second charge created by the Equity Mortgage on the first qualifying lending institution immediately upon completion in accordance with a method of service as set out in the Land Registration Rules 2003 (as may be varied or amended from time to time);
- Provide the following documents to the Help to Buy Agent (within 10 working days of receipt from the Land Registry);
 - Original Homes and Communities Agency Equity Mortgage
 - Land Registry Title

It is intended that you will otherwise fulfil your duties to the Agency by virtue of complying with the Council of Mortgage Lenders' requirements in relation to the prior qualifying lender.

You may charge the Buyer an additional fee for carrying out these instructions but this fee must be reclaimed by you from the Buyer.

As part of the conveyancing process, you will have to provide the Help to Buy Agent with:

- a completed, signed letter in the form of the draft letter attached as Solicitor's Form 1 at Schedule 4 ("Solicitor's Form 1"); and
- a completed, signed report and undertaking in the form of the draft attached as Solicitor's Form 2 at Schedule 5 ("Solicitor's Form 2").

The Solicitor's Form 1 and the Solicitor's Form 2 refer to a number of defined terms, which can be summarised as follows:-

"Agency Equity Mortgage"	Means the Equity Mortgage Document to be entered into by the Buyer with the Agency;
"Authority to Proceed"	This is a notice served by the Help to Buy Agent on you and the Provider approving the Buyer's purchase and setting out information for Buyer on how to proceed with its purchase of the property, a copy of which will be provided to you with these instructions;
"Authority to Exchange"	This is a notice served by the Help to Buy Agent on you and the Provider providing the Agency's consent to exchange, in the form supplied with these instructions;

"Buyer"	This is the qualifying applicant who has instructed you to act on their behalf (in their purchase) and to whom these papers relate;
"Confirmation of Exchange"	This is the notice required to be completed by you and returned to the Help to Buy Agent within 2 working days of exchange of contracts (annex 1 of the Authority to Exchange);
"Contribution"	This corresponds to the difference between the Full Purchase Price of the home that the Buyer is buying and the Reduced Purchase Price (but, in any event, the Contribution must represent not more than 20% of the Full Purchase Price);
"Contribution Percentage"	This is the percentage of market value/sale proceeds of the property (as applicable) that the Buyer will be obliged to pay to the Agency when he/she sells the property (it corresponds to the percentage which the Contribution forms of the Full Purchase Price);
"Dwelling"	This means any residential dwelling that is used as, constructed for or intended for use for residential purposes and an 'interest in a Dwelling' means ownership of or any other legal or beneficial interest in a Dwelling;
"Equity Mortgage"	The second charge to be entered into by the Buyer with the Agency. The original Agency Equity Mortgage is provided with these instructions as there is no requirement for the Agency to execute the same;
"Full Purchase Price"	This is the total purchase price of the home that the Buyer is buying;
"Help to Buy Buyer's Information Sheet"	This is the explanatory and other documentation supplied with these Instructions to Solicitors by the Help to Buy Agent for provision to applicants and their solicitors;
"Incentives"	These are the financial or non-financial inducements or incentives that may be provided (or offered) by the Provider to buyers of units (including, as examples, subsidies, white goods, additional fixtures, fittings or enhanced specifications). They will be identified by your review of the completed copy of the CML Disclosure of Incentives form provided to you by the conveyancer acting on behalf of the Provider;

"Help to Buy Agent"	This is an agent contractually appointed by the Agency to deliver a one stop shop housing advice service within a geographical area that covers the property to be acquired. The agent is nominated by the Agency act on its behalf in the operation of the Help to Buy Initiative;
"Property Information Form"	This is the application form completed by the Buyer and the Provider and sent to the Help to Buy Agent together with the Provider's reservation form, a copy of which will be provided to you with these instructions;
"Qualifying Lender"	This is a single mortgagee who is a qualifying lending institution taking a first charge on the property;
"Reduced Purchase Price"	This corresponds to the amount that the Buyer is required to pay on completion (through the mortgage secured by way of first ranking charge from the qualifying lending institution and any cash resources) provided that the Buyer enters into the Equity Mortgage;
"Solicitor's Form 1"	This is the form of report and undertaking required to be completed by you in advance of exchange in the form supplied with these instructions (Solicitor's Form 1);
"Solicitor's Form 2"	This is the form of report and undertaking required to be completed by you in advance of completion in the form supplied with these instructions (Solicitor's Form 2);

How the Initiative works

The Help to Buy Initiative is administered by [details of Help to Buy Agent to be inserted] ("the Help to Buy Agent") (selected by the Agency) whose role it is to ensure that:

- applicants meet the requirements of the initiative;
- the property selected provides adequate security for the Equity Mortgage (the standard form of which is supplied with these Instructions) by reference to the prior qualifying lending institution's valuation report or, where no such valuation report is available, by reference to the amount specified in the qualifying lending institution's mortgage offer as being the market value of the property;
- the property selected is eligible for purchase and does not exceed the maximum value limit of £600,000; and

- you complete and register the Equity Mortgage (together with registering the restriction (using Form RX1) in favour of the Agency at the Land Registry within the period specified in your pre-completion 'with priority' search.

A Buyer may come to receive assistance under the Help to Buy in one of two ways:

- the Buyer may approach the Help to Buy Agent direct asking for details of new build developments in his/her area that may fall within Help to Buy; or
- the Buyer may be referred to the Help to Buy Agent as a result of him/her having made a direct approach to a Provider's sales team on a new build development.

Once an applicant has identified a property we strongly recommend that the applicant makes an appointment to see an Independent Financial Advisor (IFA) to gain confirmation of its financial status and the availability of mortgage funding. The Provider or the Help to Buy Agent should be able to suggest some IFAs, although please note that the applicant is free to choose their own IFA and is not obliged to see any suggested IFA.

The applicant should under no circumstances incur any costs in obtaining a mortgage (e.g. for a property valuation) until it has been accepted for assistance through the Help to Buy Initiative and the lender offering to provide the first mortgage has confirmed that it is a "qualifying lending institution". A "qualifying lending institution" is an institution authorised by the Financial Services Authority to "enter into a regulated mortgage contract as lender". This is likely to include most banks and building societies.

When the applicant reserves the property, the applicant will provide its financial details and details of the purchase to the Help to Buy Agent for an assessment of eligibility and approval via the completion of a Property Information Form in the form attached at Schedule 3 (the **Property Information Form**). The Property Information Form shall also include details of the Buyer's legal representative. The Buyer and the Provider will work together to complete the Property Information Form and the Provider shall ensure that it is submitted to the Help to Buy Agent together with a copy of the Provider's completed reservation form.

Whilst the Buyer will need to confirm the detail of its appointed legal representative (who must be either a solicitor, a Chartered Legal Executive or a licensed conveyancer) the Buyer should not incur any legal fees until it has been accepted for the Help to Buy Initiative. Any reservation fee payable to the Provider should be no more than £500 and should be refundable if the Buyer is not accepted for the Help to Buy Initiative following the submission of the Property Information Form.

As part of the assessment of eligibility, the Help to Buy Agent will ask the Buyer to produce evidence of their identity. However, irrespective of this, you are required to verify the identity of the Buyer in accordance with Council of Mortgage Lender's guidelines.

Once the Help to Buy Agent has considered the Property Information Form it will issue the Authority to Proceed to the qualifying applicant (with a copy being provided to the Provider), in which it will either approve or reject the purchase.

Events before exchange of contracts

If the purchase is approved, the Help to Buy Agent will make contact and provide you with these Instructions to Solicitors (having already been provided with your details in the qualifying applicant's Property Information Form), providing a copy to the Buyer. As mentioned above, your receipt of

these papers means that the applicant for whom you are being asked to act has been successful in his/her application for such assistance and is intending to purchase a property from a Provider who is participating in the Help to Buy Initiative.

You will be instructed to proceed on the basis that the assistance for the Buyer (being an amount equivalent to the Contribution Percentage applied to the total purchase price of the property that the Buyer is buying) will be available upon completion.

If the copy of the Authority to Proceed provided to you makes reference to the Buyer providing some of his/her own cash to the purchase, you will need to verify that that cash will be available upon completion.

Exchange of contracts stage

Upon receipt of these Instructions to Solicitors you will need to check the details of the Buyer's purchase and provide the Help to Buy Agent with the signed and dated Solicitor's Form 1. The Solicitor's Form 1 must be provided no later than 5 working days prior to the anticipated exchange date.

Before exchange of contracts is requested you should send the Qualifying Lender a copy of the Guidance Note for Mortgage Lenders.

You must discuss any discrepancies between the information provided by the Buyer and the Authority to Proceed with the Help to Buy Agent and seek a satisfactory resolution before proceeding and, in any event, before issuing the Solicitor's Form 1.

Solicitor's Form 1 must be provided to the Help to Buy Agent no later than 5 working days before exchange of contracts to ensure that the following issues have been considered and resolved:-

- Confirmation that the Buyer's purchase accords in all cases with the Authority to Proceed (in particular the Full Purchase Price applicable to the property being bought by the Buyer and the Contribution Percentage along with the availability of any cash that may be being provided by the Buyer as specified in the Authority to Proceed);
- Confirmation, specifically, that the Full Purchase Price does not exceed the market value referred to in the Buyer's Qualifying Lender valuation report (or in the mortgage offer, where no such valuation report is available) (if it does not you may only proceed to exchange with the written authority of the Help to Buy Agent);
- Verification that the Incentives (for example, white goods, cashback etc) being offered to the Buyer do not exceed 5% of the Full Purchase Price and that the CML requirements in relation to incentives have been complied with. If the incentives exceed 5% you must not proceed further and advice from the Help to Buy Agent must be sought. For the avoidance of doubt, incentives never form part of the Contribution Percentage;
- Verification that the Buyer (and each Buyer where there is more than one person acquiring the property) has no interest in any Dwelling or that the Buyer intends to sell or complete the sale of any Dwelling(s) that they have an interest in, on or before the date of completion (and that exchange of contracts for such sale is anticipated to take place at the same time as exchange of contracts for the Help to Buy property);

- Confirmation as to the amount of the loan being provided by the Buyer's Qualifying Lender and that this does not exceed the Reduced Purchase Price;
- Confirmation that any mortgage fees of the qualifying lending institution have been (or will be) excluded from the calculation of the Reduced Purchase Price (and therefore the Contribution and the Contribution Percentage);
- Confirmation that a first ranking mortgage from a Qualifying Lender will be completed on completion of the purchase.

As no amendments will be accepted to the Solicitor's Form 1 or the Solicitor's Form 2 as set out in Schedules 4 and 5 respectively without the express written authority of the Help to Buy Agent, any issues that arise as a result of the specific confirmations sought above, or as a result of you not being in a position to provide the letters in the form attached, must be referred to the Help to Buy Agent. For the avoidance of doubt, in returning the completed Solicitor's Form 1 to the Help to Buy Agent you are confirming that you are in receipt of a completed CML Disclosure of Incentives form from the Provider's conveyancer which complies with your instructions. This does not override or discharge your duty to the Qualifying Lender and the Agency by virtue of complying with the Council of Mortgage Lenders' Handbook.

Once the Solicitor's Form 1 has been provided, the Help to Buy Agent will ensure that the information contained in that Solicitor's Form 1 accords with the Buyer's application to it (including the relevant Property Information Form). That being the case you will be given confirmation that you are authorised to exchange contracts.

For the avoidance of doubt, you are not permitted to exchange contracts until the Help to Buy Agent has received the Solicitor's Form 1 and has provided you with confirmation (via the Authority to Exchange notice) of receipt and instructions that you may now exchange. Such confirmation should be provided within 3 working days of receipt by the Help to Buy Agent of the completed Solicitor's Form 1.

As soon as contracts have been exchanged, you must confirm to the Help to Buy Agent:-

- that exchange has taken place (via the Confirmation of Exchange Form) within 2 working days of exchange;
- the proposed completion date (which must be no more than six (6) months following the date of exchange); and
- that the terms of the purchase accord with the Solicitor's Form 1.

At the same time, the Help to Buy Agent will notify the Agency that there will, upon completion, be a requirement for the assistance due (for the Buyer's purchase) to be available.

For the avoidance of doubt, exchange of contracts must not happen any later than 3 months after the date of the Authority to Proceed as, after that date, it will be null and void and of no effect. A further application would need to be made to the Help to Buy Agent before exchange of contracts could then be effected for that purchase, unless you obtain the Help to Buy Agent's confirmation in writing that this period can be extended).

Legal representative's undertakings: the Solicitor's Form 2

You must provide the Help to Buy Agent with the signed and dated Solicitor's Form 2 no later than 5 working days prior to the anticipated completion date. You will thereafter need to comply with the undertakings set out in the Solicitor's Form 2. These undertakings may not be amended without the Help to Buy Agent's confirmation in writing.

For the avoidance of doubt, you may not complete the Buyer's purchase until the Solicitor's Form 2 has been properly completed and delivered to the Help to Buy Agent in the requisite form.

Where you have provided the Solicitor's Form 2 to the Help to Buy Agent in accordance with your instructions, the Help to Buy Agent will issue a confirmation to Provider in the form annexed at Schedule 9.

Purchase completion stage

If the copy of the Authority to Proceed that has been provided to you makes reference to the Buyer providing some of his/her own cash to the purchase you must satisfy yourself that that cash will be available upon completion.

These arrangements should be reflected in the Buyer's purchase contract so as to incorporate provisions consistent with the example contract provisions set out in Schedule 2 of these instructions.

The Provider should provide you with a sale contract that incorporates these terms.

It is your responsibility to ensure that the Contribution Percentage and other details including, but not limited to, the initial market value of the property, and the amount of the Contribution of the Agency are correctly inserted into the Equity Mortgage and this is duly registered at HM Land Registry. Please note that the information inserted into the Equity Mortgage must correspond with the information in the Authority to Proceed.

You must ensure that where the Buyer (and each Buyer where there is more than one person buying the property) has any interest in a Dwelling that it will have sold, or be in contract to complete the sale of such Dwelling(s), on or before the date of completion. Completion must not take place until the sale of any such Dwelling has taken place.

The amount being lent by the Buyer's prior Qualifying Lender (together with any cash element funded by the Buyer) will represent the cash amount required to complete the purchase on the agreed date of completion. You will deal with that first loan in the normal way in accordance with the Council of Mortgage Lenders' Handbook as with any other residential purchase. The only monies you are physically required to deal with are those you will obtain from the Buyer and his/her prior Qualifying Lender which will (together) pay the Reduced Purchase Price.

Immediately following completion of the purchase, you must provide written notice of the existence of the completed Equity Mortgage to the prior Qualifying Lender. Whilst you should have already provided copies of the Guidance Notes for Mortgage Lenders to the Qualifying Lenders (and you will need to confirm that this has been done in Solicitor's Form 2) it is imperative that further formal written notice is provided in accordance with a method of service as set out in the Land Registration Rules 2003 (as may be varied or amended from time to time) at this stage. You will note that this is specifically covered by one of the undertakings contained in Solicitor's Form 2.

If, for whatever reason, there is no first mortgage, the Help to Buy Agent should be informed of this as soon as possible as a Help to Buy purchase cannot be completed without a first mortgage in place.

You must inform the Help to Buy Agent within 5 working days of completion that the Buyer's purchase has completed.

Your Duties to Us

You have a duty of care to us (the Homes and Communities Agency) and must comply with the terms of these instructions.

In providing the Solicitor's Form 1 and the Solicitor's Form 2 you must act in accordance with the requirements of Chapter 3 of the SRA Code of Conduct 2011 and particularly Indicative Behaviour 3.7.

You are being instructed in accordance with and must also comply with the CML Lender's Handbook issued by the Council of Mortgage Lenders. It is anticipated that you will have complied with these in any event for the prior Qualifying Lender. References within the CML Lender's Handbook to lender shall be treated as applying to the Agency and references to the borrower as applying to the Buyer.

In complying with the CML Lender's Handbook you may comply with the requirements and guidance of the prior mortgagee but subject to the Additional Instructions set out in Schedule 1 below.

Advising the Buyer

It is your responsibility to advise the Buyer on his/her obligations arising under the Help to Buy Buyer's Information Sheet (including the Personal Worked Example and the role and contact details of the Post Sales Agent), the Authority to Proceed and the Equity Mortgage and the consequences of this (in particular his/her obligations to pay the Contribution Percentage and other sums to the Agency). You must ensure that the Buyer receives copies of these documents at least seven days before completion.

You must further advise that the Buyer's home is at risk if they do not make the payments required by the Equity Mortgage and you must advise in accordance with the explanatory information supplied with this letter.

Neither you nor the Buyer may rely on any representation made by any person (including the Provider, its sales team, solicitor or any other person) as to the Buyer's rights or obligations under the Equity Mortgage save as set out in the Help to Buy Buyer's Guide, by the Agency or confirmed in writing by the Help to Buy Agent.

Duty to Notify:

If you become aware of any of the following facts:-

- the Buyer will not be occupying the property as a principal residence;
- the Buyer (or any one of them) owns or has an interest in any Dwelling that will not be sold on the completion date;
- the Buyer will not be obtaining the prior loan (from a prior Qualifying Lender) in accordance with your Solicitor's Form 1;
- the first mortgage is for more than the Reduced Purchase Price (or any lesser amount specified in the Authority to Proceed);

- the first mortgage and any private cash contributions are less than the Reduced Purchase Price (or any lesser amount specified in the Authority to Proceed);
- the Provider is providing Incentives to the Buyer not previously or otherwise disclosed on the completed copy of the CML Disclosure of Incentives form obtained from the conveyancer acting on behalf of the Provider;
- the mortgage fees of the qualifying lending institution have been included in the calculation of the Reduced Purchase Price (and therefore the Contribution and the Contribution Percentage);
- any cashback received by the Buyer has been treated as part of the Buyer's cash contribution towards the purchase; or
- there is an obligation in the first mortgage to register at HM Land Registry a form or notice obliging the Qualifying Lender to make further advances and confirmation has not been provided by the Qualifying Lender that they will not make any further advances without the consent of the Agency;

you must report this to the Help to Buy Agent, if the Buyer agrees, failing which you must return these Instructions to Solicitors and explain that you are unable to continue to act for the Agency as there is a conflict of interest.

Enquiries

Any enquiries concerning these instructions should be raised with [Help to Buy Agent]

[Note: Full contact details of Help to Buy Agent to be inserted]

Schedule 1 (Solicitor's Pack)

Additional Instructions

1 Incentives

It is important for the Agency to be satisfied that the Buyer is not receiving any incentives which would adversely affect the Agency or the value of the property.

Under the terms of its agreement with the Agency the Provider is restricted in relation to the terms upon which it may offer incentives to buyers. In particular the value of Incentives provided by the Provider shall not in any event exceed 5% of the Full Purchase Price and must comply with any guidance issued by the CML. Incentives are in addition to the Contribution.

If you believe that the Buyer is to be provided with any Incentives as described above then you are required to notify the Help to Buy Agent of this.

If you have any concern as to whether or not any incentives are required to be disclosed then you should contact the Help to Buy Agent on the [helpline].

2 **CML Handbook**

In complying with the CML Handbook you are entitled to assume that, save as specified in these Instructions to Solicitors and subject to the express requirements of the Solicitor's Form 1 and the Solicitor's Form 2, you have satisfied our requirements by satisfying the requirements of the Qualifying Lender providing the first charge. Please note the following (referring to the relevant paragraphs of the CML Handbook):-

Valuation (CML paragraph 4.1): You may not proceed to exchange of contracts unless a copy of the valuation report obtained for the Qualifying Lender has been provided to the Help to Buy Agent valuing the property (subject to any final inspection) at not less than the Full Purchase Price. If the valuation figure is less than this you should not proceed to exchange unless the Help to Buy Agent has confirmed in writing that the valuation is satisfactory. The Agency is not expecting you to assume the role of valuer or to advise on any limitation upon its ability to rely upon the valuation which has been obtained for the prior Qualifying Lender. If the prior Qualifying Lender will not give their approval to the provision of a copy of the valuation report to the Help to Buy Agent then you may not proceed to exchange contracts unless you have confirmed, via the Qualifying Lender's mortgage offer, that the Property has been valued at not less than the Full Purchase Price. If the figure is less than this you should not proceed to exchange contracts unless the Help to Buy Agent has confirmed in writing that the figure is satisfactory. If the Buyer will not give his or her approval to the provision of a copy of the valuation report to the Help to Buy Agent, then you may not proceed further and must return these Instructions to Solicitors and all other papers to the Help to Buy Agent.

Re-inspection (CML paragraph 4.2): Where a re-inspection is required prior to exchange of contracts, the Solicitor's Form 2 must confirm the final valuation following that final inspection. Exchange of contracts is not permitted where re-inspection by the valuer is required and this has not taken place.

First Legal Charge (and Deeds or Forms of Postponement) (CML paragraph 5.8): On completion the Agency requires that the Agency have a fully enforceable second charge by way of legal mortgage over the property executed by all owners of the entire legal estate. All existing charges (other than the prior first charge to the Qualifying Lender) must be redeemed on or before completion. If the prior mortgagee requires a deed or form of postponement to be entered into you are not required to advise the Agency upon the effect of this but any correspondence relating to such deed or form should be passed to the Help to Buy Agent so that the Help to Buy Agent can obtain advice from the Agency and instruct you how to proceed.

You may not proceed (without written authority from the Help to Buy Agent) if:

- (a) the prior mortgagee has agreed a maximum amount of advance with the Buyer which exceeds the Reduced Purchase Price (or any lesser amount specified in the Authority to Proceed); or
- (b) you have been instructed by the prior mortgagee to register any obligation to make further advances in priority to the Equity Mortgage and confirmation has not been provided by the Qualifying Lender that they will not make any further advances without the consent of the Agency; or
- (c) the property is subject to any other form of shared equity (or similar) scheme.

In any event you may not proceed unless there is a first mortgage in place prior to registering the Agency's second charge.

Please note that the Agency is contacting some Qualifying Lenders with a view to the provision by them of a global confirmation to the Agency that they will not make further advances in respect of a mortgage on a Help to Buy property, without the consent of the Agency. In the event that you cannot obtain such confirmation from a Qualifying Lender in respect of the individual transaction you are acting on, please contact the Help to Buy Agent in order to confirm whether the Qualifying Lender has given a confirmation of this type to the Agency.

You are required to provide written notice of the existence of the Equity Mortgage to the prior Qualifying Lender immediately upon completion of the purchase. You will note that this is specifically covered by one of the undertakings contained in Solicitor's Form 2.

Other loans (CML paragraph 5.9): You must ask the Buyer how the balance of the purchase price is being provided. If the Authority to Proceed specifies an amount of savings to be provided by the Buyer then this must be complied with. If you subsequently become aware that the borrower is not providing the balance of the purchase price from his/her own funds and/or is proposing to give a further charge over the property (other than the prior charge to the Qualifying Lender in the amount disclosed in your Solicitor's Form 1) you must report this to the Help to Buy Agent if the borrower agrees failing which you must return these Instructions to Solicitors and explain that you are unable to continue to act for the Agency as there is a conflict of interest.

Purchase Price (and incentives) – (CML paragraph 6.3): We have provided you with a copy of the explanatory Guidance Notes for lenders. You must provide this (before

exchange of contracts) to the prior mortgagee by way of explanation of the Help to Buy Initiative. As referred to above, you must also provide them with written notice of the existence of the Equity Mortgage upon completion of the Help to Buy purchase.

Insurance (CML paragraph 6.13): Where there is no common insurance policy for a property you should check that the total sum insured for the building is not less than the recommended insurance amount referred to in the prior Qualifying Lender's valuation report (unless insurance has been arranged by the prior Qualifying Lender). If the valuation does not specify the insurance level it should be insured at not less than the Full Purchase Price.

Separate Representation (Consent to Mortgage) (CML paragraph 8.3): The Agency requires anyone who is not a buyer and who is 18 years of age or over and intending to occupy the property to execute a consent to the Equity Mortgage in our standard form. Where you become aware of such a person you must arrange for them to see an independent conveyancer. You may advise any of these people if you are allowed to do so by the prior lender but you must only do so after recommending in the absence of any other person interested in the transaction that such person obtains independent legal advice. You must comply with the requirements of the prior lender in the giving of such advice.

Indemnity Insurance (CML paragraph 9.2): In effecting any indemnity insurance which may be required to comply with the requirements of the prior Qualifying Lender you should ensure that the limit of indemnity must be no less than the Full Purchase Price.

The Loan and Certificate of Title (CML paragraph 10.4): You should note that although your certificate of title will be addressed to the Agency we may at some time transfer our interest in the mortgage. In those circumstances, our successors entitled to the mortgage and those deriving title under or through the mortgage will also rely on your certificates.

Delayed Completion: (CML paragraph 10.6) If completion is delayed and you are required to return the mortgage advance from the prior Qualifying Lender you must notify the Help to Buy Agent of this.

3 **SDLT**

HM Revenue and Customs (HMRC) has advised the HCA that Stamp Duty Land Tax is payable by the Buyer on the Full Purchase Price. A land transaction return must be delivered to HMRC and the tax paid in full within 30 days of completion.

In the case of a leasehold transaction, SDLT is charged separately on the premium and the net present value (NPV) of the rent payable over the life of the lease. You can calculate the NPV using the tool at www.hmrc.gov.uk/so. However, it is very unlikely that NPV in a Help to Buy purchase will exceed the SDLT threshold and in this case no tax will be due on the rent.

No reduction or deferral of SDLT is available in respect of the Equity Mortgage and no further SDLT charge will arise on any repayment of them.

4 Calculation of interest on the Equity Mortgage

Interest payments to the Agency are due every month from the sixth year of the term of the Equity Mortgage and from that point the Buyer will have to pay interest every month which will be calculated by reference to the total value of the property at the time of purchase. From the sixth year of the term of the Equity Mortgage a proportion of 1.75% a year of the total amount of that value will be due. The proportion is calculated as a percentage of the total interest charge representing the proportion of the amount by which the Agency funded the initial purchase price. The interest payments will be spread out over 12 months. Example A:

For example, if the value of the property was £200,000 then in the sixth year the total interest charge is 1.75% on £200,000 which is £3,500. Using the example above, if the Agency funded £40,000 then the Buyer only contributed £160,000. This means that the Agency funded 20% of the price. In the sixth year the interest charge will therefore be 20% of £3,500 (the total interest charge). This is £700 or about £58.33 a month in the first year in which interest is chargeable (i.e. in the sixth year after purchase).

After the sixth year and every year after that, the amount due will go up every year. (Please see below for an example calculation).

For a property within the London Area, the maximum contribution is 40%, so we have also provided an example of how Example A would be applied where the contribution from the Agency is 40%.

For a property with a value £200,000 then in the sixth year the total interest charge is 1.75% on £200,000 which is £3,500. If the Agency funded £80,000 then the Buyer only contributed £120,000. This means that the Agency funded 40% of the price. In the sixth year the interest charge will therefore be 40% of £3,500 (the total interest charge). This is £1,400 or about £116.67 a month in the first year in which interest is chargeable (i.e. in the sixth year after purchase).

The interest which is due to the Agency every year (from the sixth year) increases. The amount it is increased by is calculated by firstly increasing the total interest charge (i.e. the interest charge on the initial value) by 1% plus increases in the Retail Prices Index ("RPI"). The Buyer will then pay the relevant percentage of that total charge representing the amount of the equity which the Agency has funded. The interest increase is calculated by increasing the total interest charge by 1% and also by any increase in the prevailing RPI. The increased interest charge on the initial value calculated each year is compounded and forms the base figure for the calculation of interest the following year. We cannot give a figure which shows how much this increase will be because it depends on what the RPI is for each year but we have set out some illustrative examples below.

Example B

If we use the above example without using the RPI in the calculation, then the total interest charge in the sixth year would be £3,500 pa i.e. 1.75% of £200,000. The Buyer would have to pay £700 in the sixth year i.e. 20% of £3,500 which is about £58.33 a month.

In the seventh year the total interest charge will be increased by 1% plus RPI so the total interest charge will be £3,535 i.e. £3,500 plus a 1% increase. The Buyer will pay 20% of

that amount which is £707. So the seventh year interest charge will be £707 or about £58.92 a month plus RPI increases.

In the eighth year the total interest charge will be £3,570.35 i.e. £3,535 plus a 1% increase. The Buyer will pay 20% of that amount which is £714.07 in the eighth year or about £59.51 a month plus RPI increases.

In the ninth year, the total interest charge will be £3606.05 i.e. £3,570.35 plus a 1% increase. The Buyer will pay 20% of that amount which is £721.21 in the ninth year or about £60.10 a month plus RPI increases.

In the tenth year the total interest charge will be £3,642.11 i.e. £3,605.05 plus a 1% increase. The Buyer will have to pay 20% of that amount which is £728.42 in the tenth year or about £60.70 a month plus RPI increases.

In the eleventh year the total interest charge will be £3,678.53 i.e. £3,642.11 plus a 1% increase. The Buyer will have to pay 20% of that amount which is £735.71 in the eleventh year or about £61.31 a month plus RPI increases.

In the twelfth year the total interest charge will be £3,715.32 i.e. £3,678.53 plus a 1% increase. The buyer will have to pay 20% of that amount which is £743.06 in the twelfth year or about £61.92 a month plus RPI increases.

The same increases will take place in every year until the Buyer redeems the Equity Mortgage.

The interest payments the Buyer will have made if he/she sells in the twelfth year will therefore be a total of approximately £5,049.47 plus the RPI increase amount. The total the Buyer will have paid under the Equity Mortgage if he/she sells in the twelfth year is therefore the total of the monthly interest payments of £5,049.47 (plus RPI increases) plus 20% of the sale price/value of its home (as applicable) at that time and the total monthly Management Fee.

Property within the London Area

We have also provided an example of how the above would work for a property within the London Area on the assumption that the Agency has contributed 40%.

If we use the above example without using the RPI in the calculation, then the total interest charge in the sixth year would be £3,500 pa i.e. 1.75% of £200,000. The Buyer would have to pay £1,400 in the sixth year i.e. 40% of £3,500 which is about £116.67 a month.

In the seventh year the total interest charge will be increased by 1% plus RPI so the total interest charge will be £3,535 i.e. £3,500 plus a 1% increase. The Buyer will pay 40% of that amount which is £1,414. So the seventh year interest charge will be £1,414 or about £117.83 a month plus RPI increases.

In the eighth year the total interest charge will be £3,570.35 i.e. £3,535 plus a 1% increase. The Buyer will pay 40% of that amount which is £1,428.14 in the eighth year or about £119.01 a month plus RPI increases.

In the ninth year, the total interest charge will be £3,606.05 i.e. £3,570.35 plus 1% increase. The Buyer will pay 40% of that amount which is £1442.42 in the ninth year or about £120.20 a month plus RPI increases.

In the tenth year the total interest charge will be £3,642.11 i.e. £3,606.05 plus a 1% increase. The Buyer will have to pay 40% of that amount which is £1,456.84 in the tenth year or about £121.40 a month plus RPI increases.

In the eleventh year the total interest charge will be £3,678.53 i.e. £3,642.11 plus a 1% increase. The Buyer will have to pay 40% of that amount which is £1471.41 in the eleventh year or about £122.62 a month plus RPI increases.

In the twelfth year the total interest charge will be £3,715.32 i.e. £3,678.53 plus 1% increase. The Buyer will have to pay 40% of that amount which is £1,486.13 in the twelfth year or about £123.84 a month plus RPI increases.

The same increases will take place in every year until the Buyer redeems the equity mortgage.

The interest payments the Buyer will have made if he/she sells in the twelfth year will therefore be a total of approximately £10,098.94 plus the RPI increase amount. The total the Buyer will have paid if he/she sells in the twelfth year is therefore the total of the monthly interest payments of £10,098.94 (plus RPI increases) plus 40% of the value of the sale price/value of its home (as applicable) at that time and the total monthly Management Fee.

Example C:

If the Buyer were to redeem part of the equity loans then the interest charge would be reduced proportionally. In the example above in the eighth year the total interest charge would be £714.07 (plus RPI increases). If in the eighth year the Buyer were to pay off 50% of the Equity Mortgage (i.e. £20,000 assuming no change in the value of the Property) the interest charge would be reduced to £357.04 plus RPI increases.

Property within the London Area

We have also provided an example of how the above would work for a London property on the assumption that the Agency has contributed 40%.

In the example above in the eighth year the total interest charge would be £1,428.14 (plus RPI increases). If in the eighth year the Buyer were to pay off 50% of the Equity Mortgage (i.e. £40,000 assuming no change in the value of the Property) the interest charge would be reduced to £714.07 plus RPI increases.

Example D:

As an example using RPI, if the total interest charge in the sixth year is £3,500 i.e. 1.75% of £200,000, using the example above, then the Buyer would have to pay £700 in the sixth year i.e. 20% of £3,500 which is about £58.33 a month.

In the seventh year the total interest charge will be increased by RPI plus 1%. The RPI increase which will be used will be the annual increase for the 12 month period ending at

the end of September immediately preceding the date on which the interest charge is reviewed (which will be on 1 April in each year). For example, if we say that the RPI increase is 4.3% in a given year the total interest charge is therefore increased by 5.3% (i.e. the 4.3% RPI increase plus 1%) so the total interest charge will be £3,685.50 i.e. £3,500 plus a 5.3% increase. The Buyer will pay 20% of that amount which is £737.10. So the Buyer's seventh year interest charge will be £737.10 or about £61.43 a month.

Property within the London Area

We have also provided an example of how the above would work for a London property on the assumption that the Agency has contributed 40%.

If the total interest charge in the sixth year is £3,500 i.e. 1.75% of £200,000, using the example above, then the Buyer would have to pay £1,400 in the sixth year i.e. 40% of £3,500 which is about £116.67 a month.

In the seventh year the total interest charge will be increased by RPI plus 1%. The RPI increase which will be used will be the annual increase for the 12 month period ending at the end of September immediately preceding the date on which the interest charge is reviewed (which will be on 1 April in each year). For example, if we say that the RPI increase is 4.3% in a given year the total interest charge will be £3,685.50 i.e. £3,500 plus a 5.3% increase. The Buyer will pay 40% of that amount which is £1,474.20. So the Buyer's seventh year interest charge will be £1,474.20 or about £122.85 a month.

The above calculations are only examples and the amount the Buyer will have to pay will depend on how much the RPI increases. Please note that the interest calculation is always done by reference to the amount of the initial value of the property and is based on the percentage amount outstanding under the Equity Mortgage.

5 **The Management Fee**

The Agency does not charge an application fee for the Equity Mortgage as is common practice with many mortgage lenders. Instead the HCA charges a nominal monthly management fee of £1 to cover normal administration costs (this will exclude any administration costs for defaulting borrowers, changes of ownership, consents or reasonable repayment administration costs) over the period of the loan. The annual fee collected will therefore be £12 in total and if the Equity Mortgage remains in place for the full 25 year term, the total management fee payable will be £300. This is in addition to the interest payments detailed above. Both are to be paid monthly using a direct debit.

Schedule 2 (Solicitor's Pack)
Provider's Sale Contract Provisions

The contract will specify:

The Full Purchase Price: [Insert Amount]

The Contribution: [£]

Contribution Percentage: [%]

The Reduced Purchase Price: [Insert Amount]

(Note: These are to correspond with the Authority to Proceed)

- 1 In consideration of the Buyer:
 - 1.1 agreeing to enter into the Equity Mortgage requiring it to pay the Contribution Percentage to the Agency; and
 - 1.2 agreeing to pay the Reduced Purchase Price on the completion date; and
 - 1.3 directing (in the Property Information Form) that the Agency pays the Contribution direct to the Provider;

the Provider agrees to sell and the Buyer agrees to buy the Property for the Full Purchase Price.
- 2 For the avoidance of doubt payment of the Full Purchase Price shall be deemed to be satisfied by the Buyer having entered into the Equity Mortgage; given the direction at paragraph 1.3 above; and paid the Reduced Purchase as described above.
- 3 This contract is conditional upon:
 - 3.1 the Buyer's original mortgage offer from a Qualifying Lender remaining valid (or the Buyer obtaining a replacement mortgage offer from a Qualifying Lender for an equivalent amount and the details of such offer being notified to the Help to Buy Agent prior to completion);
 - 3.2 the Full Purchase Price being equal to that set out in the Authority to Proceed; and
 - 3.3 the Seller(or its nominated agent) being eligible to receive funding for the Equity Mortgage for the Property by way of the Contribution from the Agency (for whatever reason and irrespective of whether such ineligibility has arisen prior to, on or after the date of this Contract)

together "**the Conditions**".
- 4 If the Conditions are not satisfied as at the date of Completion either the Buyer or the Seller may terminate this Contract by serving written notice to that effect on the other;

- 5 Termination of this Contract under clause 4 shall be without prejudice to the rights of the Buyer or the Seller against the other in respect of any antecedent breach of the provisions of this Contract by the other;
- 6 If this Contract is terminated under clause 4 the Deposit shall immediately be returned by the Seller to the Buyer together with interest accrued on the Deposit;
- 7 Prior to completion the Buyer is to procure that the Solicitor's Form 2 is provided by its solicitor to the Help to Buy Agent;
- 8 On completion the Buyer will enter into the Equity Mortgage;
- 9 The Buyer will provide copies of the documents (duly completed) referred to at clauses 7 and 8 to the Provider together with such evidence as the Provider may reasonably require to satisfy it that these obligations have been complied with;
- 10 The Buyer may not rely on any representation made by the Provider as to his/her obligations under the Equity Mortgage.

**** Although it is anticipated that the Provider in the contract for sale will usually also be the seller, in the circumstances specified in the Help to Buy Equity Loan Funding Agreement this may not be the case. In such alternative circumstances the Provider Sale Contract Provisions may be amended solely to reflect the structure of the sale.***

Schedule Three - Solicitor pack

Property Information Form

SCHEME: HELP TO BUY

To: *[Help to Buy Agent]* (the **Help to Buy Agent**) as agent for Homes and Communities Agency (the **Agency**)

Please note **all Information** clearly – unclear details will cause delays and result in forms being returned

Part One

Named Applicant 1: [•]

Contact Telephone Number: [•]

Email address: [•]

Named Applicant 2: [•]

Contact Telephone Number: [•]

Email address: [•]

Lead applicant current property address: [•]

*(together the **Applicant**)*

Site Name: [•]

Selected Property Address: [•] (the Property)

Local Authority

Plot No.

Provider: [•]

Expected build completion date: [•]

Expected purchase completion date: [•]

House Type – Detached – Semi – terrace – Flat

Tenure - Freehold – Leasehold

Number of Beds 1 2 3 4 5 6 6+

Provider's Conveyancer's Details (including name, address, email, tel no and reference); [●]

Applicant's Conveyancer's Details (including name, address, email, tel no and reference); [●]

Independent Financial Advisor Details (including name, company, email, tel no);

Full Purchase Price: [●]

Buyer's mortgage amount: [i.e. Maximum amount to be obtained by applicant]

Applicant's Cash Contribution: [●]

The Applicant confirms to the Help to Buy Agent and the Agency that the above details are accurate and are agreed between the Applicant and the Provider - the buyer's mortgage amount and cash contribution must reach a minimum of 80%

PART 2 MUST BE PRINTED ON A SEPARATE PAGE TO PART 1.

PART 2

Financial Details

Help to Buy Equity Loan requested amount [(between 10% and 20%) – State Monetary Value¹] [between 10% and 40% - State Monetary Value²: [●]

Income – Applicant 1

Basic Employment Income (annual, gross): [●]

Overtime, Bonuses and Commissions: [●]

Student Loan Monthly Payment: [●]

Other gross salary MONTHLY deductions (childcare vouchers, pension etc): [●]

[Income – Applicant 2

Basic Employment Income (annual, gross): [●]

Overtime, Bonuses and Commissions:] [●]

Student Loan Monthly Payment: [●]

Other gross salary MONTHLY deductions (childcare vouchers, pension etc): [●]

Debt (to cover all Applicants if more than one)

Monthly loan/HP payments: [●]

Outstanding credit card balances: [●]

Additional household income (monthly) (to cover all Applicants if more than one): [●]

Working tax credits: [●]

Child tax credits: [●]

Child benefit: [●]

Disability allowance: [●]

Guaranteed maintenance income: [●]

Other income: [●]

Monthly Service Charge: [●]

Do any of the applicants own a residential property? Y/N

If yes, please confirm the address: [●]

¹ For properties outside of London

² For properties inside London

Personal Details

Applicant 1 date of birth: [•]

Applicant 2 date of birth: [•]

Number of adults to live in the Property [•]

Number of children to live in the Property [•]

NB Those of [18] years of age at the date of [] are adults and those below [18] years old at the date of [] are children.

The Applicant confirms to the Help to Buy Agent and the Agency that the above details are accurate and acknowledges that this information shall be used to determine the Applicant's eligibility for Help to Buy funding.

PART 3 – Applicants must read carefully

The Applicant (subject to acceptance for the Help to Buy Initiative and proceeding to completion of the purchase of the Property) agrees to and directs that the equity loan funding that the Agency will provide (comprising a contribution of up to [20%³] [40%⁴] of the Full Purchase Price) is paid direct to the Provider to enable it to reduce the Full Purchase Price of the Property.

The Applicant acknowledges that the term of the Help to Buy equity loan is 25 years (subject to earlier redemption in accordance with the equity loan provisions).

The Applicant acknowledges that if they own a residential property that they will sell their interest in that property (or properties) in advance of completing their purchase of the Property with the assistance of a Help to Buy equity loan and that it is a condition of the equity loan that the Property which is the subject of the Help to Buy equity loan will be the only residential property they have any interest in for the duration of the Help to Buy equity loan.

The Applicant further acknowledges that the Agency has nominated an agent to administer Help to Buy equity loans ([insert details of Post Sales Agent] (the Post Sales Agent)) and that all correspondence and payments required under Help to Buy equity loans will be addressed to the Post Sales Agent.

The Applicant declares for data capture purposes only (or if there is more than one applicant in relation to each applicant) that it is (they are) a:

- UK National [•]

- EEA Citizen [•]

- Person with indefinite leave to remain [•]

- Other (please state)

The Applicant confirms (or if there is more than one applicant in relation to each applicant is) that it is (they are) a:

Member of the armed (serving personnel) [•]

³ For properties outside of London

⁴ For properties inside London

Social tenants [•]

Other [•]

PART 4

The Applicant acknowledges that:

The Help to Buy Agent will only process the given personal data of the Applicant for the following purposes. The Help to Buy Agent will hold your information in accordance with the Data Protection Act 1998.

Firstly the processing and administering the Applicant's application to participate in the Help to Buy Initiative if the Applicant is approved.

Secondly, the Help to Buy Agent may also share this information for the same purpose with the Agency, the Post Sales Agent and other Help to Buy Agents, with other organisations that handle public funds and the Provider.

Thirdly, the information may be used for statistical surveys and analysis, which means the Help to Buy Agent may pass this information in confidence to local authorities, the DCLG (Department for Communities and Local Government), the Council of Mortgage Lenders and their members and other organisations working with the Help to Buy Agent and/or the Agency's in the delivery of the Help to Buy product. Any of these organisations may contact you in relation to this.

All information the Applicant gives to the Help to Buy Agent on this form (and information resulting from contact with the Applicant's landlord and/or employer) may be shared with the same only in relation to your application to participate in the Help to Buy Initiative.

All information will be treated in the strictest confidence. The Help to Buy Agent, other Help to Buy Agents, the Agency and the Provider, reserve the right to take up any references relating to applicants as the Help to Buy Agent considers necessary and may also search the files of any credit reference agency which will keep a record of any such request.

The Help to Buy Agent must protect the public funds it handles and so may use the information the Applicant has provided on this form to prevent and detect fraud. Under section 29(3) of the Data Protection Act 1998 the information may be disclosed for purposes of crime prevention and detection. Sensitive personal data such as racial or ethnic origin, offences (including alleged offences) and physical and mental disabilities are required under the Equal Opportunities Monitoring statute.

DECLARATION:

It is a criminal offence to knowingly or recklessly make a false declaration or withhold information reasonably required in connection with this application.

The Applicant has read the above acknowledgement and confirms that the Applicant has provided accurate and up-to-date information relating to the Applicant's application for assistance under the Help to Buy Initiative.

The Applicant understands that if it is found that false information has been given to obtain assistance under the Help to Buy Initiative either knowingly or recklessly, appropriate legal action may be taken and the Agency may take action under its Equity Mortgage.

The Applicant authorises the Help to Buy Agent to pass information submitted as part of its application to:

other Help to Buy agents,

the Post Sales Agent,

the Agency,

Local Authorities,

partner housing providers (registered providers/the Provider/Private Developers),

Credit Reference Agencies,

the Department of Communities and Local Governance,

the Council of Mortgage Lenders (and their members); and

other organisations working with the Help to Buy Agent and/or the Agency's in the delivery of the Help to Buy product

for the purposes of processing this application and statistical surveys and analysis of the Help to Buy Initiative.

DIRECT DEBIT FORM: Please complete, sign and return the attached Direct Debit Form. This is to authorise your bank to debit the monthly fees which will fall due under the Equity Mortgage (which will be £1 per month for the first 5 years of the Equity Mortgage). We confirm that the Direct Debit form will only be used in the event that you purchase the Property and enter into an Equity Mortgage with the Agency.

I [] agree to the above terms and conditions and declare that all information provided in this form is true and accurate (1st applicant)

Signed

Dated

I [] agree to the above terms and conditions and declare that all information provided in this form is true and accurate (2nd applicant)

Signed

Dated

PROVIDER; PLEASE ATTACH A COPY OF YOUR RESERVATION FORM AND THE ORIGINAL SIGNED DIRECT DEBIT FORM AND SEND IT TO [HELP TO BUY AGENT] WITH THIS PROPERTY INFORMATION FORM.



Please fill in all non-shaded boxes using a ball point pen

Allpay Limited
Metropolitan Housing Partnership
The Grange
100 High Street, Southgate
LONDON
N14 6PW

Name(s) of Account Holder(s).

Bank/Building Society Account Number.

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Branch Sort Code.

--	--	--	--	--	--

Name & full postal Address of your Bank or Building Society.

To: The Manager	Bank/Building Society
Address	
Postcode:	

Reference

M	G	R	T											
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Banks and Building Societies may not accept Direct Debit Instructions on some types of Account.

Instruction to your Bank or Building Society to pay by Direct Debit.

Service User Number

4	1	8	3	8	5
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For allpay Limited official use only. This is not part of the instruction to your Bank or Building Society. Please complete your address and telephone number.

Address:

Postcode:

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Telephone:

Instruction to your Bank or Building Society

Please pay allpay Limited Direct Debits from the account detailed in this instruction subject to the safeguards assured by the Direct Debit Guarantee. I understand that this instruction may remain with allpay Limited and, if so, details will be passed electronically to my Bank or Building Society.

Signature(s)

Date

This Guarantee should be detached and retained by the Payer.

The Direct Debit Guarantee



- This Guarantee is offered by all banks and building societies that accept instructions to pay Direct Debits.
- If there are any changes to the amount, date or frequency of your Direct Debit, allpay Limited will notify you 10 working days in advance of your account being debited or as otherwise agreed. If you request allpay Limited to collect a payment, confirmation of the amount and date will be given to you at the time of the request.
- If an error is made in the payment of your Direct Debit by allpay Limited or your bank or building society you are entitled to a full and immediate refund of the amount paid from your bank or building society.
- If you receive a refund you are not entitled to, you must pay it back when allpay Limited asks you to.
- You can cancel a Direct Debit at any time by simply contacting your bank or building society. Written confirmation may be required. Please also notify us.

[OFFICE USE ONLY]

Direct Debit Payment Details

Reference Number			
First Payment Amount		Date of First Payment	
Subsequent Payments		Next Due Date	
Frequency of Payment			
Area Office (if applicable)			
Date of entry onto Webconnect			
Please enter the details of the customer, if different from those of the bill payer overleaf:			
Name			
Address			
Post Code			

Contact details	
Scheme	Help to Buy
Payment Reference	(See Reference on letter)
Telephone	
Mobile	
Email	

Payments will be collected on behalf of: <p style="text-align: center;">Metropolitan Housing Partnership The Grange 100 High Street Southgate LONDON N14 6PW</p>

Equal Opportunities

The Help to Buy Agent operates a policy of equal opportunities in all aspects of its work. No person or group of people applying for housing will be treated less favourably than any other person or group of people because of their sex, age, race, colour, ethnic or national origin. To help the Help to Buy Agent maintain a record, it asks the Applicant to tick the group to which it considers it belong.

How would you, the Applicant, describe your ethnic origin?

WHITE	First App	Joint App	ASIAN OR ASIAN BRITISH	First App	Joint App		First App	Joint App
A1 British	<input type="checkbox"/>	<input type="checkbox"/>	C80 Indian	<input type="checkbox"/>	<input type="checkbox"/>	E15 CHINESE	<input type="checkbox"/>	<input type="checkbox"/>
A2 Irish	<input type="checkbox"/>	<input type="checkbox"/>	C90 Pakistani	<input type="checkbox"/>	<input type="checkbox"/>			
A3 Other	<input type="checkbox"/>	<input type="checkbox"/>	C10 Bangladeshi	<input type="checkbox"/>	<input type="checkbox"/>	E16 OTHER ETHNIC GROUP	<input type="checkbox"/>	<input type="checkbox"/>
			C11 Other	<input type="checkbox"/>	<input type="checkbox"/>			
						F17 QUESTION REFUSED	<input type="checkbox"/>	<input type="checkbox"/>
MIXED			BLACK OR BLACK BRITISH					
B4 White & Black Caribbean	<input type="checkbox"/>	<input type="checkbox"/>						
B5 White & Black African	<input type="checkbox"/>	<input type="checkbox"/>	D12 Caribbean	<input type="checkbox"/>	<input type="checkbox"/>			
B6 White & Asian	<input type="checkbox"/>	<input type="checkbox"/>	D13 African	<input type="checkbox"/>	<input type="checkbox"/>			
B7 Other	<input type="checkbox"/>	<input type="checkbox"/>	D14 Other	<input type="checkbox"/>	<input type="checkbox"/>			

Do you or any member of your household consider yourself to be disabled? Yes No

If yes, please give details _____

Do you or any member of your family use a wheelchair? Yes No

Are you related to a current or former Committee/Board member or officer of a Registered Social Landlord (Housing Association)? Yes No

If so, please give details _____

Name of member or officer _____ Name of Housing Association _____

Schedule 4 (Solicitor's Pack)

Solicitor's Form 1

To: [Details of Help to Buy Agent and address]

From: Solicitor's reference: [•]
[Insert details of solicitor]

SCHEME: HELP TO BUY

Dear Sirs

BUYER: [INSERT DETAILS]

PROVIDER: [INSERT DETAILS]

PROPERTY: [INSERT DETAILS]

We confirm that we have been instructed to act on behalf of the Buyer named above in connection with the purchase of the Property. We also confirm that we have been instructed to act on behalf of the Buyer's mortgagee.

We confirm that we are in receipt of your Authority to Proceed dated [•] and your Instructions to Solicitors and the accompanying documentation.

We confirm that:

- 1 we will comply with the instructions that have been supplied to us;
- 2 we will ensure that the financial terms of the proposed purchase accord with those set out in the Authority to Proceed;
- 3 we have read the instructions and that we are not aware of any Incentives being provided to the Buyer which we are required to notify to you. [Save forand/as set out in the attached copy of the Provider's CML Disclosure of Incentives Form]*;
- 4 we have obtained a completed copy of the CML Disclosure of Incentives form from the conveyancer acting on behalf of the Provider and it complies with our instructions;
- 5 [where the Authority to Proceed makes reference to the Buyer providing some of [his][her] own investment to the purchase, the Buyer has confirmed that that investment will be available upon completion];
- 6 the Buyer has received a mortgage offer from a Qualifying Lender and that we enclose a copy of the mortgage offer. We further confirm that the identity of the Qualifying Lender and the amount of the prior mortgage are as set out below:

Qualifying Lender: [•]

Prior mortgage (net of fees): [£[•]];

Mortgage fees: [£[•]];

Term: [●] years

And that the balance of £[●] is to be provided by the Buyer;

7 the Full Purchase Price of the Property is [£[●]];

8 the calculation of the Reduced Purchase Price (and therefore the Contribution and the Contribution Percentage) does not include the mortgage fees referred to in paragraph 6;

9 it is anticipated that exchange of contracts will take place [on [specified date]]/[within the next [specified period]];

10 we have received written confirmation from the Buyer (and from each Buyer where there is more than one person) [that they have no interest in any Dwelling] OR [that the Buyer has an interest in a Dwelling but that it intends to sell or complete the sale of any Dwelling(s) that they have an interest in, on or before the date of completion. The Buyer has confirmed that it anticipates that exchange of contracts for the sale of such Dwelling shall take place on the date referred to at paragraph 9]**. We further confirm that we have received no notice or indication that contradicts such written confirmation(s) from the Buyer, and have also advised them of the implications of providing misleading and fraudulent information in regards to their ownership of property in or outside of the UK and the implications of any incorrect information being provided to me in relation to this matter ;

11 the Buyer has received copies of the Help to Buy Buyer's Information Sheet, the Equity Mortgage, and the Authority to Proceed and we have advised [him][her][them] of their contents in accordance with these Instructions to Solicitors. The Buyer received these at least seven days before completion. We have also drawn the Buyer's attention to the role of the Post Sales Agent as highlighted in the Help to Buy Buyer's Information Sheet;

12 [subject to final inspection*] the Full Purchase Price for the property does not exceed the market value of the Property as stated in the valuation report (or the mortgage offer, where the valuation report is not available) for the Qualifying Lender (a copy of which is attached);

13 within 2 working days of exchange of contracts we will provide you with the Confirmation of Exchange Form (which is annexed to the Authority to Exchange);

14 prior to completion we will provide you with the Solicitor's Form 2 in the required form;

15 upon completion the Equity Mortgage (in the form supplied to us by you will be entered into and, within 5 working days of completion, notice of charge will be provided to the Qualifying Lender (in relation to the Buyer's participation in the Help to Buy Initiative) in accordance with a method of service of notice as set out in the Land Registration Rules 2003 (as may be varied or amended from time to time).

Yours faithfully

[Date and insert details of solicitor signing report]

*Amend as appropriate

** Delete as appropriate

The Solicitor's Form 1 must be returned unamended (save for the words in square brackets or those areas expressly marked for amendment) to the Help to Buy Agent. Amended forms will not be accepted by the Help to Buy Agent.

Schedule 5 (Solicitor's Pack)

Solicitor's Form 2

DRAFT UNDERTAKING FROM HELP TO BUY PURCHASER'S SOLICITOR OR LICENSED CONVEYANCER TO [HELP TO BUY AGENT] AS AGENT FOR THE AGENCY – THIS DOCUMENT IS SUBJECT TO VARIATION AT THE DISCRETION OF THE AGENCY

Dear [Help to Buy Agent]

SCHEME: HELP TO BUY

We act on behalf of [●] (the "**Buyer**"), a qualifying applicant pursuant to the Authority to Proceed, in relation to the purchase of [●] (the "**Property**"). The defined terms in this report and undertaking bear the same meaning as those contained in the Authority to Proceed issued to us by you on [date].

We attach a certified copy of the [final Valuation Report received as part of the Buyer's first mortgage offer/the Buyer's mortgage offer confirming the valuation of the Property]*.

In consideration of the Agency having made equity loan funding available to the Buyer (the Contribution as referred to below), which the Buyer has agreed and directed is to be paid directly to [] (the "**Provider**") and the Full Purchase Price (as referred to below) having the Contribution deducted from it at completion so as to enable the Buyer to pay the Reduced Purchase Price (as referred to below) on the completion date, we confirm and acknowledge that you will rely on the following:-

- 1 We have compared the details provided to us in relation to the purchase of the Property against the relevant Authority to Proceed and can confirm that:-
 - 1.1 the Full Purchase Price is: [●]
 - 1.2 the Reduced Purchase Price is: [●] (which for the avoidance of doubt excludes any mortgage fees of the Qualifying Lender)
 - 1.3 the Contribution is: £[]
 - 1.4 the Contribution Percentage is : []%
 - 1.5 [the Incentives (including any cash back) are: [●] (which for the avoidance of doubt represents no more than 5% of the Full Purchase Price)]
 - 1.6 any cash back is (to be paid to the Buyer at completion): [●];
and these accord with the said Authority to Proceed.
- 2 We have confirmed the identity of the Buyer as required by your Instructions to Solicitors.
- 3 We have confirmed the existence of a prior ranking Qualifying Lender who will be taking a first charge over the property and that Qualifying Lender is [●].
- 4 We confirm that the amount of money to be advanced by the Qualifying Lender referred to in paragraph 3 above does not exceed the Reduced Purchase Price.

5 We confirm that the calculation of the Reduced Purchase Price (and therefore the Contribution and the Contribution Percentage) does not include any mortgage fees of the Qualifying Lender.

6 We confirm that the amount stated in the first charge as being secured by the prior ranking charge is £[●]

7 Please include the applicable statement from the list below in paragraph 11:

[We confirm that the prior ranking first charge does not include an obligation on the Qualifying Lender to make further advances or to permit tacking.] **OR**

[We confirm that the prior ranking first charge does include an obligation on the Qualifying Lender to make further advances or to permit tacking but that we have received confirmation from the Qualifying Lender that they will not make such further advances or permit tacking without the consent of the Agency] **OR**

[We confirm that the prior ranking first charge does include an obligation on the Qualifying Lender to make further advances or to permit tacking and although we have been unable to obtain direct confirmation from the Qualifying Lender that they will not make such further advances or permit tacking without the consent of the Agency, you have confirmed that a general confirmation to this effect has been provided to the Agency.] **

8 Please include the applicable statement from the list below in paragraph 12:

Where a Valuation Report is available the Full Purchase Price does not exceed the market value:

[We confirm that (although we express no opinion on matters of valuation) the Full Purchase Price does not exceed the market value of the Property as stated in the Valuation Report obtained by the prior Qualifying Lender (a copy of the Valuation Report is attached) **OR**

In the event no Valuation Report is available but a mortgage offer has been provided and the Full Purchase Price does not exceed the market value:

[We confirm that (although we express no opinion on matters of valuation) the Full Purchase Price does not exceed the market value of the Property as stated in the mortgage offer **OR**

Where either a Valuation Report or mortgage offer is available but neither of the above statements apply AND specific written approval of the Help to Buy Agent has been obtained (see Para 2 of the Additional Instructions):

[We have received your written approval to the Valuation Report or mortgage offer a copy of which is attached] ***]

9 We confirm that we have provided the Qualifying Lender with notice that the Buyer is participating in this Initiative and we have provided the Qualifying Lender with the Guidance Notes for Mortgage Lenders.

10 We confirm that exchange took place on [●] and that the completion date is [●].

- 11 We have complied with the Council of Mortgage Lenders' Handbook in relation to the first loan from the Qualifying Lender which is to be secured by the first charge over the Property including submission of a fully completed disclosure of incentives form.
- 12 That we have investigated title to the Property and on the Agency's behalf have carried out the other steps required of us so that we can and hereby do give the certificate set out in the Appendix****.
- 13 We undertake to ensure that the form of Equity Mortgage that we have been supplied with:
- 13.1 contains information which corresponds with the information set out in the Authority to Proceed.
- 13.2 bears the Contribution and the Contribution Percentage as specified above;
- 13.3 is properly executed by the Buyer; and
- 13.4 is dated contemporaneously with the purchase of the Property.
- 14 where we have received confirmation from the Buyer (or any one of the Buyers where the Buyer is more than one person) that it has an interest in a Dwelling or we are on notice that the Buyer has such an interest in a Dwelling we undertake not to complete the Equity Mortgage or the purchase of the Property until the sale of such Dwelling has taken place, so that from the date of completion the Buyer will no longer have any interest in any Dwelling other than the Help to Buy Property, and to provide you with evidence of such sale and discharge at Land Registry in line with other document timeframes;
- 15 We undertake to:
- 15.1 (within five working days of the later of completion of the purchase of the Property) provide you with certified copies of the completed Equity Mortgage; and
- 15.2 serve written notice of completion of the Equity Mortgage on the prior Qualifying Lender in accordance with the Land Registration Rules 2003 (as may be varied or amended from time to time); and
- 16 (within five working days of the later of completion of the purchase of the Property or the date of receipt of the signed lease/transfer from the Developer) provide you with a certified copy completed AP1 form as submitted to HM Land Registry.
- 17 We undertake as soon as reasonably practicable and (where applicable) within the relevant Land Registry priority period to
- 17.1 register the Equity Mortgage at the Land Registry as a second charge (ranking immediately after the first mortgage to be granted by the Buyer in favour of the Qualifying Lender);
- 17.2 make such further necessary application to ensure that the Land Registry restriction referred to in the Equity Mortgage appears on the title to the Property; and
- 18 We undertake as soon as reasonably practicable (and in any event no later than 10 working days following receipt from HM Land Registry) to send to the Help to Buy Agent a

certified copy Office Copy Entries confirming that the Equity Mortgage has been registered against the title to the Property.

19 That we have advised the Buyer on their obligations arising under the Help to Buy Buyer's Information Sheet, including the Personal Worked Example, the Authority to Proceed and the Equity Mortgage in accordance with the Agency Instructions to Solicitors and further that the Buyer has received the Personal Worked Example in the form annexed to Help to Buy Buyer's Information Sheet specific to the Property.

* Delete as appropriate – the second option should only be used where a full valuation report is not available.

** You must be in a position to confirm one of the statements set out in Paragraph 7 – please delete the non-applicable statements.

*** Delete as appropriate –

The Form 2 paragraphs 1 – 19 must be returned unamended (save for the words in square brackets in paragraphs 7 and 8 as indicated) to the Help to Buy Agent. Amended forms will not be accepted by the Help to Buy Agent.

**** The Certificate of Title set out in Appendix 1 needs to be completed and signed for this Solicitor's Form 2 to be deemed validly submitted for the purpose of satisfying the requirements for the payment of the equity loan funding.

APPENDIX 1

CERTIFICATE OF TITLE

TO:	The Agency c/o Help to Buy Agent
The Borrower:	INSERT BUYER DETAILS
Property:	
Scheme	Help to Buy
Title Number:	
Mortgage Advance:	(Total amount of Contribution) which represents []% of the Full Purchase Price
Price stated in transfer:	(Full Purchase Price)
Completion Date:	
Conveyancer's Name & Address:	
Conveyancer's Reference:	
Conveyancer's bank, sort code, and account number:	NOT REQUIRED
Date of instructions:	

We the conveyancers named above give the Certificate of Title referred to in IB (3.7) of the SRA Code of Conduct 2011, published by the Law Society as if the same were set out in full subject to the limitations constrained in it.

Signed (Partner / Licensed Conveyancer)

Date: [●]

Schedule 6 (Solicitor's Pack)

Guidance Notes For Lenders

1 Introduction

- 1.1 The Homes and Communities Agency (the Agency) is providing equity loan funding to eligible buyers in order to offer assistance to enable them to buy a home from [] (the Provider) at a price that otherwise would have been out of their reach. Under a scheme called Help to Buy, the equity loan funding from the Agency will form a contribution of up to 20% (for properties outside the London Area) or 40% (for properties inside the London Area) of the total purchase price of the property that the buyer is acquiring (the percentage agreed for the qualifying applicant being defined as the "Contribution Percentage"). The contribution to be secured by a charge in favour of the Agency will be up to a maximum of 20% for properties outside the London Area and 40% for properties inside the London Area. (Details of the scope of the London Area are set out at the end of this Guidance Note.)
- 1.2 It is envisaged that, following initial sales the Help to Buy Initiative will be administered, on behalf of the Agency, by [insert details of the Post Sales Agent] or such other party as the Agency may nominate.
- 1.3 The assistance provided by the Agency has to be secured on the property by way of a second charge (Help to Buy Equity Mortgage); this will rank immediately behind a mortgage provided by a qualifying lending institution (such as a building society, bank or insurance company) for a sum of up to the remainder of the total purchase price (of the property that the buyer is acquiring). Under current arrangements mortgage lenders can only secure their mortgage as a first charge if they are a "qualifying lending institution". A "qualifying lending institution" is an institution authorised by the Financial Services Authority to "enter into a regulated mortgage contract as lender". This is likely to include most banks and building societies.

- 1.4 This guidance note notifies you, as the qualifying lending institution, that a qualifying applicant intends to purchase a Help to Buy property and a requirement of Help to Buy is that the charge to the Agency will be secured against the title of the property, as a second charge, behind your charge. In addition, following completion, the purchaser's solicitors will notify you that the second charge is in place by serving notice in accordance with a method of service of notice as set out in the Land Registration Rules 2003 (as may be varied or amended from time to time).
- 1.5 One of the key controls of the Help to Buy Initiative is that the first qualifying lending institution's valuation must not be less than the full purchase price of the Help to Buy home, otherwise the Help to Buy Agent cannot authorise the purchase.
- 1.6 **Please Note:** Further advances by the qualifying lending institution are not permitted without consent from the Agency (which will not normally be granted save in exceptional circumstance in which case they will generally rank behind the Help to Buy Equity Mortgage). Please refer to paragraphs 4.5 to 4.6 below for further details. In addition, tacking is not permitted under Help to Buy.

2 **Structure**

- 2.1 The Agency will provide the assistance by making the equity loan funding payment available to the buyer (who agrees and directs that such funding is paid direct to the Provider). The purchase price is reduced accordingly. The Buyer's obligation to pay the Full Purchase Price for the property is then satisfied by paying a lower Reduced Purchase Price and entering into the Help to Buy Equity Mortgage in favour of the Agency. The difference in price will represent up to 20% of the total purchase price of the property that is being acquired if the property is outside the London Area (the percentage being defined as the **Contribution Percentage**). Where the property is inside the London Area, the Contribution Percentage will represent up to 40% of the purchase price. The full Purchase Price must not exceed the upper limit specified by the Agency which is £600,000.
- 2.2 The Reduced Purchase Price will be referred to in the Provider's sale contract and will correspond to the amount which is affordable to the Buyer as assessed by the Help to Buy Agent under the Help to Buy Initiative. The intention is that Buyers should only have assistance for the element which is not affordable through normal private mortgages. It is the Help to Buy Agent's role to calculate the Contribution and the Contribution Percentage and notify these to the Buyer, the Agency and the Provider.
- 2.3 When the Buyer purchases a property under the Help to Buy Initiative he/she pays the Reduced Purchase Price on completion to the Provider, and directs that the Contribution by the Agency is paid to the Provider, instead of paying the Full Purchase Price. The difference between the Reduced Purchase Price and the Full Purchase Price (i.e. the Contribution) expressed as a percentage of the Full Purchase Price will be the Contribution Percentage. When the Buyer sells his/her property he/she will be obliged to pay the Agency an amount equal to the Contribution Percentage of the eventual sales proceeds. The mortgage term is 25 years. However, if the Agency approved term of the Buyer's original first charge mortgage (or any approved remortgage) is longer than the Help to Buy Equity Mortgage term (up to a maximum of 35 years) and neither the first charge mortgage or the Equity Mortgage have been redeemed by the 25th anniversary of the date of the Equity Mortgage, the Agency shall agree to extend the term of the Equity Mortgage to match the remaining term of the Buyer's first charge mortgage.

2.4 The obligation to make this payment to the Agency has to be secured on the property (the **Help to Buy Equity Mortgage**) and must rank immediately behind the qualifying lending institution (such as a building society, bank or insurance company) who will be providing a conventional mortgage for a sum up to the remainder of the total purchase price. As stated above there will be a second charge in favour of the Agency. This note gives notice to you that the purchaser intends to proceed and this will result in a second charge on the property.

Example for a property outside the London Area where the maximum Contribution Percentage is 20% – A Buyer agrees to purchase a £200,000 property from the Provider.

Full Purchase Price (set by Provider and validated by	
the qualifying lending institution's valuation)	£200,000
Buyers affordability (assessed by the Help to Buy Agent	
using the Agency's affordability calculator)	£160,000
Contribution (calculated by Help to Buy Agent)	£40,000
Reduced Purchase Price (calculated by Help to Buy Agent)	£160,000
Contributions Percentage (calculated by Help to Buy Agent)	£40,000 (= 20%)

	£200,000

Therefore (dependent upon the lender's deposit requirements) the lender lends up to £160,000; the Buyer actually pays a Reduced Purchase Price of £160,000 on completion and agrees to pay the Agency 20% of sale proceeds on resale or earlier in accordance with the terms of the Equity Mortgage).

The figure comprising the Buyer's affordability (in this example £160,000) may include the Buyer's private funds or a deposit in addition to the monies lent by the qualifying lending institution.

Example for a property inside the London Area, where the maximum Contribution Percentage is 40% – A Buyer agrees to purchase a £200,000 property from the Provider.

Full Purchase Price (set by Provider and validated by	
the qualifying lending institution's valuation)	£200,000
Buyers affordability (assessed by the Help to Buy Agent	
using the Agency's affordability calculator)	£120,000
Contribution (calculated by Help to Buy Agent)	£80,000
Reduced Purchase Price (calculated by Help to Buy Agent)	£120,000
Contributions Percentage (calculated by Help to Buy Agent)	£80,000 (= 40%)

	£200,000

Therefore (dependent upon the lender's deposit requirements) the lender lends up to £120,000; the Buyer actually pays a Reduced Purchase Price of £120,000 on completion and agrees to pay the Agency 40% of sale proceeds on resale or earlier in accordance with the terms of the Equity Mortgage).

The figure comprising the Buyer's affordability (in this example £120,000) may include the Buyer's private funds or a deposit in addition to the monies lent by the qualifying lending institution.

3 The Role of the Help to Buy Agent

3.1 Buyers who qualify for Help to Buy are first approved by the Help to Buy Agent on behalf of the Agency, who will (in order to approve the qualifying applicant and eligible property) issue an Authority to Proceed.

3.2 The role of the Help to Buy Agent is to ensure:

3.2.1 qualifying applicants meet the requirements of the Initiative;

3.2.2 the property selected provides adequate security for the Help to Buy Equity Mortgage (the standard form of which is attached) by reference to the qualifying applicant's qualifying lending institution's valuation;

3.2.3 the qualifying applicant's legal representative completes and registers the Help to Buy Equity Mortgage promptly;

3.2.4 the property selected is eligible for purchase.

3.3 The rules are summarised in the enclosed Help to Buy Buyer's Guide.

4 Procedure

4.1 Subject to a mortgage offer being provided, the Help to Buy Agent will be responsible for checking the items referred to in Paragraph 3.2 above, issuing an Authority to Proceed and instructing the qualifying applicants solicitors (via the Authority to Exchange) that they may proceed to exchange of contracts.

4.2 On completion, the Provider will (at the Buyer's direction) receive the equity loan funding payment from the Agency, being the Agency's Contribution. The qualifying applicant's legal representative will not need to become involved in the mechanics of that draw down of funds other than to satisfy himself/herself that the assistance (being provided by the Agency to the Buyer) will be available on completion (and paid to the Provider), which he/she will have done prior to exchange of contracts in any event.

4.3 The amount being lent by the qualifying applicant's first lending institution will represent the amount required (combined with the any contribution for the applicant's own resources) to complete the purchase on the agreed date of completion. The qualifying applicant's legal representative will deal with that first loan in the normal way in accordance with the Council of Mortgage Lenders' Handbook as with any other residential purchase.

4.4 The assistance provided by the Agency is repaid by the qualifying applicant either early voluntarily (the qualifying applicant can repay the whole or part of the amount provided at

any time or on a compulsory basis on the happening of specified events in the Help to Buy Equity Mortgage or when they sell the Property. The amount of the repayment is equivalent to the value of the property at the date of repayment (whether that value has increased or decreased), or the sale price if higher, multiplied by the Contribution Percentage. Early repayment can be made through a part redemption arrangement based on current valuation as repayments are made.

- 4.5 The assistance will be secured on the property by way of a second charge which will rank immediately behind the private loan from a qualifying lender, as stated above in paragraph 1.3.
- 4.6 Following completion, the Buyer's solicitor will notify you that the Help to Buy Equity Mortgage has been completed by serving notice in accordance with a method of service of notice as set out in the Land Registration Rule 2003 (as may be varied or amended from time to time) and will register the Help to Buy second charge at the Land Registry.
- 4.7 **Please note that tacking under the first charge will not be permitted.**
- 4.8 **Further advances provided by the qualifying lending institution will need to be approved by the Post Sales Agent (on behalf of the Agency) but further advances will not usually be permitted. Unless specifically approved to the contrary further advances that are permitted must be secured behind the Help to Buy Equity Mortgage.**
- 4.9 **In addition, under Help to Buy the qualifying lender will not be permitted to register a Form CH2 (or any equivalent form or note obliging the qualifying lender to make further advances) at the Land Registry. References in the first charge to allow tacking or provide an obligation to make further advances must be removed.**
- 4.10 In light of paragraphs 4.3 and 4.5, the first charge provided by the qualifying lender must detail the maximum amount that that lender is lending. This figure (less any mortgage fees) cannot exceed the Reduced Purchase Price as set out at paragraph 2.1 above.
- 4.11 Please note that upon full discharge by the Buyer of the Equity Mortgage to the Agency, the property will be released from the restriction in favour of the Agency to protect the Equity Mortgage.

5 Documents required by the Help to Buy Agent

- 5.1 Before the Help to Buy Agent can approve a qualifying applicant for the purchase of a Help to Buy property, the qualifying applicant must provide the Help to Buy Agent with:-
- 5.1.1 a copy of the qualifying lending institution's first mortgage offer;
- 5.1.2 a letter from the qualifying applicant's legal representative confirming the financial details of the purchase and confirming that an undertaking in the standard form will be provided prior to exchange of contracts (a standard form of which is attached to the enclosed copy Instructions to Conveyancer);
- 5.1.3 a copy of a survey report (HomeBuyer's Survey and Valuation Report or equivalent) which shows that the Full Purchase Price does not exceed the market value of the property.

The Help to Buy Agent does not require a full structural survey.

Where an applicant is unable to provide details of the mortgage offer to the Help to Buy Agent the application cannot be processed through the Help to Buy Initiative.

London Area

HCA Operating Area
London
Local Authority
Hounslow
Southwark
Barnet
Harrow
Ealing
Lambeth
Kingston upon Thames
Croydon
Lewisham
Enfield
Merton
Greenwich
Redbridge
Richmond upon Thames
Waltham Forest
Bexley
Sutton
Bromley
Havering
Brent
Hillingdon
Westminster
Wandsworth
Camden
Hackney
Barking and Dagenham
Hammersmith and Fulham
Haringey
Tower Hamlets
City of London
Kensington and Chelsea
Islington
Newham

Schedule 7 (Solicitor's Pack)

Form of Authority to Proceed

Date: [●]

To: [Buyer's solicitor/conveyancer – Name/Address]

To: [Provider – Name/Address]

CC: [Buyer – Name/Address]

Scheme: Help to Buy

Property: [●]

Named Buyer: [●]

Option A

Your application to take part in the Help to Buy Initiative has been approved by [HTBA Name] and (subject to our standard terms) an equity loan will be available in respect of the Property referred to above on the following terms:-

FULL DETAILS OF NAMED BUYER: [●]

REDUCED PURCHASE PRICE (i.e. the amount met by the Buyer after deducting the amount advanced under the Equity Mortgage from the Full Purchase Price and excluding any mortgage fees of the Qualifying Lender): £[●]

FULL PURCHASE PRICE: £[●]

CONTRIBUTION (The Agency contribution (to be paid directly to the Provider), specifying in pounds sterling the amount of purchase price to be treated as deducted): £[●]

CONTRIBUTION PERCENTAGE (specifying percentage of the total sale proceeds to be repaid to the Agency when the property is sold, calculated as the Contribution as a percentage of the Full Purchase Price): [●]%

MORTGAGE LEVEL £[●]

APPROVED 1st CHARGE MORTGAGE TERM [●] YEARS

FORECAST INTEREST CHARGE YEAR 6 £[●]

(This will be collected by the Post Sales Agent in year 6)

REQUISITE AMOUNT OF CASH SAVINGS TO BE INVESTED BY BUYER: £[●]

(which will exclude any cashback incentive provided to the Buyer and must be equal to a minimum of 5% of the Full Purchase Price).

CASHBACK PROVIDED BY PROVIDER (to be paid to the Buyer on completion £[●])

TOTAL AMOUNT OF INCENTIVES PROVIDED BY THE PROVIDER (as set out in the Council of Mortgage Lenders Disclosure of Incentives Form) and not to exceed 5% of the full purchase price. £[●]

BUYER'S PROPERTY TO BE SOLD PRIOR TO PURCHASE:

Guidance for the Buyer

You should have read the Help to Buy Buyer's Guide issued to you when you reserved your Property. (If required, a further copy of the guide is available on our website – insert link). You should ensure that you have read this Guide before continuing with your purchase.

The Help to Buy process will require you to meet certain reasonable time deadlines. It is very important you make every effort to adhere to these otherwise your home may have to be reallocated to another buyer. You may find the enclosed checklist a useful aid in progressing your transaction.

If you wish to proceed with your Help to Buy home purchase on the above terms you must now:-

Step 1

You should by now have seen an independent financial advisor (IFA) and be getting ready to submit a mortgage application. It is very important that you seek independent advice about your mortgage. The mortgage must be from a qualifying lender.

Qualifying lending institutions include mortgage lenders who are authorised under the Financial Services and Markets Act 2000, and who have permission to enter into regulated mortgage contracts.

This is likely to include most banks and building societies. The Financial Conduct Authority keeps a register of authorised persons on its website. The register can be found at <http://www.fsa.gov.uk/register/home.do>.

'Qualifying lending institution' is a complex definition. If there is any doubt as to whether a lender falls within this definition, Help to Buy Agents should ask prospective Help to Buy buyers to seek confirmation from their proposed lender of permissions they have been granted by the FSA.

The mortgage offer you should receive must be equal Mortgage Level noted on the front of this form and should be for a repayment mortgage. Interest only mortgages will not be approved for Help to Buy assisted purchases. If this is not the case you should discuss this with the Help to Buy Agent.

In addition to your mortgage funding, you have also told us that you will be making a cash contribution at exchange of contracts as referred to above.

Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.

Check that this mortgage will meet your needs if you want to move or sell your home or want your family to inherit it. If you are in any doubt, seek independent advice.

Step 2

[HTBA name] has reviewed the **Property Information Form** completed by you and the house builder and has prepared this Authority to Proceed based on the information you have provided. This Authority to Proceed is valid for three months and you must exchange contracts to purchase the home in this time.

Although this Authority to Proceed is valid for three months, you will be expected to exchange contracts within a period of time specified by the Provider. The three month limit gives some allowances for unforeseen delays during conveyancing.

UPON RECEIPT OF THIS AUTHORITY TO PROCEED, YOU MUST AS SOON AS POSSIBLE CONTACT YOUR IFA AND LENDER SO THAT A FULL MORTGAGE OFFER CAN BE MADE ON YOUR SELECTED PROPERTY.

Step 3

Your solicitor/conveyancer will advise you on the Help to Buy Initiative and prepare all the documents. Your solicitor/conveyancer will explain the Equity Mortgage which means that the Agency must be paid the amount due under its mortgage when the property is sold or earlier in specified circumstances.

SO, FOR EXAMPLE, IF THE HOMES AND COMMUNITIES AGENCY INITIALLY PROVIDED A 20% CONTRIBUTION, THE REPAYMENT WILL BE 20% OF THE TOTAL VALUE WHEN IT IS SOLD OR WHEN REPAID IF EARLIER.

You must sign to agree the Equity Mortgage and the sale contract before exchange of contracts. Your solicitor will contact you to arrange this.

Once your mortgage offer and valuation has been received, your solicitor/conveyancer will ask [HTBA name] for permission to exchange contracts with the Provider. After exchange you will be legally committed to purchasing the property.

You will also be advised of the date for completion so that you can plan your move. It is also important that you arrange buildings insurance cover for your new home from exchange of contracts.

If you have an existing home or property you must ensure that this is sold on or before the completion date of your purchase of your Help to Buy property.

Step 4

[HTBA name] will approve the exchange and your solicitor/conveyancer will exchange contracts and ensure your deposit contribution is paid. You will then be legally contracted to complete the purchase at a date agreed between you and the Provider.

Step 5

At completion, your lender will provide its funds and the Agency will send its contribution to the Provider. You will have already agreed and directed in the Property Information Form that the Agency's contribution is to be paid direct to the Provider. You will then be able to move in on a date agreed with the Provider.

The Agency has nominated an agent to administer the Equity Mortgage following completion, [insert name of Post Sales Agent] (the Post Sales Agent)) and all correspondence and payments required under Equity Mortgage will be to the Post Sales Agent, until you are advised otherwise.

Your application will be treated as withdrawn if you do not proceed to exchange of contracts within the deadline given. If you are unsure of how to proceed, please contact [HTBA name] at [contact address/telephone number]

Before you proceed, make sure you have read the Help to Buy Buyer's Guide that explains how the Help to Buy Initiative operates. If you are unsure on how to proceed, please contact [HTBA name] for help.

Remember, do not enter a legal agreement to buy a home until approval has been given by us.

[The Buyer's Solicitor should note however that unless we otherwise confirm in writing:-

- 1 This Authority ceases to have effect if contracts are not exchanged for the sale of the Property within three months of the date of this Authority; and
- 2 This Authority is subject to receipt by the Buyer's Solicitor of a mortgage valuation valuing the Property of no less than the Full Purchase Price.]

OR

Option B

[We confirm that we do not regard the above named Buyer or the terms of its application as qualifying for the Help to Buy Initiative]

Yours sincerely

For and on behalf of [HTBA name]

Enclosures Personal Worked Example

Personal Worked Example (with no partial redemption) for [Purchaser's Name(s)]

You have found a property which is valued at [£XXX].

The Homes and Communities Agency (the **Agency**) has agreed to loan you [YYY%] of the purchase price (in return for you entering into an Equity Mortgage in favour of the Agency). You will fund [£ZZZ] which represents [WWW%] of the property value.

You will have to pay a monthly interest charge in the sixth year of [£]. This is calculated by firstly working out the total interest charge and then calculating [YYY%] of that interest charge. Please note that there are no interest charges for the first five years.

In the seventh year and in every year after that until the Equity Mortgage is paid back in full, the total interest charge is increased by the increase in RPI for the previous 12 months plus 1% and you will have to pay [YYY%] of the increased interest charge.

For example, in the seventh year if the RPI is taken from September [HTBA to insert relevant year] then the total annual seventh year interest charge would be increased by [to insert relevant RPI from published RPI figures plus 1%] and you would pay [YYY%] of that interest charge. This would mean that the interest charge you pay in the seventh year would be [to calculate].

If you decide to redeem the Equity Mortgage you will pay back [YYY%] of the market value. If you decide to sell then you will pay back [YYY%] of the market value unless the sale proceeds are greater in which case you will have to pay back [YYY%] of the sale proceeds.

For example if you sell the property at the end of year one then on the assumption that the value of the property has increased by 5% you will pay back [£to calculate]. In this example (assuming an annual 5% property price increase) the APR is therefore 3.98%. Please note that this is based **solely** on the capital sum repayable and does not take account of interest charges and any valuation fee payable on redemption

As another example, if you sell the property at the end of year 7 then on the assumption that the value of the property has increased by 5% a year and that the RPI for year seven is the same as the RPI for year six (i.e. [to insert RPI for the sixth year]) you will pay back a total of [£to calculate]. In this example the APR is therefore [to calculate]

This is worked out by firstly assuming that the value of your home increases each year by 5% so the value of your home in year seven is [to calculate – nb the increases are **not** compounded so it is the initial price which goes up by 5% each year] and you pay back [YYY%] of that value which is [].

You will also pay back the interest charge in each of years six and seven of the loan. In the sixth year the interest charge will be [to insert]. In each year the interest charge increases by 1% plus RPI. If we assume that the RPI in the seventh year stays the same as it as at the date this worked example was calculated (which is [to insert]%) then the total amount of interest you have paid in each of the sixth and seventh years will be [to calculate – nb the interest increases **are** compounded.] If the property is valued for the purposes of the sale or the redemption then you will have to pay the valuation fee which is currently approximately [£to insert].

Schedule 8 (Solicitor's Pack)

Form of Authority to Exchange

THE CONFIRMATION OF EXCHANGE FORM (ATTACHED AT ANNEX 1) MUST BE COMPLETED AND PROVIDED BY THE BUYER'S SOLICITOR/CONVEYANCER TO THE HELP TO BUY AGENT WITHIN TWO (2) WORKING DAYS OF EXCHANGE OF CONTRACTS IN ACCORDANCE WITH THE BUYER'S SOLICITORS/CONVEYANCERS UNDERTAKING WITHIN THE SOLICITOR'S FORM 1.

Date: []

To [Buyer's solicitor/conveyancer – Name/Address]

Property:

Scheme: Help to Buy

Named Buyer:

Expected date of Exchange:

On behalf of the Homes and Communities Agency we confirm receipt of the Solicitor's Form 1 in relation to the purchase of the above Property by the above named Buyer. Please take this letter as consent (on behalf of the Homes and Communities Agency) to proceed to exchange contracts on the (date as per Solicitor's Form 1) in respect of such purchase SUBJECT ALWAYS to:

- 1 Your compliance with the provisions of Solicitor's Form 1 and the instructions supplied; and
- 2 The Authority to Proceed (or Revised Authority to Proceed as applicable) being valid and the terms of the sale according with the terms of such Authority to Proceed.

Please note that this consent only relates to the Homes and Communities Agency procedural requirements for the sale of properties under Help to Buy and in no way replaces or affects your obligation to comply with the terms of the instructions received from the Homes and Communities Agency and the relevant Law Society and CML requirements in relation to the conveyancing process.

Signed

[Help to Buy Agent]

CC

[Provider & Homes and Communities Agency]

Annex 1 Confirmation of Exchange Form

From: [Buyer's solicitor/conveyancer – Name/Address]

To: [Help to Buy Agent – Name/Address]

Date: []

Re: Confirmation of exchange of contracts

Scheme: HELP TO BUY

Applicant name(s)	HtB property address	Date of exchange of contracts

We confirm that the above buyer(s) has exchanged contracts on the above property and we are therefore providing the Help to Buy Agent with confirmation of exchange in accordance with clause 13 of Solicitor's Form 1.

Yours faithfully

[Buyer's solicitor/conveyancer]

Schedule 9 (Solicitor's Pack)

Help to Buy Agent Transaction Confirmation to Provider

Date: []

To [Provider's solicitor – Name/Address]

Provider []

Property: [.....]

Scheme: Help to Buy

Named Buyer: [

Date of Exchange (where applicable):

Proposed Date of Completion

(please be aware that approval to complete does not guarantee funds in that day, please ensure you are aware of your payment date)

We confirm receipt of a Solicitor's Form 2 in relation to the purchase of the above Property by the above named Buyer. Please take this letter as confirmation from the Help to Buy Agent of: -

- 1 service of the relevant Authority to Proceed by us which will be/was current and valid as at the date of exchange confirmed to us in the Solicitor's Form 2;
- 2 receipt by the Help to Buy Agent of a valid Solicitor's Form 2 (with the attached Certificate of Title completed and signed by the legal advisor acting on behalf of the above named Buyer) in respect of the above Property; and
- 3 receipt by the Help to Buy Agent from the legal advisor acting on behalf of the above named Buyer of a certified copy of either the above named Buyer's final professional valuation (obtained on behalf of an approved lender) or (where not available) the above named Buyer's mortgage offer confirming the valuation and valuing the Property at a sum which is no less than the Full Purchase Price (as set out in the Solicitor's Form 2) or (at the discretion of the Agency) within a tolerance of that sum determined from time to time by the Agency and notified by the Help to Buy Agent to you in writing.

Signed

[Help to Buy Agent]

Schedule 10 (Solicitor's Pack)

Help to Buy Buyer's Information Sheet

Equity mortgages and your home

Please note that once the equity mortgage has been entered into, any queries in relation to your Help to Buy mortgage should be directed at the Home and Communities Agency's Post Sales Agent. Full contact details can be found at "www.myfirsthome.org.uk" or in the welcome letter issued when you buy your home.

Please be aware that this is information only and does not form part of the mortgage agreement so it is not a legal document. You **MUST** read the mortgage agreement very carefully and make sure that you understand everything it contains as you will be bound by its terms. We recommend that you get your own legal and financial advice before you sign the mortgage agreement (which the solicitor/conveyancer acting on your behalf in the purchase should be able to provide you with).

For applicants who are buying properties in the London Area, the maximum percentage that may be borrowed is 40% of the value of your home rather than 20%. The examples in this Information Sheet refer to a 20% equity mortgage but we have set out further examples at the end of this document to illustrate how a 40% mortgage could work in the various scenarios described below.

- 1 You should make sure that you can afford the payments under any other mortgage as well as the payments under the equity mortgage because your home will be at risk if you do not keep up with the payments. You will also have to pay interest on any payments which are made late.
- 2 An "equity mortgage" is similar to a normal mortgage because the money you borrow will be secured against your home and you will have to make payments to the lender under the equity mortgage. The payments which you will have to make under the equity mortgage are listed in the table at the end of this note. The fact that the money is secured against your home means that your home is at risk if you do not keep up the payments under the mortgage.
- 3 Before you enter into an equity mortgage there will be a valuation of the home you want to buy to work out how much the home is worth. The Homes and Communities Agency ("HCA") as the equity mortgage lender will then fund a portion of the amount you have to pay for your home by a percentage which has been agreed with you first (please be aware that there are limits on the amount which the equity mortgage lenders will fund the value by).

Example 1

For example, if the value of your home was £200,000 and the HCA contributed £40,000

then you only contributed £160,000. This means that the HCA funded the price you had to pay by 20%.]

- 4 In exchange for financing a portion of the value of your home the HCA will have an equity mortgage against your home.
- 5 You will have to pay a Management Fee and make interest payments to the HCA every month and you will have to pay the HCA some of the money you receive when you sell your home unless you pay back the HCA before you sell your home. Under Help to Buy, the HCA may appoint an agent to collect the monies you owe.
- 6 A Management Fee is payable from the start of the loan until it is redeemed. This is a charge of £1 per month payable by monthly direct debit.
- 7 The interest payments do not accrue and are not payable until the sixth year of the term of the equity mortgage and from that point you will have to pay interest every month which will be calculated by reference to the total value of your home at the time you bought it and the contributions made by the HCA to assist you to buy it. From the sixth year of the term of the equity mortgage you will have to pay a proportion of 1.75% a year of the total amount of that value. The proportion is linked to the percentage of the initial purchase price funded by the HCA. The amount you pay a year will be spread out over 12 months so you will pay a proportion of that every month.

Example 2

For example, if the value of your home was £200,000 then in the sixth year the total interest charge is 1.75% on £200,000 which is £3,500. Using example 1 above, if the HCA funded the price you paid by £40,000 then you only contributed £160,000. This means that the HCA funded the price by 20%. In the sixth year you will therefore have to pay 20% of £3,500 (the total interest charge). This is £700 or about £58.33 a month in the first year. The £1 Management Fee is payable in addition to the interest charge.

After the sixth year and every year after that, the amount you will have to pay each month will go up every year. (Please see below for an example calculation).

It is very important that you keep up these payments to the HCA because your home will be at risk if you do not make these payments. You will also have to pay interest on any payments which are made late. Missing payments could have severe consequences and risk making obtaining credit more difficult.

- 8 When you sell your home you will have to repay the HCA from some of the money you receive from the sale. The amount you have to pay back depends on the value of your home (or the sale price if higher) when you sell your home. The value may have gone up or down. You will also be required to pay a reasonable administrative fee to the HCA or its nominated agent for the costs of dealing with the repayment of the mortgage.

- 9 If the value of your home goes up then you will pay back to the HCA more than the amount by which the HCA funded the price of your home when you first bought it. You will pay back the same percentage as the HCA funded the original price by.

Example 3

For example, if the value of your home was £200,000 and the HCA funded the amount you paid by £40,000 then you only contributed £160,000. This means that the HCA funded the value by 20%.

If, for example, you sell your home five years later and you sell your home for £250,000 then the amount you will have to pay back will be 20% of £250,000 because the HCA funded the price paid by you by a total of 20%. This means that you would have to pay back £50,000.

The value of your home has increased by 5% each year so the amount you have to pay back has increased by 5% each year. This means that the annual percentage rate is 5%. You will not pay any interest if you sell in the fifth year because interest does not accrue or become payable until the sixth year.

As stated above the interest which you pay on the equity mortgage every year (from the sixth year) increases. The amount it is increased from the seventh year onwards by is calculated by firstly increasing the total interest charge (i.e. the interest charge on the initial value) by 1% plus RPI increases. You will then pay the relevant percentage of that total charge representing the amount of the equity which the HCA has funded. Because the interest increase is going to be by reference to the prevailing RPI we cannot give an example which shows you exactly how much this increase will be because it depends on what the RPI is for each year. We have given an example based on previous RPIs at example 5.

Example 4

If we use the above example without using the RPI in the calculation then:

In the sixth year the total interest charge would be £3,500 pa i.e. 1.75% of £200,000. You would have to pay £700 in the sixth year i.e. 20% of £3,500 which is about £58.33 a month.

In the seventh year the total interest charge will be increased by RPI plus 1% so the total interest charge will be £3,535 i.e. £3,500 plus a 1% increase. You will pay 20% of that amount which is £707. So your seventh year interest charge will be £707 or about £58.92 a month plus RPI increases.

In the eighth year the total interest charge will be £3,570.35 i.e. £3,535 plus a 1% increase. You will pay 20% of that amount which is £714.07 in the eighth year or about £59.51 a month plus RPI increases.

In the ninth year, the total interest charge will be £3,606.05 i.e. £3,570.35 plus 1% increase. You will pay 20% of that amount which is £721.21 in the ninth year or about

£60.10 a month plus RPI increases.

In the tenth year the total interest charge will be £3,642.11 i.e. £3,606.05 plus 1% increase. You will have to pay 20% of that amount which is £728.42 in the tenth year or about £60.70 a month plus RPI increases.

In the eleventh year the total interest charge will be £3,678.53 i.e. £3,642.11 plus 1% increase. You will have to pay 20% of that amount which is £735.71 in the eleventh year or about £61.31 a month plus RPI increases.

In the twelfth year the total interest charge will be £3,715.32 i.e. £3,678.53 plus 1% increase. You will have to pay 20% of that amount which is £743.06 in the twelfth year or about £61.92 a month plus RPI increases.

The same increases will take place in every year until you redeem the equity mortgage.

The interest payments you have made if you sell in the twelfth year will therefore be a total of approximately £5,049.47 plus the RPI increase amount. The total you will have paid if you sell in the twelfth year is therefore the total of the monthly interest payments of £5,049.47 (plus RPI increases) plus 20% of the value of your home at that time. If as an example your home was originally worth £200,000 and you sell in the twelfth year when it is worth £275,000 then when you sell you will pay back 20% of £275,000 which is £55,000. You will therefore have to pay a total of £60,049.47 (plus RPI increases on the interest charge).

Example 5

As an example using RPI then:

In the sixth year is £3,500 i.e. 1.75% of £200,000, using example 4, then you would have to pay £700 in the sixth year i.e. 20% of £3,500 which is about £58.33 a month.

In the seventh year the total interest charge will be increased by RPI plus 1%. The RPI increase which will be used will be the annual increase for the 12 month period ending at the end of September immediately preceding the date on which the interest charge is reviewed (which will be on 1 April in each year). If we take the RPI increase of February 2011, this is 5.5%. The total interest charge is therefore increased by 6.5% (i.e. the 5.5% RPI increase plus 1%) so the total interest charge will be £3,727.50 i.e. £3,500 plus a 6.5% increase. You will pay 20% of that amount which is £745.50. So your seventh year interest charge will be £745.50 or about £62.13 a month

We have set out below a table of the **example** interest rates and APR but you must obtain independent financial advice.

This example is based on an initial property value of £200,000 with a total 20% equity mortgage, property values increasing by 5% a year			
	Sale on 5 th anniversary	Sale on 6 th anniversary	Sale on 7 th anniversary
Example Total Repayment (excluding any RPI increases)	£51,051 of which Interest: £0 Capital: £51,051	£54,304 of which Interest: £700 Capital: £53,604	£56,991 of which Interest: £707 Capital: £56,284
Example approximate APR (excluding any RPI increases)	5%	5.23%	5.19%

The above calculations are only examples and the amount you will have to pay will depend on how much the value of your home has increased by and on how much the RPI increases (because the above examples exclude any RPI). Please note that if the RPI for a particular year goes below 0% the interest charge will still be increased by the additional 1%. This means that the minimum interest increase is 1% per year (after the 6th year). Please note that the interest calculation is always done by reference to the amount of the initial value of your home. A further example, based on the figures involved in your purchase will be provided once you have found a property/is provided with this information.

Please be aware that if you get a valuation and then sell your home for more than the valuation you will have to pay back the percentage of the amount you sell your home for and not the amount of the valuation.

For example if you get a valuation to say that your home is worth £200,000 and then you sell your home for £250,000 you will have to pay the HCA 20% (or up to 40% in the London Area) of £250,000 because that is the amount you sold your home for.

- 10 If the value of your home goes down then you will pay back less than the amount by which the HCA funded the cost of your home when you first bought it.

Example 6

For example, if the value of your home was £200,000 and the HCA funded the amount you paid by £40,000 then you only contributed £160,000. This means that the HCA funded 20% of the price.

If, for example, you sell your home five years later for £150,000 then the amount you will have to pay back will be 20% of £150,000 because the HCA funded 20% of the price. This means that you would have to pay back £30,000 (as well as the monthly interest

payments explained above).

- 11 You will have to pay back the HCA whenever you sell your home, unless you have already paid the HCA back.

You may have to pay back the HCA earlier than when you sell your home, for example if you are made bankrupt. Please also be aware that the HCA must be repaid in full by the 25th anniversary of the date you take out the mortgage and if you haven't paid back the HCA by that date you will have to do so. The full details of when you will have to pay back the HCA are in the mortgage agreement and you should read this carefully.

- 12 If you want to, you can pay back the HCA at any time. You will have to have enough money to pay back the HCA but you do not have to wait until you sell your home.

If you want to pay back the HCA early, then the amount you will have to pay will depend how much your home is worth at that time. This will be calculated in the same way as is given as an example above and please note that you will have to arrange and pay for the valuation of your home in order for the HCA to calculate how much you have to pay to redeem the equity mortgage. The HCA will require a copy of the valuation before you sell your home and before it agrees to the repayment of the equity mortgage. If the proceeds of sale are higher than the valuation you will have to pay back more.

- 13 If you want to, you can pay back only part of the equity mortgage. This is fully explained in the mortgage agreement which you should read carefully.

If you want to pay back only part of the equity mortgage you will have to arrange and pay for the valuation and the HCA will then work out how much you need to pay to pay off a part of your equity mortgage. The minimum amount you can pay back as part only is a total of 10% of the value of your home at the time you want to pay off part of the equity mortgage. The HCA will require a copy of the valuation before you make a part repayment.

Example 7

For example, if you bought your home for £200,000 and the HCA contributed a total of £40,000 then you contributed £160,000. This means that the HCA funded a total of 20% of the price paid. If your home is valued at £250,000 four years later and you want to pay back a total of 10% to the equity mortgage lenders, you will have to pay the HCA a total of £25,000. After you have paid back that 10% of the equity mortgage, you will then only have to pay back 10% of the value of your home when you sell or when you decide to pay off more of your mortgage.

If you pay off part of your equity mortgage then the percentage of the total interest charge you will pay every month will reduce because, using the example above, you will only have to pay 10% of the total interest charge and not 20%. In the London Area, if the initial mortgage is for 40% of the property and you pay an equivalent of 10% in part payment of the mortgage, you will then pay the equivalent of 30% of the total interest charge and not 40%.

- 14 As well as taking out the equity mortgage, you must also mortgage your property in the normal way to a different lender.

You must take out a standard mortgage with a different lender or you will not be able to take out the equity mortgage. If you ever pay off your standard mortgage you must also pay off your equity mortgage at the same time. You can pay off your equity mortgage before your standard mortgage.

You should make sure that you can afford the payments under any other mortgage as well as the payments under the equity mortgage because your home will be at risk if you do not keep up with the payments. You will also have to pay interest on any payments which are made late. Missing payments could have severe consequences and affect your ability to obtain credit.

- 15 You may want to borrow more money against the value of your home. You can only borrow more money from the 'normal' mortgage lender. You cannot borrow more money from the HCA.

If you want to borrow more money then you will have to agree this with the normal mortgage lender and the HCA will have to consent to the extra borrowing.

In the majority of circumstances the HCA will refuse consent to extra borrowing.

Please note that if you borrow more then this means that the amount you owe to the normal mortgage lender has increased so the amount of money secured against your home will increase. You will need to discuss this carefully with your normal mortgage lender and make sure that you can afford the monthly repayments, which will go up.

- 16 If you want to make any additions or improvements to your home, such as an extension or a new kitchen or bathroom, then you will need to speak to Post Sales Agent (acting on behalf of the HCA) first to make sure they agree.

Any additions or improvements you make may increase the value of your home. If you have carried out the improvements and/or additions with the consent of the Post Sales Agent (acting on behalf of HCA then any increase in value attributable to such improvements/additions will belong to you. If you do not get the consent of the Post Sales Agent (acting on behalf of HCA) before you carry out the improvements and/or additions then the HCA will be entitled to a share in the increase in value in the usual way.

It is therefore very important that you obtain the Post Sales Agent's consent (acting on behalf of HCA) before you carry out any improvements as it will have a financial impact on you if you do not.

This is because if, for example, you have an equity mortgage for 20% of the value of your home and you carry out improvements without asking for consent then the HCA will benefit from 20% of any added value to your home even though you paid for the improvements. (if you are in a London Area and have an equity mortgage for 40% of the value of your home, this would increase the amount the HCA would benefit from for unapproved improvements to 40% of the added value of your home) As an example using figures, you have a 20% equity mortgage and you spend £30,000 on an extension without asking for consent. The extension adds £15,000 of value and you redeem your mortgage

or sell then you will have to pay back the HCA 20% of that £15,000 added value (i.e. £3,000). If you had asked for consent before adding the extension then the HCA would not have to be paid back any of that added £15,000 value.

The Post Sales Agent (acting on behalf of HCA) will not refuse to give you consent to make any improvements unreasonably but the HCA's general expectation is that the Equity Mortgage will be redeemed before you carry out improvements or alterations to your home. A reasonable administrative fee will be charged for dealing with applications for consent in these circumstances.

If you are not sure if what you want to do to your home counts as an improvement or addition then you should speak to the Post Sales Agent (acting on behalf of HCA) first.

- 17 In the event that the proceeds of the sale of your property (after sums due to the first standard mortgage lender – excluding any redemption penalties - have been repaid) are not enough to pay the amount repayable for the equity mortgage, then (provided you have complied with the terms of the equity mortgage) the HCA will accept the balance of the sale proceeds as full repayment of the equity mortgage. In doing this they will agree to release the charge over your property and will not take action to recover any further monies from you. Please note that the HCA (or their agent) will need to approve the sale before the charges can be released.

London Area properties only

Using the following as an example transaction, we have given detailed examples for the various scenarios below: –

If the value of your home was £200,000 and the HCA contributed £80,000 then you only contributed £120,000. This means that the HCA funded the price you had to pay by 40%.

Repayment of the Equity Mortgage where values have increased

If the value of your home was £200,000 and the HCA funded the amount you paid by £80,000 then you only contributed £120,000. This means that the HCA funded the value by 40%.

If, for example, you sell your home five years later and you sell your home for £250,000 then the amount you will have to pay back will be 40% of £250,000 because the HCA funded the price paid by you by a total of 40%. This means that you would have to pay back £100,000.

The value of your home has increased by 5% each year so the amount you have to pay back has increased by 5% each year. This means that the annual percentage rate is 5%. You will not pay any interest if you sell in the fifth year because interest does not accrue or become payable until the sixth year.]

Repayments of the Equity Mortgage where values have decreased

If the value of your home was £200,000 and the HCA funded the amount you paid by £80,000 then you only contributed £120,000. This means that the HCA funded 40% of the price.

If, for example, you sell your home five years later for £150,000 then the amount you will have to pay back will be 40% of £150,000 because the HCA funded 40% of the price. This means that you would have to pay back £60,000 (as well as the monthly interest payments explained above).

Partial Repayments

If you bought your home for £200,000 and the HCA contributed a total of £80,000 then you contributed £120,000. This means that the HCA funded a total of 40% of the price paid. If your home is valued at £250,000 four years later and you want to pay back a total of 20% to the equity mortgage lenders, you will have to pay the HCA a total of £50,000. After you have paid back that 20% of the equity mortgage, you will then only have to pay back 20% of the value of your home when you sell or when you decide to pay off more of your mortgage.

Interest Payments

If the value of your home was £200,000 then in the sixth year the total interest charge is 1.75% on £200,000 which is £3,500. If the HCA funded the price you paid by £80,000 then you only contributed £120,000. This means that the HCA funded the price by 40%. In the sixth year you will therefore have to pay 40% of £3,500 (the total interest charge). This is £1,400 or about £116.67 a month in the first year.

Interest Increase example (without RPI)

If we use the above example without using the RPI in the calculation then:

In the sixth year the total interest charge would be £3,500 pa i.e. 1.75% of £200,000. You would have to pay £1,400 in the sixth year i.e. 40% of £3,500 which is about £116.67 a month.

In the seventh year the total interest charge will be increased by RPI plus 1% so the total interest charge will be £3,535 i.e. £3,500 plus a 1% increase. You will pay 40% of that amount which is £1,414. So your seventh year interest charge will be £1,414 or about £117.83 a month plus RPI increases.

In the eighth year the total interest charge will be £3,570.35 i.e. £3,535 plus a 1% increase. You will pay 40% of that amount which is £1,428.14 in the eighth year or about £119.01 a month plus RPI increases.

In the ninth year, the total interest charge will be £3,606.05 i.e. £3,570.35 plus 1% increase. You will pay 40% of that amount which is £1,442.42 in the ninth year or about £120.20 a month plus RPI

increases.

In the tenth year the total interest charge will be £3,642.11 i.e. £3,606.05 plus 1% increase. You will have to pay 40% of that amount which is £1,456.84 in the tenth year or about £121.40 a month plus RPI increases.

In the eleventh year the total interest charge will be £3,678.53 i.e. £3,642.11 plus 1% increase. You will have to pay 40% of that amount which is £1,471.41 in the eleventh year or about £122.62 a month plus RPI increases.

In the twelfth year the total interest charge will be £3,715.32 i.e. £3,678.53 plus 1% increase. You will have to pay 40% of that amount which is £1,486.13 in the twelfth year or about £123.84 a month plus RPI increases.

The same increases will take place in every year until you redeem the equity mortgage.

The interest payments you have made if you sell in the twelfth year will therefore be a total of approximately £10,098.94 plus the RPI increase amount. The total you will have paid if you sell in the twelfth year is therefore the total of the monthly interest payments of £10,098.94 (plus RPI increases) plus 40% of the value of your home at that time. If as an example your home was originally worth £200,000 and you sell in the twelfth year when it is worth £275,000 then when you sell you will pay back 40% of £275,000 which is £110,000. You will therefore have to pay a total of £120,098.94 (plus RPI increases on the interest charge).

Interest Increase Example (with RPI)

In the sixth year is £3,500 i.e. 1.75% of £200,000, using example 4, then you would have to pay £1,400 in the sixth year i.e. 40% of £3,500 which is about £116.67 a month.

In the seventh year the total interest charge will be increased by RPI plus 1%. The RPI increase which will be used will be the annual increase for the 12 month period ending at the end of September immediately preceding the date on which the interest charge is reviewed (which will be on 1 April in each year). If we take the RPI increase of February 2011, this is 5.5%. The total interest charge is therefore increased by 6.5% (i.e. the 5.5% RPI increase plus 1%) so the total interest charge will be £3,727.50 i.e. £3,500 plus a 6.5% increase. You will pay 40% of that amount which is £1,491. So your seventh year interest charge will be £1,491 or about £124.25 a month.

Table of Payments Under the Equity Mortgage

Please note that this table sets out payments which you will have to make under the Equity Mortgage with references to where the payment obligations appear in the Mortgage. You should read the whole of the Mortgage carefully. We recommend that you get your own legal advice before you sign the mortgage agreement. The money you borrow is secured against your home which means that your home is at risk if you do not keep up the payments under the mortgage.

Payment	When it becomes payable	Where the obligation appears in the Equity Mortgage
Interest	<p>Interest only starts to accrue and is only payable from the sixth year of the mortgage.</p> <p>After that, interest is payable monthly and is increased every year.</p>	<p>Clause 4.2.</p> <p>The interest increases are in Clause 9</p> <p>Please see examples 4 and 5.</p>
Management Fee	<p>The monthly Management Fee of £1 is payable in arrears from the start of the loan until the end of the term or until the loan is redeemed. The Management Fee does not increase during the term of the mortgage.</p>	<p>Clause 4.2</p>
<p>Paying back the amount you borrowed together with the reasonable costs and expenses of the equity mortgage lender and other sums outstanding under equity mortgage at the date of repayment.</p> <p>A fee to cover the reasonable administrative costs of the equity mortgage lender will be charged for dealing with a redemption - this is currently £200 (inclusive of VAT).</p>	<ol style="list-style-type: none"> 1 When you sell your home; or 2 If you want to, when you decide to pay off the mortgage; or 3 If you are in breach of any of your obligations; or 4 If and when you repay the first mortgage (unless there is a simultaneous approved re-mortgage); 5 If you become Bankrupt (this is defined in the equity mortgage and is wide in meaning and we advise that you 	<p>Clause 4.1 , 5, 6 and Clause 7</p> <p>Please see examples 3 and 6.</p>

	<p>seek advice from your legal advisor as to the meaning of this); or</p> <p>6 On the 25th anniversary of the date you took out the equity mortgage. This means that you must pay off the equity mortgage within 25 years.</p>	
<p>Valuation payments. These need to be paid by you when arranging the valuation.</p>	<p>When you sell your home or when you decide to pay off the whole of the mortgage or part of the mortgage</p>	<p>Clause 6.2, 7.1.2 and 8.3</p>
<p>During the lift of the mortgage you may want to make certain changes – for example you may need to apply to the lender for consent to a remortgage for your first charge mortgage. Alternatively you may want to apply for our consent to proposed improvements to your property. In such circumstances, the equity mortgage lender will make a charge to cover its reasonable administrative costs in dealing with the request.</p>	<p>When you want to make a change or apply to us for consent.</p>	<p>Clause 10.3 and 1.7</p>
<p>If you want to you can make payments to pay back part of the amount you borrowed and reduce the amount owed to the HCA which will be together with any reasonable costs and expenses incurred by the HCA and any other sums outstanding under the equity mortgage at the date of the part repayment.</p> <p>A fee to cover the reasonable administrative costs of the equity mortgage lender will be charged for dealing with a redemption - this is currently</p>	<p>When or if you decide to pay back part of the mortgages</p>	<p>Clause 8</p> <p>Please see example 7.</p>

£200 (inclusive of VAT).		
Default payments	<p>If you do not make any of the payments under the equity mortgage when they are due you will have to make default payments which are extra interest payments on the amount which you have not paid.</p> <p>If the equity mortgage lender incur any costs charges and expenses in the protection or enforcement of their security then such sums shall be payable on demand.</p>	Clause 10.3 – 10.5

You will also have to pay for the mortgage with the normal mortgage lender. You will also have to pay household outgoings such as utility bills.

Schedule 11 (Solicitor's Pack)

London Area

HCA Operating Area
London
Local Authority
Hounslow
Southwark
Barnet
Harrow
Ealing
Lambeth
Kingston upon Thames
Croydon
Lewisham
Enfield
Merton
Greenwich
Redbridge
Richmond upon Thames
Waltham Forest
Bexley
Sutton
Bromley
Havering
Brent
Hillingdon
Westminster
Wandsworth
Camden
Hackney
Barking and Dagenham
Hammersmith and Fulham
Haringey
Tower Hamlets
City of London
Kensington and Chelsea
Islington
Newham