



Homes &
Communities
Agency

Help to Buy

House Builder and Developer Participation Guidance

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Ministerial Foreword

I am delighted to welcome the publication of house builder registration details for Help to Buy by the Homes and Communities Agency.

The Government wants both current and future generations to experience the benefits of owning their own home, in the same way their parents and grandparents were able to. Since the financial crisis, larger deposit requirements and falling equity values mean many credit-worthy households cannot get a mortgage, or are trapped in their existing homes unable to take the next step.

The Government will support these households through Help to Buy; a package of measures to increase the supply of low-deposit mortgages for credit-worthy households, increase the supply of new housing and contribute to economic growth. The Help to Buy equity loan scheme will provide £3.5bn of investment in England to help support up to 74,000 home buyers, as well as providing a boost to the UK's construction sector.

The measures announced by the Chancellor show this Government is serious about rolling its sleeves up and doing it all it can to support families and individuals secure homes. They provide a comprehensive plan to support the biggest expansion of the supply of housing this country has seen in a generation. That means more new housing options around the country and more young families able to realise their dreams and get on the housing ladder.

The Government is putting the industry on notice that because of this help to individuals and families, it expects that there will be increased demand for new homes.

This registration document is an invitation to all house builders and developers. I would especially encourage small and medium sized house builders to consider the opportunities this provides for delivering more homes.

This Government is committed to supporting people acquiring new homes across England. We are also putting in place the conditions, such as cutting back on the planning requirements, which will enable house builders to provide the homes that people need, in the places where they want to live.

A handwritten signature in black ink, appearing to read 'Mark Prisk', with a horizontal line underneath it.

Mark Prisk MP
Minister for Housing

Introduction

The publication of this Guidance opens the door to all house builders and developers who want to work with the Homes and Communities Agency (HCA) to deliver Help to Buy assistance to new home buyers.

The Help to Buy initiative builds on the success of previous initiatives which have already seen over 10,000 buyers commit to purchase.

This document sets out details for the HCA's "Help to Buy" initiative and invites house builders and developers to register as participants in the initiative and to identify where they can bring forward more homes for sale to purchasers who wish to buy with a Help to Buy equity loan.

The additional investment in Help to Buy is part of the Government's wider proposals to boost support for home buyers by assisting them to buy a new home. Help to Buy is aimed at assisting deposit constrained home buyers to realise their home ownership aspirations and in stimulating demand, maintaining capacity in the house building industry.

Help to Buy makes new build homes available to purchasers who are unable to purchase a home at an affordable rate without assistance – for example those who do not have sufficient capital to use as a result of deposit requirements – but who could otherwise be expected to sustain a mortgage.

Registration to participate is a simple process and can be achieved at any time. We look forward to receiving your applications.

A handwritten signature in black ink, appearing to read 'RHill', with a horizontal line underneath.

Richard Hill, Interim Chief Executive, Homes and Communities Agency

Help to Buy overview

1. Government Help to Buy funding is now available to assist all buyers purchase a new home by end March 2016. The maximum property price for Help to Buy is £600,000.
2. The assistance will be offered to purchasers via those new-build house builders and developers registered for the scheme on development sites all over England (referred to below as **Providers**). This registration document applies across England until 2016 and. For details of Help to buy options in Wales and Scotland please visit Helptobuy.org.uk
3. Help to Buy demand will be consumer-led (within available funding). All Providers will be expected to offer Help to Buy on all their new build homes which have a value up to the maximum purchase price permitted by the initiative.
4. Providers can make sales to eligible purchasers from April 2013 to the end of March 2016 (within available funding). Annual caps will be agreed with registered house builders, and will be subject to review.
5. This document sets out the registration process for HCA's Help to Buy scheme for England. It also includes the arrangements that are in place for London. The HCA will administer the Help to Buy scheme on behalf of the Greater London Authority until March 2016.

Product overview

6. New home purchasers will be able to access an equity loan of up to 20% (minimum 10%) of the purchase price subject to a maximum purchase price of £600,000. The equity loan will be funded by the HCA. There is no cap on the buyer's household income.
7. Help to Buy home purchasers will be required to raise funding, (a mortgage plus any deposit where available) of at least 80% of the purchase price. The home buyer's mortgage loan will be secured as a first charge on the property in the usual way and will rank ahead of the HCA's charge in relation to the equity loan provided by the HCA. Help to Buy home purchases must also have a minimum deposit of 5% of the value of their new home.
8. The form of equity mortgage will be prescribed by the HCA. It will follow the form of equity mortgage used in relation to the former "FirstBuy" equity loan product, which is already familiar to lenders, financial advisors and solicitors. Use of a standardised equity mortgage will simplify the conveyancing process; make the product more attractive to lenders and coherent to potential home buyers. Each equity loan term is 25 years

subject to earlier repayment on any sale of the property. Voluntary repayment may also be made at any time.

9. Providers will receive the sale price for the purchased properties through a combination of the purchaser's own funds (including mortgage finance) and the Help to Buy assistance to the purchaser. The HCA's contribution will be made available to the Provider at legal completion of the purchase. Payments from the HCA will be made through the HCA Investment Management System (IMS). Smaller providers forecasting 40 sales or less see point 18.
10. [HCA first published this guidance in March 2013. Since then, in March 2014, Government made a second announcement extending the Help to Buy equity loan scheme to 2020 with the intention of assisting up to a further 120,000 purchasers. HCA is continuing to take registrations from Providers seeking to deliver the scheme and will currently agree sales forecasts up to the end of March 2016.]

Help to Buy registration

11. All house builders and developers of new build homes (including Registered Providers) are eligible to register to participate in the Help to Buy initiative. Organisations do not have to be qualified as HCA Investment Partners. Help to Buy registration is simple and Providers are required to satisfy the following three requirements:
 - a. Confirmation of potential Provider details, company name registered office and number etc.
 - b. Provision of proposed forecast Help to Buy sales by local authority area and estimated market value. Sales forecasts must be provided for every quarter until the end of March 2016 (subject to available funding).
 - c. Confirmation of acceptance of contractual terms to make Help to Buy sales.
12. Registration must be completed on the standard pro-forma application form www.homesandcommunities.co.uk/Help-to-Buy
13. HCA will review registrations and determine if the application is compliant. Potential Providers will be asked to provide confirmation that the proposed sites they are putting forward are within the legal ownership of the applicant (or that they have sufficient control of the land to procure a compliant sale using the Help to Buy product) and that they are in a position to comply with the terms of the HCA's standard form contract for the provision of the Help to Buy funding to purchasers. Potential Providers who are unable to give these confirmations may have their registration application rejected. No application will be rejected without prior discussion to seek to resolve any issues.
14. HCA will review the applicant's proposed forecasts for achieving purchaser legal completions with the Help to Buy product and will determine an agreed sales forecast for the Provider. HCA will use estimates of Help to Buy demand nationally and availability of funding to agree these forecasts. Agreed sales forecast may be fewer than submitted by the Provider in its registration application.
15. The agreed quarterly and annual forecasts for legal completions of house purchases will be appended to the Help to Buy agreement and will form the basis of contractually binding delivery obligations for the Provider (subject always to consumer demand). HCA will not approve any forecasts for sales which are to complete after 31 March 2016. For the avoidance of doubt, all purchaser legal completions must be achieved by 31 March 2016.

16. Homes which have been previously occupied either by an owner occupier or a tenant before sale may not be purchased with Help to Buy assistance.
17. Help to Buy Homes must benefit from an NHBC or equivalent guarantee and must meet building regulations and other applicable guidance.
18. Homes developed to fulfil S106 obligations are not eligible for Help to Buy assistance. They must be market sale homes. Because Help to Buy assistance is offered to the buyer all new build market sale units up to £600,000 purchase price are eligible. This applies if the developer is in receipt of other HCA funding support e.g. Get Britain Building.
19. There is no minimum number of homes requirement for participation by Providers in the Help to Buy initiative. Providers with fewer than 40 forecast sales in a year, and who are not already registered to use IMS will be offered alternative arrangements for receiving payment and administering the investment management system.

Provider Help to Buy forecast performance management

20. Providers will be required to enter into a signed contract with the HCA covering the terms on which equity loans will be made available for individual purchases and for the administration of payment. The contract includes the ability for the HCA to vary Provider forecasts. The HCA will utilise this provision where necessary to ensure consumer demand is met and to enable full delivery of the programme in a timely fashion.
21. HCA will require Providers to provide monthly monitoring information including: progress against forecasts, enquiries, reservations and sales achieved. Transaction-based data will be gathered via the HCA's online IMS system. Providers will be contractually obliged to update IMS in a timely fashion.
22. Provider performance will be reviewed monthly. Providers failing to meet their forecast sales due to lack of consumer participation will have their sales forecasts reduced. Providers that exceed their forecasts as a result of high consumer interest in their properties will have the opportunity to agree increased forecasts (subject to future purchaser demand and funding being available).
23. In submitting a registration application for Help to Buy based on this document, potential Providers will be deemed to accept the requirements contained within the standard form agreement.

Consumer Credit Act compliance

24. Potential Providers should note that their role in administering the Help to Buy equity loans in conjunction with the HCA is no longer classed as "credit brokerage" for the purposes of the Financial Conduct Authority's regulatory requirements..This means that Providers do not need to apply to obtain authorisation from the FCA in order to participate in the regime. The FCA took over the regulatory role for Consumer Credit related activities from the Office of Fair Trading on 1 April 2014 and as a result the OFT also no longer has a role in regulating the Help to Buy product for the purposes of the Consumer Credit Act)
25. Providers are reminded that in any event they are required to comply with the Advertising Regulations issued under the Consumer Credit Act. Providers are encouraged to take their own legal advice in relation to these regulations and the promotion of the Help to Buy equity loan product.

Marketing

26. HCA recognises that Providers will have considerable expertise in the area of sales and marketing of newly built homes. However, we are keen to ensure that the customer receives a consistent message about Help to Buy from all Providers. The HCA will not seek to agree individual marketing strategies, but Providers will need to meet the following fundamental parameters:

- Logo guidelines from HCA must be applied.
- Marketing material must include accurate descriptions of Help to Buy (including any text prescribed by the HCA).
- Promotional material must not be misleading for the customer.
- HCA expects Providers to actively market Help to Buy to meet their forecast sales.
- Marketing and promotional materials must comply with the FCA's (and any successor body's) requirements in relation to regulated Consumer Credit activity.
- Prospective purchasers must be provided with a Help to Buy Buyers' Guide.

London arrangements

27. This document sets out the registration process for HCA's Help to Buy scheme for England. The Greater London Authority has delegated the management of Help to Buy in London to the HCA until the end of March 2016. Providers wishing to make sales in London must submit their forecast sales for London to HCA on the standard registration form.

Help to Buy equity loan details

Valuations and the purchase price

28. To ensure properties are sold at market value, the selling price must match the main mortgage lender's independent valuation. It is a requirement of the Help to Buy product that purchasers take out and maintain a first charge loan with a qualifying lender.
29. Incentives are excluded from the assessment of the market value for the purposes of calculating the amount of equity the HCA will invest (i.e. the investment equity calculation is undertaken on the purchase price after incentives have been discounted).
30. Incentives could include the payment of fees or provision of white goods. Incentives will need to comply with Council of Mortgage Lenders (CML) guidance and not exceed 5% of the purchase price and therefore impact on the valuation of the property. Providers will also be required to use the CML disclosure of incentives form which is available to download at www.cml.org.uk/cml/policy/issues/1223. For avoidance of doubt, "assisted move" packages or equivalent offered to purchasers are always deemed to be incentives and must be disclosed on the CML form.

Charges on the equity loan

31. Help to Buy purchasers will not pay a fee on the HCA equity loan for the first five years. From the beginning of year six an annual fee of 1.75% will be levied on the equity loan payable in monthly instalments. The annual fee of 1.75% of the market value of the property at the time of sale will be uplifted by RPI + 1% p.a.

Future sales or equity loan redemptions

32. If a buyer opts to sell the property prior to the redemption date (of 25 years), or redeems their main mortgage prior to that period (without immediately refinancing) the equity loan is to be repaid. The amount payable is based on the relevant percentage share of the market value of the property at the time the loan is repaid. Owners may redeem the equity loans ("staircase out") at any time in full or in part, earlier, if they wish. The minimum amount for equity loan redemption will be 5%.

An example of how Help to Buy will work in a rising market is as follows:

- Initial purchase
 - Purchase price: £200,000
 - Mortgage: £150,000 (75%)
 - Deposit: £10,000 (5%)
 - Equity loan: £40,000 (20%)

For the first five years the equity loan is charge free.
At the start of year 6 an equity charge is levied of 1.75% rising at RPI + 1% per year.

- Sale after 5 years
OMV: £210,000 (a 5% uplift in value).
Mortgage repayment: £150,000.
Equity loan: 20% of OMV = £42,000

Remainder available to the purchaser to use as a deposit = £18,000 for their next purchase.

33. HCA recognises that the value of homes can also fall. It is intended that HCA will accept the equity depreciation as well as the benefit from any appreciation. Therefore, as long as an owner has otherwise complied with the terms of the mortgage, the HCA will not pursue the owner for payment if there is a shortfall when the mortgage is redeemed.

34. As the equity loan is a second charge, the first lender will always recover up to the full amount due under its loan before the second charge holder has any rights to the proceeds of the sale. In circumstances where house prices have fallen since the initial purchase, Help to Buy provides an extra cushion for the homeowner against negative equity.

35. We believe that this offer will make Help to Buy attractive to purchasers and will help them acquire new build homes.

An example of how Help to Buy will work in a falling market is as follows:-

- Initial purchase
Purchase price: £200,000.
Mortgage: £150,000 (75%).
Deposit: £10,000 (5%)
Equity loan: £40,000 (20%).

For the first five years the equity loan is charge free.
At the start of year 6 a low equity charge is levied of 1.75% rising at RPI + 1% per year.

- Sale after 5 years
OMV: £180,000 (a 10% fall in value).
Mortgage repayment: £150,000.
Equity loan: 20% of OMV = £30,000.

The HCA absorbs a £10,000 loss. The purchaser receives no capital and loses their deposit.

Applicant affordability criteria

36. Help to Buy is targeted at providing support for first time buyers and those selling to move up the property ladder.
37. Applicants for Help to Buy will be required to undergo an affordability check with a HomeBuy Agent, to ensure they can afford to sustain home ownership.
38. The maximum equity loan which a purchaser will be able to access is 20%. However, the purchaser may wish to maximise the amount of their contribution (mortgage plus deposit) which they can reasonably afford. Where this is the case, the minimum (total) equity loan allowable will be 10% combined with 90% finance (mortgage plus deposit) to fund the purchase.
39. Main lender mortgage deposit requirements will vary but as a minimum, buyers must contribute at least 5% deposit of the full purchase price. Main lender mortgages must always be on repayment basis. Purchasers are not permitted to take out an interest-only mortgage.

Role of HomeBuy Agents

40. HomeBuy Agents will review applications from potential buyers and determine whether applicants meet the minimum affordability criteria for assistance through Help to Buy.
41. HomeBuy Agents undertake an affordability check designed to ensure that an applicant can afford their financial contribution to the purchase. This is based on a maximum of 45% for housing costs as a proportion of net available income. HCA believes this approach provides a robust assessment of an applicant's ability to afford and sustain home ownership in the long term and protects tax payer assistance to purchasers.
42. HomeBuy Agents will issue their approval for a Help to Buy purchase to proceed to the applicant and the registered house builder Provider.
43. Potential purchasers will be strongly encouraged to seek independent financial and legal advice before they purchase. Local HomeBuy Agents and Providers will often be able to 'signpost' purchasers to potential advisors although potential purchasers are not restricted in their choice of advisors. However, Local HomeBuy Agents will have the final say in

determining whether a buyer is deemed to be able to satisfy the affordability and eligibility criteria for the Help to Buy product.

44. The Local HomeBuy Agent network is contracted to the HCA to the end of March 2016.

45. A Post Sales HomeBuy Agent (Housing Options Plus – HOP) is engaged by the HCA to collect the interest charges for each of the equity loans once those become due, and to deliver after sales services.

Submitting a registration application

46. House builders and developers should use the standard form Excel registration application for <http://www.homesandcommunities.co.uk/help-to-buy> Once complete it should be submitted to: HelptoBuy@hca.gsi.gov.uk

There is no closing date for registration but HCA will not consider applications if the forecast sales cannot be met by March 31st 2016 or if funding is no longer available.

Key contacts

47. The first point of contact for registration applicants is HCA area investment teams. HCA area office details are set out below.
48. For general registration process enquiries or general questions about the operation of the scheme, applicants are invited to email the HCA at HelptoBuy@hca.gsi.gov.uk.
49. All registration applications must be sent to HelptoBuy@hca.gsi.gov.uk

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