

Homes England

Help to Buy equity loan

New guidance for mortgage brokers and advisors

Help to Buy Agent sustainability calculator and mortgage lender “follow-on” rates

1. **Brokers and advisors have a key role in offering new improved Help to Buy customer journey**
 - a. Homes England Help to Buy has today released a new “unlocked” version of the Help to Buy equity loan sustainability calculator
 - b. This is available to brokers and advisors to use with customers before they make their Help to Buy equity loan reservation application to the Help to Buy Agent.
 - c. The earlier check gives brokers and advisors the confidence to focus on supporting quality informed Help to Buy applications and progress them sooner and with more certainty for customers.
 - d. It maintains lending choices for customers consistent with broker and advisors achieving the best customer outcomes.
 - e. The release of the calculator to brokers includes more guidance on the input of main lender “follow-on” rates. This is focussed on giving more assurance that brokers understand the policy context and that “follow-on” rates alone must not drive lending choices.
2. **Using the calculator to check eligibility before the customer applies**
 - a. Homes England encourages all brokers and advisors to input their customer case details to get an immediate indication of their likely sustainability eligibility for Help to Buy before it is assessed by the Help to Buy Agent.
 - b. The new, improved approach includes allowing brokers and advisors to input the customer’s likely “follow-on” or applicable Standard Mortgage Rate / Standard Variable Rate to the calculator. The rate should be input if it is higher than the current assumed (July 2019) calculator rate of [4.8%].
 - c. Previously brokers and advisors were prevented from doing this, which created unnecessary uncertainty about their customer’s sustainability eligibility.
 - d. The changes made today mean that brokers and advisors can use their professional judgement to select the most likely follow-on rate from their lending recommendation(s) and if it is higher than [4.8%] get an early indication of Help to Buy sustainability eligibility for that lending choice.
 - e. This will give better outcomes for customers by reducing the chances of sustainability check failure later in the process, for example, after a mortgage offer. It means brokers and advisors can offer a better service to customers with more certainty of outcomes.

- f. The new, unlocked calculator means brokers and advisors can assess customer circumstances and make fully-informed lending recommendations.
- g. A key message for brokers is that all parties are committed to getting the best outcomes for Help to Buy customers. This will be improved by earlier sustainability assessment and the new “opened” calculator allows this to happen. This new approach means that single factors e.g. a lender’s “follow-on” rate should not be driving customer lending choices. The calculator is a holistic assessment of Help to Buy sustainability.

3. What do brokers and advisors need to do?

- a. Download the calculator and guidance
- b. Brokers and advisors should input the calculator’s income and expenditure requirements. Brokers and advisors should also input the likely “follow-on” rate of their lending recommendation.
- c. If the sustainability check is passed, brokers and advisors should ensure the customer submits the calculator confirmation with their Help to Buy Property Information and builder reservation forms to the Help to Buy Agent.
- d. Where the initial calculator check identifies problems, the broker can review with the customer and verify inputs.
- e. The Help to Buy Agent will check the submitted reservation application and the calculator submission. If it meets the scheme’s requirements. The Help to Buy Agent will issue an Authority to Proceed (ATP) to the customer.
- f. The ATP is the start of the conveyancing process and brokers and advisors should ensure that the customer’s full mortgage application is submitted at this point.
- g. If the resulting mortgage offer has the same follow-on rate (or a follow-on rate lower than the current assumed (July 2019) calculator rate of 4.8%) as submitted in the application the case will proceed to exchange subject to the usual Help to Buy Agent approval.
- h. If the resulting mortgage offer has a follow-on rate higher than submitted in the calculator rate, the application will be re-checked by the Help to Buy Agent. When brokers and advisors are aware that the mortgage offer will have a higher follow-on rate, they can also request an immediate confirmation of eligibility from the Help to Buy Agent. Agents will produce this by close of business the next working day following receipt of a request).
- i. The use of the Calculator is only for the Help to Buy Equity Loan, lenders will continue to perform their own affordability assessment which is totally separate from this process.

4. FAQs

- a. Where do I get the calculator?**
- i. It's available [here](#) and should be downloaded each time it is used to ensure you are always using the latest version.
- b. How do I use it?**
- i. It's a simple Excel document and you input customer details to the white cells. There is guidance [here](#). The completed calculator gives a pass/fail result and you can print out a copy. This should always be submitted to the Help to Buy Agent with the Help to Buy Property Information and builder reservation forms.
- c. Will this make the process longer for customers?**
- i. No. It will make the process more efficient and certain for customers with less chance of delays later in the process. The early engagement with customers and brokers and advisors means you can achieve the best outcomes for them with even more certainty.
- d. What do you mean by “follow-on” rate?**
- i. It's the rate that will immediately apply after the initial mortgage product expires. It may be the lender's Standard Mortgage Rate e.g. SVR or another rate (e.g. Discounted Rate). In all cases, it is the rate that immediately follows the initial mortgage product expiry that should be input to the calculator. Example: for a stepped rate product where interest is charged at 2% in year 1 and 3% in year 2, followed by SVR at 5%, the rate to be input would be 5% the rate to take effect upon expiry of the product.
- e. Why is this in the calculator?**
- i. Mortgage brokers and advisors are familiar with the Government's separate sustainability check carried out for each Help to Buy applicant by the Help to Buy Agent. The calculator's purpose is to check long term sustainability for Help to Buy customers. This is to protect Government's investment and avoid mortgage default by Help to Buy equity loan borrowers.
- f. What's the significance of the [4.8%] follow on rate already in the calculator?**
- i. The Homes England calculator “follow-on” rate is currently 4.8% this is assessed by Homes England and reflects well over 90% of first charge lending for Help to Buy. Homes England does not apply a “stressed” rate above this in the calculator.
- g. Is the best outcome for customers to just avoid recommending lenders with follow-on rates higher than [4.8%]?**
- i. No. That is not in the best interest of customers and should never be the driver of lending choice. Using the unlocked calculator means brokers and advisors can offer a better service to customers with more certainty of outcomes. The new, unlocked calculator means brokers and advisors can assess customer circumstances and make fully-informed lending recommendations. It is not a material factor

requiring a change to first charge mortgage lender policies or mortgage broker/advisor lending choices to customers.

- h. What happens if lenders change their follow-on rates after the mortgage offer is issued?**
 - i. No change. The approval ATP will be honoured (assuming the offer has not changed or expired) by the Help to Buy Agent. A reassessment will not be required where non material changes to the offer have occurred i.e. Post code amendment etc
 - ii.
- i. When does Homes England review the [4.8%] default follow-on rate in the calculator?**
 - i. Every six months or after a Bank of England rate change if sooner.
- j. If it looks like the mortgage offer will have a higher rate than I input to the calculator that was passed and approved by the Help to Buy Agent, what should I do?**
 - i. You can re-check the calculator yourself [[here](#)] or ask the Help to Buy Agent to re-check it.
- k. How long will this take?**
 - i. Agents should be able to do this by close of business the next working day following receipt of a request).
- l. Can a customer appeal if they fail the calculator check?**
 - i. Only if they have grounds that the check was administered incorrectly by the Help to Buy Agent and this led to them failing. The policy is very clear that customers that fail the sustainability check cannot purchase with Help to Buy. It is not in their interests to do so.
- m. What will the customer see on the ATP?**
 - i. The customer's ATP includes the following wording:
 - ii. This ATP means you can now proceed to submit a mortgage application to a lender.
 - iii. If you continue and secure a first charge lender mortgage offer with a variable follow-on rate (the variable rate applied after the initial product rate expires) higher than 4.8%, or the rate already advised to us you MUST inform your Help to Buy Agent. This is because it is above the rate that has been used to assess and approve your case.
 - iv. The Help to Buy Agent will then run a second sustainability calculator check with the higher rate. If this calculator check is failed, the Help to Buy Agent has the right to decline Help to Buy funding and the ATP will be withdrawn. The Help to Buy Agent will at all times act reasonably having regard for the circumstances of each case.
 - v. If your first charge lender mortgage offer with a variable follow-on rate (the variable rate applied after the initial product rate expires) is higher than 4.8% and you do not inform your Help to Buy Agent, the Agent will always check the mortgage offer details submitted later in the buying process when your conveyancer requests the Approval to Exchange (ATE).

- vi. If at this point the variable follow-on rate (the variable rate applied after the initial product rate expires) is higher than 4.8% the Help to Buy Agent will then run a second sustainability calculator check with the higher rate. If this calculator check is failed, the Help to Buy Agent has the right to decline Help to Buy funding and the Approval to Exchange contracts will not be given. The Help to Buy Agent will at all times act reasonably having regard for the circumstances of each case.