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Governor
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HELP TO BUY: MORTGAGE GUARANTEE SCHEME

Thank you for your letter setting out the conclusions of the Financial Policy Committee's (FPC) review of the Help to Buy: mortgage guarantee scheme. I was pleased to see the Committee's conclusions that the scheme does not pose material risks to financial stability in the UK and has not been a material driver of recent house price growth.

I asked the FPC to assess on an annual basis the impacts of the scheme and whether its key parameters (the house price cap and commercial fee charged to lenders) remain appropriate. I have always been clear that this assessment is an important safeguard to ensure that the scheme delivers for the UK housing market in a way that is compatible with financial stability. As you note, this annual review does not in any way constrain the ability of the FPC to make recommendations about the Help to Buy scheme at any time, if it felt that the scheme posed a risk to financial stability.

I was pleased to see that Official Statistics on the use of the scheme published on 2 September confirm that the scheme continues to support responsible lending to first-time buyers across all regions of the UK on properties well below the average UK house price. Against this background, I welcome the FPC's assessment of the scheme's impacts.

I can also confirm that participating lenders have today been informed that the commercial fees charged for use of the scheme in 2015 will remain at their current levels. The fees for 2015 will be 28 basis points for loans in the 80-85% LTV band, 46 basis points in the 85-90% band and 90 basis points in the 90-95% band.

GEORGE OSBORNE