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HOMES ENGLAND
HELP TO BUY EQUITY LOAN 2021-23
HOUSE BUILDER BRIEFING
INVITATION TO PARTICIPATE (SUBJECT TO CONTRACT)
AUGUST 2020

1. Purpose

- a. House builders are familiar with the NEW Help to Buy equity loan product for 2021-23 as confirmed by Government and Homes England in February 2020.
- b. This briefing sets out the first steps for house builders wishing to apply to participate in the new product 2021-23. House builders will therefore be required to enter into a new Funding Administration Agreement with Homes England.
- c. House builders are reminded that the scheme which will run from 2021-23 is new and separate from the current Help to Buy that ends in March 2021.
- d. This means builders cannot participate in the new scheme, market, or offer it to customers until they are fully in contract with Homes England under the new Help to Buy 2021-23 Funding Administration Agreement. House builders that do not comply with this will have their registration applications rejected.

2. Registration application

a. Stage one,

- i. House builders must consider the Help to Buy 2021-2023 Participation Guidance and new Draft Help to Buy Equity Loan 2021-23 Funding Administration Agreement (FAA) published with this invitation briefing.

b. Stage two

- i. Using the proforma annexed to this briefing as a guide, builders should prepare a quarterly sales forecast (purchaser legal completions) for the year 2021-22 (April to March), taking note of the requirements in the Participation Guidance and FAA, for example:
 1. First time buyer eligibility;
 2. Restricting leasehold flat ground rents to a peppercorn;
 3. the building regulation requirements; and
 4. the regional price caps.
- ii. All these and other requirements in the Participation Guide and FAA may be factors that influence forecasts, and house builders must give these their full consideration before compiling an estimate and submitting their forecast request proposals to Homes England.

The proforma is not required to be submitted to Homes England.

This is intended to assist house builders to prepare for inputting their forecast proposals to Homes England's Forecast Management Module (FMM) which will be opening shortly.

- iii. House builders who have delivered significant levels of Help to Buy sales over the past 2 years (more than 500 in a year) must also complete, sign off and return a standard Homes England business plan verification template to be supplied as applicable. This is included in the ANNEX to this briefing.
- iv. Homes England will notify builders when FMM will accept Help to Buy 2021-23 forecast estimates.

c. Stage three

- i. Anticipating commencing from mid-September, Homes England will carry out its due diligence and begin its first forecast and contracting formalities.
- ii. It is expected that the customer documents e.g. Buyers' Guide will be published shortly, and builders will be notified as soon as they become available.

d. Stage four

- i. From mid to end October to December it is anticipated that the first builders fully in contract with agreed forecasts for 2021-22 will be able to market the new product and customers will be able to submit reservations to the Help to Buy Agent for assessment. House builders will be able to continue to register throughout the year in response to customer demand.
 - ii. Reservations will not be accepted by the Help to Buy Agent unless:
 1. the house builder is fully in contract (including satisfying all conditions precedent); and
 2. provided the earliest legal completion date will not be before April 2021.
- e. Further briefings and documents will be released in line with these stages as applicable, but timings may change, and Homes England can vary this timetable at its absolute discretion.

Homes England Help to Buy 2021-23

August 2020

ANNEX 1

Forecast estimate pro-forma

Region & local authority area	Maximum equity loan	Forecast HTB legal completions 2021-22	Total forecast equity loan funding required	Forecast HTB legal completions Q1 2021-22 (from April 2021)	Q2 2021-22	Q3 2021-22	Q4 2021-22
East (cap £407,400)	£81,480						
Peterborough		12	£450,000	3	3	3	3
LA 2							
LA n							
East Midlands (cap £261,900)	£52,380						
LA 1							
LA 2							
LA n							
London (cap £600,000)	£240,000						
LA 1							
LA 2							
LA n							
North East (cap £186,100)	£37,220						
LA 1							
LA 2							
LA n							
North West (£224,400)	£44,880						
LA 1							
LA 2							
LA n							



Region & local authority area	Maximum equity loan	Forecast HTB legal completions 2021-22	Total forecast equity loan funding required	Forecast HTB legal completions Q1 2021-22 (from April 2021)	Q2 2021-22	Q3 2021-22	Q4 2021-22
South East (cap £437,600)	£87,520						
LA 1							
LA 2							
LA n							
South West (cap £349,000)	£69,800						
LA 1							
LA 2							
LA n							
West Midlands (cap £255,600)	£51,120						
LA 1							
LA 2							
LA n							
Yorkshire and The Humber (cap £228,100)	£45,620						
LA 1							
LA 2							
LA n							

ANNEX 2

Homes England business plan verification template (for builders with >500 annual forecast HTB sales)

MARKET SENSITIVE CONFIDENTIAL INFORMATION
2021-22 Homes England
Help to Buy equity loan programme forecast verification

1. This confidential forecast has been prepared by and submitted for:

[Company Name]

[NP Code]

2. It is based on its approved business plans covering 2021-22 (April 2021 – March 2022).
3. The forecast comprises the number of Help to Buy equity loan purchaser legal completions and value of equity loans expected to legally complete in 2021-22 (April 2021 to 31 March 2022) alongside to total number of Market Sale homes (including Help to Buy homes) forecast to legally complete in the same period 2021-22.

4. Forecast purchaser legal completions 2021-22

Forecast number Help to Buy purchaser legal completions 2021-22 April to March	House builder business plan forecast number market sale purchaser legal completions 2021-22 April to March (Business plan used to support public announcements to shareholders, funders other stakeholders)	% of HTB of total market sale homes
2021-22 Growth on Help to Buy legal completions achieved in 2019-20	2021-22 Growth on all market sale legal completions achieved in 2019-20	N/A
2021-22 Estimated growth on Help to Buy legal completions to be achieved in 2020-21	2021-22 Estimated growth on all market sale completions to be achieved in 2020-21	Revised forecast for <u>total 2020-21</u> completions and equity loan £
		Completions £
Forecast total market sales £ value of Help to Buy purchaser legal completions 2021-22 April to March	Forecast total market sales £ value of market sale purchaser legal completions 2021-22 April to March	

Forecast total equity loan £ value of Help to Buy purchaser legal completions 2021-22 April to March i.e. the value of the 20 (or 40)% equity loan		
	N/A	N/A

1. This forecast is compiled from:
 - a. Core data on forecast purchaser legal completions for the period April 2021 to end March 2022 from company approved forecast profit and loss accounts (at the time of the submission).

2. The Help to Buy forecast is based on the supply of stock projected to come forward across a range of outlets including:
 - a. Live outlets with stock or phases projected to deliver purchaser legal completions during 2021-2022;
 - b. New sites in our control with outline or detailed consent where we expect to open sales outlets during the year and achieve purchaser legal completions in 2021-22;
 - c. Help to Buy 'eligible units' which will reach practical completion by 31 December 2021.

3. The 2021-22 Help to Buy purchaser legal completions forecast is directly and proportionately related to the market sale purchaser legal completions forecast and in making this estimate we have considered:
 - a. An assessment of likely market conditions and the specific absorption rates of local markets;
 - b. Planned growth of the number of sales outlets;
 - c. Progress of sites through planning, no unexpected legal or regulatory constraints;
 - d. Projected start dates and build periods' factoring in labour and material supply needs;

- e. 'Seasonal' variations to customer demand;
 - f. House price inflation; and
 - g. Help to Buy timescales integral to the closing of the final year of the programme (all units must reach practical completion by 31 December 2021).
4. Market sales values are based on:
- a. Values from company approved forecast profit and loss accounts or release prices for those outlets already open;
 - b. Approved business objectives and business plans applying for 2021-22;
 - c. A site-by-site assessment and then averaged across local authority areas; and
 - d. A company "sense check" against historic achieved Help to Buy purchaser legal completions.
5. **Approval**
- a. This forecast Help to Buy purchaser legal completions and equity loan funding for 2021-22 has been submitted without change to Homes England's forecast management module is approved by:
 - b. **[Company Name]**
 - c. **[NP Code]**
 - d. Chief Executive
[Name]
 - e. Signed
 - f. Date

MARKET SENSITIVE CONFIDENTIAL INFORMATION