

For information, help and advice, telephone or email us today or visit our website:

0800 028 1980

The advice team is available to take your call between Monday & Friday, 9am - 5.30pm

enquiries@afhos.co.uk

www.afhos.co.uk

The website is packed with information.

We look forward to hearing from you.

Swaythling Housing Society
Collins House
Bishopstoke Road, Eastleigh
Hampshire SO50 6AD

Armed Forces
Home Ownership Scheme

www.afhos.co.uk



Armed Forces Home Ownership Scheme (Pilot) Buyers' Guide

Armed Forces
Home Ownership Scheme

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Swaythling Housing



The Armed Forces Home Ownership Scheme is administered by The Swaythling Housing Society on behalf of the Homes and Communities Agency.

Please note that the market value of the home you buy can go up or down and your home is at risk if you do not keep up the repayments on a mortgage or other loan secured on it.

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Swaythling Housing



The Armed Forces Home Ownership Scheme is administered by The Swaythling Housing Society on behalf of the Homes and Communities Agency.

What is the Armed Forces Home Ownership Scheme (Pilot)?

The Armed Forces Home Ownership Scheme is an affordable housing product, managed and delivered by the Homes and Communities Agency (HCA), working in partnership with funding from the Ministry of Defence. It is a pilot scheme designed specifically to provide assistance for regular serving members of the British Armed Forces, who meet certain eligibility criteria, to purchase a home best suited to their needs, on the open market.



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The Armed Forces Home Ownership Scheme (AFHOS) is available only in England and is delivered through Swaythling Housing Society the appointed Scheme Agent. **Swaythling Housing Society** will manage the scheme on behalf of the Homes and Communities Agency and provide after sales service.

This guide provides you with an introduction to AFHOS. If you'd like to know more, or are interested in applying, please contact **Swaythling Housing Society** the Scheme Agent (see page 24 for contact details).

As with any conventional mortgage, homes purchased through AFHOS could be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.

As an approved applicant for AFHOS you are recommended to seek independent financial and legal advice to ensure that this scheme will meet your needs.



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Armed Forces Home Ownership Scheme



Overview

With the Armed Forces Home Ownership Scheme, you are able to buy a home on the open market with the benefit of assistance from the government (through the Homes and Communities Agency (HCA)). Approved applicants must take out a first mortgage (with a qualifying lending institution). This mortgage and any deposit must be a minimum of 50% of the full purchase price.

The HCA provides assistance of between 15% and 50% of the value of the home being bought, to make up the cost of the home, up to a maximum of £75,000.

The maximum value of home the scheme can assist with is £300,000. This assistance is secured against the property as a Second Charge, in favour of the HCA, and is taken over the home to protect the funding being provided to the buyer. This is referred to as "the Second Charge". The remainder of the purchase price will be met by way of a conventional mortgage, from any regulated mortgage provider, and any deposit the qualifying applicant can put towards the purchase. All high street lenders are regulated mortgage providers. The Second Charge must be repaid in full when you sell, except where it has been agreed by Swaythling in advance, that the home owner can 'port' the contribution made by the HCA. The Second Charge can be repaid in whole or part at any time, after a period of 3 months from the point of initial purchase, during the duration of the 25 year term.

No fees are payable on the Second Charge whilst you remain a regular, serving member of the Armed Forces, unless your place of work is more than

a reasonable travelling distance from the home you purchase. However, if you leave the regular Armed Forces, or in the event of death in Service, certain fees are payable which are detailed later in this guide.

If you purchase a home through AFHOS, you will have 100% legal title to your home and you are free to sell it, at any time, on the open market; provided that, as with your high street mortgage, you redeem the Second Charge.

Swaythling Housing Society acting as Scheme Agent on behalf of the Homes and Communities Agency, will assess and approve your eligibility for AFHOS, and you need to be confirmed as eligible before you proceed with the buying process. Having bought your property, Swaythling will also be available for all after sales matters.

Further details on all these points and the buying process are set out within this guide.



1. A Second Charge can be thought of as being a second mortgage on a property, which ranks in order of priority behind the 1st charge of the conventional lender who has provided your mortgage.
2. Porting of Second Charges is a specific flexibility afforded under this scheme in recognition of the fact that regular serving members of the Armed Forces are often required to move as a result of their employment needs. In order to port a Second Charge the home owner must intend to remain in the Armed Forces and to be unable to afford to purchase without the benefit of the Second Charge. Swaythling Housing Society will determine requests to port Second Charges and a charge of £1500 will be payable to Swaythling.

How does it work?

The Armed Forces Home Ownership Scheme enables qualifying Service personnel to purchase a property on the open market, suited to their needs up to a maximum value of £300,000, with a conventional mortgage and with help from the HCA in the form of an equity loan secured against the property as a Second Charge.

The HCA has an entitlement to a share of the future sale proceeds equal to the percentage contribution provided to assist buyers.

This enables eligible Service personnel to take out an affordable high street mortgage (minimum 50% and maximum 85% of the total purchase price when added to any deposit made by the buyer) on which they make repayments in the normal way. The rest of the purchase price will be paid for with a contribution from the HCA secured by a Second Charge. The maximum amount that the Second Charge can be is £75,000.

Generally, there are no fees to pay on the Second Charge, whilst you remain a regular serving member of the Armed Forces.

However, if you leave active service; or you die in service; you (or your surviving joint mortgagee, where you buy with someone else, or your estate) will be liable to pay monthly fees calculated against the value of the Second Charge. Full details are available on page 20.

The HCA's entitlement to a share of the future sale proceeds is secured through a Second Charge on the property. This is done in the same way that a buyer's mortgage lender will secure its lending through a First Charge on the property.

Although buyers will have a mortgage less than the full purchase price of the property, they are the sole legal owner with 100% title to the home.



Example	£	Percentages
Open market total purchase cost of property chosen	£200,000	100
Home buyer's conventional mortgage @ 65%	£130,000	65
Home buyer pays a 5% equity deposit*	£10,000	5
Home buyer's total contribution	£140,000	70
HCA assistance 30% secured by way of a Second Charge	£60,000	30

* Service personnel, may be eligible for a Long Service Advance of Pay (LSAP) loan of up to £8500 to put towards costs such as a deposit. Separate eligibility rules apply and personnel must check the relevant policy and rules set out in Joint Service Publication JSP 752.

In this example, a qualifying member of the Armed Forces has purchased a £200,000 home with a deposit of £10,000 and a mortgage of £130,000. The HCA has contributed 30% of the total purchase price. When the home is sold, the HCA will be entitled to 30% of the total sale price, unless the home owner seeks to port their loan. If the home owner seeks to port, they would be able to port either £60,000 or 30% of the then market value of the home whichever is the lower. If they are selling, they must repay any uplifted value over the £60,000 to the HCA before they move.

Through this scheme assistance is provided to the buyer via an equity loan secured against the property by a Second Charge. The amount required by an owner to "buy out" the HCA's share will be dependent on the total value of the property at the time the buyer wants to redeem the Second Charge in part or repay in full. The amount

an owner needs in order to be able to do this will increase if the property increases in value and decrease if its value falls (see examples on page 18).

AFHOS is designed to be flexible. If your circumstances change Swaythling will be able to discuss different options available to you including:

- subletting your property;
- part redeeming your loan;
- fully redeeming your loan;
- remortgaging;
- further borrowing;
- porting your loan;
- selling your property.

Further details of these options can be found later in this guide

What is the role of the Scheme Agent?

Swaythling Housing Society, has been appointed to act on behalf of the HCA at a national level to market and administer the Armed Forces Home Ownership Scheme, as well as to guide the buyer through the process of buying a home through the scheme.

The role of the Scheme Agent is to:

- carry out eligibility assessments;
- assess the affordability of the first mortgage being taken out by the buyer;

- refer the buyer to an independent financial adviser;
- administer the scheme including the initial acquisition of the homes by buyers;
- collect Second Charge loan repayments, either partial or in full;
- process and approve applications to port Second Charges;
- collect any fee payments if applicable on the Second Charge.

Personal Information

From time to time we may need to share your personal information and information relating to your participation in our “Armed Forces Home Ownership Scheme” and information relating to the Second Charge with the Ministry of Defence and our contractors. This information **may** be used by the Ministry of Defence and/or our contractors for the purposes of monitoring, evaluating,

auditing and administering the “Armed Forces Home Ownership Scheme”.

Information we share with the Ministry of Defence may also be used by them for welfare and other personnel purposes. By providing us with your information you agree to this information being shared as described in this paragraph.

Who can take part in the scheme?

There is no restriction on level of household income but assistance will only be available for qualifying regular serving members of the British Armed Forces who cannot otherwise afford to buy a home on the open market.

Qualifying Criteria for All Applicants

All applicants:

- must have confirmation from MOD that they meet the basic MOD eligibility requirements for the scheme in particular that they have between 4 – 6 years continuous Service at the point of application.
- must be a qualifying buyer unable to afford a suitable home that meets their housing needs in or around their area of preference.
- must be able to demonstrate access to savings or sufficient funds to pay a deposit (which may be 5% or more of the purchase price), legal fees, stamp duty and other costs of moving.

- must be able to sustain home ownership in the longer term.
- must have a good credit history – if applicants have rent arrears during the previous 12 months, are in breach of their current tenancy agreement or have an adverse credit history, including County Court Judgements, which means they are unlikely to be able to sustain ownership, they will not be eligible for the Armed Forces Home Ownership Scheme.
- existing home owners will be assessed on a case by case basis, taking into consideration their housing needs.



What types of homes are available?

The Armed Forces Home Ownership Scheme is available for qualifying eligible properties, which can include both:

- newly built properties;
- existing properties.

Properties purchased must have vacant possession, be immediately habitable and in good condition.

Excluded properties include the following:

- a commercial property;
- a home on sale at auction;
- a mobile home (including fixed homes covered by the Mobile Homes Act 1983) a caravan and a houseboat;
- a home offered at a discount or on shared ownership terms by an RSL or Local Authority or other public body. This includes properties sold with a discount funded through a Section 106 agreement, except where the property has been privately funded and no other public subsidy has been used;
- a plot of land on which to build;
- a home which is to be built by the applicant or a Self Build group;
- a property occupied by sitting tenants.

The applicant will be required to pay for a HomeBuyers Survey Report to be carried out on the property. This is to highlight to the applicant, and Swaythling, if there are any major works which need to be undertaken. If there are, then quotes will need to be provided to Swaythling, who will ascertain whether the property is suitable for the scheme, and whether the applicant has sufficient funds to pay for these works as necessary. Swaythling reserve the right to decline the property as being suitable for the scheme.

If you have any doubt about whether a property would qualify or not or to find out more about the scheme prospective buyers should contact:

Swaythling Housing Society
Collins House, Bishopstoke Road
Eastleigh, Hampshire SO50 6AD

Telephone: **0800 028 1980**
Email: **enquiries@afhos.co.uk**
Web: **www.afhos.co.uk**



How to buy a Home through the Armed Forces Home Ownership Scheme

The AFHOS purchase process

Stage 1.

1. Prospective applicant registers their interest with Swaythling.
2. Applicant completes AFHOS application either online or in hard copy, returning completed form to Swaythling for processing.
3. Prospective buyers must consider the risks associated with buying a property including what arrangements they wish to put in place in the event of death or injury. All prospective buyers are strongly encouraged to seek independent financial advice (Swaythling will provide details of a panel of IFAs for this purpose) and ensure they have an up to date will.
4. Prospective buyers must ensure that they have the funds to pay for:
 - appointment of a solicitor to handle the purchase of the home and complete the conveyancing process.
 - any deposit.
 - other fees on completion (Stamp Duty, Land Registry Searches, legal fees, moving costs etc.)

Personnel seeking to use Long Service Advance of Pay to help towards house purchase for the scheme are responsible for ensuring they meet the eligibility criteria for this separate scheme and ensuring the relevant paperwork is completed in line with Joint Service Publication 752.

Stage 2.

5. Swaythling assesses the prospective applicants' eligibility and determines whether applicants can afford home ownership in the longer term. An affordability assessment will need to be carried out by one of the financial advisors from Swaythling's panel.
6. If eligible the buyer receives an 'approval of eligibility letter' from Swaythling within eight working days of application. Applicants should also be advised of the details of fees applicable if they move beyond the prescribed geographic area from their employment location.
7. The applicant is then free to search for a home on the open market in the usual way.



Swaythling will advise the applicant of the level of mortgage they will need to contribute, along with any deposit. They will also confirm the maximum amount of equity loan available (15-50%), depending on the individual circumstances of the applicant. This will provide a maximum purchase price limit. If the applicant chooses a property at below this limit, the amount of equity loan will be reduced.

Example

A couple with two children wanting to buy a 3 bedroom house worth £160,000.

Maximum assessed mortgage available	£109,000
Deposit	£11,000
Applicants total contribution to the purchase	£120,000
Total AFHOS loan required	£40,000
Therefore % AFHOS loan	25%

However if the family found a cheaper home then they would be expected to maximise their contribution as assessed by Swaythling. Therefore for example if the family found a house for £150,000.

Maximum assessed mortgage available	£109,000
Deposit	£11,000
Applicants total contribution to the purchase	£120,000
Total AFHOS loan required	£30,000
Therefore % AFHOS loan	20%

Stage 3.

- Once the applicant has found a suitable property, and a price has been agreed with the vendor, the prospective buyer instructs a solicitor to act for them. They should immediately advise Swaythling to confirm the availability of funding and confirm the exact amount of mortgage and equity loan required. The applicant should then tell their Financial Advisor so that a full mortgage application can be submitted.

Stage 4.

- Swaythling issues an 'Authority to Proceed' document pack to the buyer and their solicitors/conveyancers. This pack will include legal documents that will be explained to buyers by their solicitor/conveyancer.
- The buyer arranges their mortgage and requests for a HomeBuyers Survey to be carried out. Both the mortgage offer and the HomeBuyers Survey need to be sent to Swaythling for approval.
- The buyer's solicitor/conveyancer checks that the buyer's mortgage offer, property price and available funds are consistent with the Authority to Proceed, and requests permission to exchange contracts from Swaythling.
- Signatures from Swaythling then authorise the purchase.
- Swaythling issues approval to the buyer's solicitor/conveyancer and contracts are exchanged.
- Arrangements will be made by Swaythling to transfer the funds. On completion the buyer will own the property and can move in.

Stage 5.

- The buyer's solicitor returns confirmation of the sale to Swaythling.
- A Second Charge is placed on the property by the buyer's solicitor in favour of the HCA entitling it to a share of the



future sale proceeds. The charge will be equivalent to the percentage contribution made towards the purchase price. The buyer must repay the percentage contribution when they sell the property, except in circumstances where it has been agreed that the home owner is able to 'port' the original amount of assistance provided, or the equivalent percentage value, whichever is the lower.

How long does the process take?

Swaythling will seek to assess an applicant's eligibility (from a fully completed application form together with all the other documents it may require from a buyer), within eight working days.

After receiving confirmation of eligibility it is up to the buyer as to how soon they can find a suitable qualifying property.

Swaythling's 'Authority to Proceed' is valid for three months – the time limit for exchange of contracts. The conveyancing process can vary and is dependent upon how quickly the vendor is prepared to act.

Buyers are responsible for securing their mortgage and appointing their solicitor/conveyancer, although Swaythling will be able to suggest some options.

Frequently asked questions

Can I sublet my home?

A key feature of this scheme is a requirement to enable regular serving members of the Armed Forces to sublet their home from day one. Regular serving members of the Armed Forces will be required to declare an intention to live in the home at the point of purchase. However, subletting would be permitted due to UK or overseas posting commitments and a fee of £200 per year is payable to Swaythling. Applicants would need to obtain approval from their mortgage lender for subletting since there could be a penalty to pay. The financial advisor can discuss this when first arranging the mortgage. Applicants should be aware that there may be taxation liabilities arising from subletting a property and earning an income as a result of having received assistance through this scheme. Applicants should seek their own independent advice in respect of the taxation liability. If you sublet your home you will also require the consent of Swaythling and be required to pay them an administration fee of £65.

What if I move base?

If you work at a base which is (i) more than 50 miles by road and/or (ii) more than 90 minutes by train, bus or underground train from the property a fee of £200 is payable each year (which may be increased during the 25 year term). A one off fee of £65 is also payable to Swaythling.

Can I make alterations/improvements to my home?

Your home is yours to live in as you wish; the only exception to this is if you are making



substantial changes to the property which may affect its value. You are then required to notify Swaythling of your intention to carry out any such improvements and pay them an administration fee of £65. Any improvements you make which increase the value of your home will be disregarded from the Second Charge meaning that you enjoy 100% of the financial benefit of any improvements, regardless of the size of the Second Charge. The amount by which the value of the home has increased because of these improvements will be assessed by a surveyor at the time of repayment.

As a home owner do I need to make a will?

The purchase of a home is likely to be one of the most valuable assets you will ever own. You should seriously consider making a will to safeguard this and other assets in the event of your death. Making a will is the only way to be sure that your wishes are followed after your death. Even if you are married, living with a partner or have children, it is wrong to assume that they will automatically receive your estate should you die. If you don't make a will, not only

will the law decide who inherits your property but you could leave your loved ones with a lot of lengthy and complex administration at a very difficult time for them. Part or all of your estate might end up going to people who you never intended to benefit. Most solicitors will be able to assist you in completing a will.

What Insurance cover do I need to secure a mortgage?

Your mortgage provider will require that you have buildings insurance cover in place for your new home, at the point of completion. However, you may also wish to give consideration to other forms of insurance, such as contents insurance and life insurance.

Personal life insurance is optional and is for those who require additional cover above that provided by the Armed Forces Pension scheme and Armed Forces Compensation Scheme. Individual needs vary. MOD does not oblige personnel to take out insurance, but has a duty of care to make cover available to those Service personnel who consider, as a matter of personal choice that they need it. This is done by facilitating voluntary insurance arrangements through commercial providers. MOD does this through the PAX and Service Life Insurance schemes.

■ Personal Accident Insurance

The PAX Scheme offers all Service personnel personal accident and life insurance cover. PAX provides primarily Personal Accident Insurance, but also includes death benefit payments for accidental death (including operations) with an optional additional life insurance policy for non-accidental death.

■ Service Life Insurance

The SLI contract is purely for life insurance; it pays out in the event of any death, whether accidental or from natural causes (and pays out early upon diagnosis of terminal illness, but not critical illness). Unlike PAX it provides no cover for accidental injury or hospitalisation. Regular serving members of the British Armed Forces, who choose to take out insurance cover can join any insurance scheme they choose (and there are a number available) and are not obliged to join SLI or PAX. Advice is available from the Services' Insurance and Investment Advisory Panel (SIAP). Its members are regulated insurance and independent financial investment advisors who specialise in providing insurance and investment advice to members of the Armed Forces. That said, MOD does not endorse or sponsor SIAP – or any commercial insurance scheme.

Purchasers would also need to check whether they will require additional insurance in the event they sublet the property.

What is the minimum contribution a buyer must make towards the purchase of a home?

The minimum contribution is 50% of the purchase price, which is made up of a combination of the buyer's conventional mortgage loan (from any qualifying lending institution) and any deposit (which can include Long Service Advance of Pay (LSAP) loan where eligible).

What is the maximum contribution a buyer can make toward the purchase of a home?

To ensure that funding can be used to help as many people as possible, buyers are expected to maximise their contribution, sustainably, from the outset. The maximum permitted contribution is 85% of the purchase price. Purchasers who can afford to contribute more than this will not be eligible for assistance.

What is the legal mechanism that ensures that the HCA receive their share when the Second Charge is repaid?

The HCA's contribution under this scheme is secured by way of a Second Charge on the property. This means that the property cannot be sold in future unless the HCA's Second Charge is repaid.

Buyers must agree to this legal charge being secured on their home before the purchase can be completed. The AFHOS documents include other obligations such as the requirement for owners to insure their property. A buyer's solicitors/conveyancer will advise them on the legal implications of these before they are signed.

What happens when owners sell their home?

When owners sell their home, they will repay the Second Charge as a percentage of the value of the home. So if a buyer initially purchased with a 75% mortgage and a 5% deposit and has made no repayments, they will own 80% of the property's value. They will need to repay the HCA 20% of the market value of the property at the time they sell their home, after they have repaid their conventional mortgage loan.

Swaythling will recover the HCA's contribution.

Owners are free to sell their properties at any time and an independent surveyor will be used to determine its market value. The property must be sold at this value. However if it is sold for a higher price, the second charge will be calculated as a percentage of the sale price.

Can I take my loan with me to a new property?

When a home owner opts to sell their home, they can, under certain circumstances and with the prior agreement of Swaythling, choose to 'port' an amount equivalent to either the sum of the original amount of money funded through this scheme or the HCA's current share of the value of the property whichever is the lower. Home owners wishing to 'port' the HCA's contribution must still be a regular serving member of the Armed Forces and remain in need of housing assistance. Any uplift in the value of the home must be repaid before the home owner moves house. There is a charge to the home owner of £1,500 per porting transaction payable to Swaythling.

The Second Charge must be repaid when a buyer sells the home, unless the home owner has sought and secured agreement to 'port' the HCA's contribution to make their next purchase. The home owner will bear the costs of selling.

The illustration below give examples of how repayment is calculated assuming a starting value of £200,000 and a buyer taking on a mortgage for 65% and paying a 5% deposit.

Illustration 1

In this example, property values are assumed to increase each year for the first six years by 2%.

Start of year	Estimated annual change in property price %	Market Value of Property	Homeowner's entitlement to 70% of property value at time of sale	HCA's entitlement to 30% of property value at time of sale
1	2%	£200,000	£140,000	£60,000
2	2%	£204,000	£142,800	£61,200
3	2%	£208,080	£145,656	£62,424
4	2%	£212,242	£148,569	£63,673
5	2%	£216,486	£151,540	£64,946
6	2%	£220,816	£154,571	£66,245

In the example above, if a buyer chose to sell their home at the start of year six (after owning the property for five years) and assuming property values increased by 2% every year, the buyer would have £154,571 to settle any outstanding balance on the mortgage provided by their conventional mortgage lender as the First Charge. Having done this they would then need to repay the HCA £66,245.

What happens if property values fall? Will an owner have to repay the full amount of HCA assistance or just a percentage of the total sale proceeds?

When a home owner sells, the owner is committed to repay a percentage of the market value equal to the percentage contribution of assistance received.

If the market value of the property falls below the level at which the home was first purchased, the HCA will bear the loss on their share of the property. In these circumstances the home owner will repay the HCA less than the amount which the HCA contributed to the original purchase.

The home owner will always need to show that the proposed sale value is at the prevailing market value before going ahead.

Swaythling will approve the sale before allowing the Second Charge to be released. If a home owner does not comply with the terms of the Second Charge deeds, the HCA will seek to recover all the money it is owed. The buyer's solicitor will explain the Second Charge deeds before the home is purchased.

In the example below, property values are assumed to be falling for four years followed by annual increases of 5%. If a buyer chose to sell their home at the start of year six

(after owning the property for five years) and assuming property values decreased by 5% annually for the first four years followed by two more years when they rose by 5% annually, the buyer would have to repay the first charge, being the mortgage from their conventional mortgage lender and then use the £56,715 to repay the HCA. If having settled the mortgage there was less than £56,715, the HCA would take the available funds and the second charge would be released

Start of year	Estimated annual change in property price %	Market Value of Property	Homeowner's entitlement to 70% of property value	HCA's entitlement to 30% of property value at time of sale
1	-5%	£200,000	£140,000	£60,000
2	-5%	£190,000	£133,000	£57,000
3	-5%	£180,500	£126,350	£54,150
4	-5%	£171,475	£120,033	£51,443
5	5%	£180,049	£126,034	£54,015
6	5%	£189,051	£132,336	£56,715

Can a home owner redeem the Second Charge in part repayments?

The AFHOS allows owners to repay all or part of the Second Charge. Partial repayments can be made after 3 months of ownership and must be a minimum of 5% of the open market value of the property at the time of repayment. Equity loan redemptions are calculated as being a percentage of the market value on the day.

An independent RICS surveyor/valuer must provide the valuation and the owner will pay for this. Enquiries about redemption payments

should be made to Swaythling.

In the following example a buyer chooses to make a redemption payment of 10% of an equity loan equivalent to 30% of the property value at the start of year six (after owning the property for five years). Assuming property values increased by 5% every year, the buyer would have to repay £25,526 to increase their share of the future property value by 10%.

If the buyer has any fee arrears at the time of repayment, the arrears must also be paid at the same time as the partial repayment is made.

Start of year	Estimated annual change in property price %	Total property value	Homeowner's entitlement to 70% of property value	Value of HCA's share of 30% of value of property	Cost to the home owner of redeeming their Second Charge by 10%	After partial redemptions the home owner entitlement to 80% of property value
1	5%	£200,000	£140,000	£60,750*	£20,250*	£162,000*
2	5%	£210,000	£147,000	£63,000	£21,000	£168,000
3	5%	£220,500	£154,350	£66,150	£22,050	£176,400
4	5%	£231,525	£162,068	£69,457	£23,153	£185,220
5	5%	£243,101	£170,171	£72,930	£24,310	£194,481
6	5%	£255,256	£178,679	£76,577	£25,526	£204,205

* assumes annual house price rise of 5% equalling 1.25% growth after 3 months of ownership.

Are there any restrictions on the mortgage provider?

The buyer's conventional mortgage must be from a 'qualifying lending institution'. These include 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 applicant should check with Swaythling and/or panel IFA as to lenders who will support this scheme

The Financial Services Authority keeps a register of authorised persons on its website. The register can be found at www.fsa.gov.uk/register.

The buyer's solicitor/conveyancer will check that the lender is compliant before a sale can proceed.

Can I take advantage of better mortgage offers, and remortgage once I've made a purchase?

Yes remortgaging is allowable, but will incur an administration charge to the home owner of £65 payable to Swaythling.

If I get married or co-habit can I add my spouse / partners name to the equity loan?

Yes, but as the Qualifying Applicant, the loan remains valid for only as long you retain an interest in the property. If for example you were to divorce or separate, if you no longer retain an interest in the property, then the equity loan charging structure would then take effect (this is detailed in the next section). There is also an administration charge for adding or changing a customer name on the equity loan of £65 payable to Swaythling.

Fees and costs

What are the monthly costs of Home Ownership?

Every month, owners will need to make a number of payments including:

- mortgage repayments to lenders;
- service charges, if you buy a house or flat with shared areas that require maintenance;
- council tax;
- life insurance and payments into investment products if the mortgage is interest only;
- buildings insurance; and
- utility bills and other costs of occupying the property.

What are the costs specifically for AFHOS and how are these fees calculated?

As mentioned earlier in this guide there are no charges on the equity share for Service personnel as long as they remain in the Armed Forces. However if you leave active service or you die in active service; you (or your surviving joint mortgagee, where you buy with someone else, or your estate) will be liable to pay the following monthly fees calculated against the value of the second charge. The table below illustrates an example of how this would work on a 30% Second Charge of £60,000

The Homes and Communities Agency may also at any point after you leave active service or die require repayment of the Second Charge.

Start of year	Government assistance	Fee percentage	Annual fee due	Estimated monthly payment
1	£60,000	n/a	n/a	n/a
2	£60,000	2% below SVR	£1,500	£125
3	£60,000	1% below SVR	£2,100	£175
4	£60,000	SVR	£2,700	£225
5	£60,000	1% above SVR	£3,300	£275
6	£60,000	2% above SVR	£3,900	£325
7	£60,000	2% above SVR	£3,900	£325

*SVR is the Standard Variable Rate of Royal Bank of Scotland at the time. ** Example assumes SVR at 4.5%

At the start of year five the monthly fee will have risen to £325. This is to encourage buyers to redeem the Second Charge and to move to full ownership or to sell their property and repay the Second Charge. The reason for introducing the fees is because the scheme is intended to benefit those serving in the Armed Forces

The payment of fees does not contribute towards repaying the Second Charge. If a buyer partially repays or wants to make full repayment of the Second Charge, any fee arrears must be repaid at the same time.

As detailed earlier in this guide, there will be fees payable under different circumstances. These are summarised below:

Reason for charge/fee	One off charge	Annual charge
Subletting	£65	£200
Move away from base	£65	£200
Remortgage	£65	
Part redeem loan	Valuation fee	
Fully redeem loan	Valuation fee	
Improvements	£65	
Change of name(s)	£65	
Selling	Valuation fee	
Porting (moving house and taking the loan)	£1500 plus valuation fee	
Leaving Service/death in Service		Annual fee linked to base rate, and rising from Yr 2 to Yr 6

Please note that these are the fees payable to Swaythling. You should remember that you will have other fees to pay in these situations as well. (e.g. solicitors, estate agents, letting agents, mortgage company fees etc.)

Use this guide to help you through the Armed Forces Home Ownership Scheme buying process.

Action

1. Read the Armed Forces Home Ownership Scheme Buyers' Guide.
2. Complete an application form for AFHOS and return to Swaythling. This can be done online or an application pack requested by phone please see page 24 for contact details.

For the application to be complete, Swaythling will also request additional documents to confirm identity, employment, income, savings and other circumstances.

It is very important you supply all these documents. If you do not, your application cannot be considered.

3. If approved as eligible you will be required to have an assessment carried out by one of Swaythling's panel of

financial advisors who will also be able to review your mortgage options. For details of the panel contact Swaythling. At this stage ensure that you have access to sufficient funds to pay a deposit and other fees. Swaythling will need to check that you can do this.

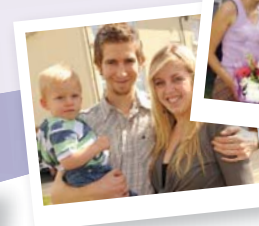
4. If Swaythling approves your eligibility, search for a qualifying property on the open market which meets your needs.
5. Tell your financial advisor you have found a suitable property so they can be ready to submit your mortgage application.
6. Instruct a solicitor/conveyancer to act for you. Swaythling will be able to suggest some names.

7. If Swaythling approves your choice, tell your financial advisor straight away so that the mortgage application can be submitted. You will need to have a HomeBuyers Survey carried out on the property (unless it is a newbuild), and send a copy to Swaythling. If the report highlights any urgent matters, they will need you to get quotes for this work, and demonstrate that you can afford it.
8. See your solicitor/conveyancer so that they can advise you of the purchase details and the legal documents you will need to sign.

9. When your mortgage offer arrives, your solicitor will ask Swaythling for approval to exchange contracts – after exchange you are now legally committed to purchase your chosen property.
10. Swaythling will then make arrangements to transfer the funds to your solicitor in time for completion. As soon as you complete, you will own the property and be able to move into your new home.



www.afhos.co.uk



For those whose first language is not English, we can offer the Language Line Service for further advice.