

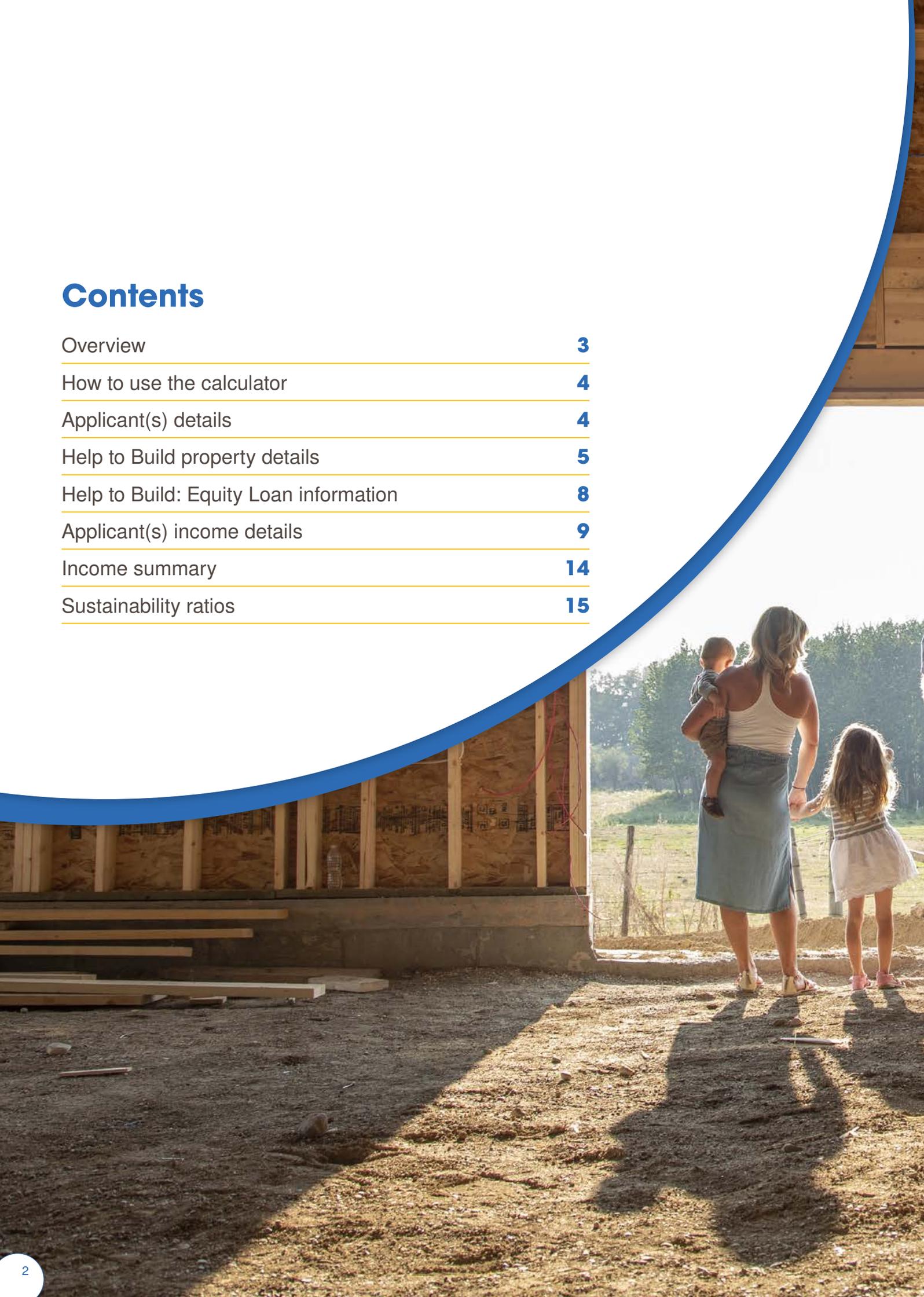


Help to Build: Equity Loan

Sustainability calculator guidance

Contents

Overview	3
How to use the calculator	4
Applicant(s) details	4
Help to Build property details	5
Help to Build: Equity Loan information	8
Applicant(s) income details	9
Income summary	14
Sustainability ratios	15



A person is standing in a room under construction. The walls are made of vertical wooden studs and horizontal OSB (oriented strand board) panels. The floor is dirt and construction debris. The person is wearing a grey t-shirt and dark shorts. The lighting is bright, suggesting it's daytime.

Overview

The Sustainability Calculator (calculator) works out if applicants pass the sustainability assessment for Help to Build: Equity Loan.

The sustainability assessment checks that applicants meet the sustainability ratios and can afford the equity loan. This includes:

a. mortgage income less debt multiple (max 4.5x) – mortgage amount divided by the gross income of the applicants, minus their debts. This means the total loan capital can't be more than 4.5 times the applicants' gross income, minus their debts.

b. debt to net income ratio (max 45%) – costs related to the property (mortgage repayment amount, equity loan interest and service charge if applicable) divided by the net incomes of the applicants, minus their debts. This means the debt to income ratio can't be more than 45% of applicants' net incomes, once all property costs and debts are factored in.

The calculator accepts the income of applicants who are employed, self-employed sole traders, or self-employed directors/shareholders of a limited company.

The calculator can take information about income for up to 4 people. This is because a maximum of 4 people can apply for Help to Build together.

Employed applicants only need to provide their gross incomes before tax. The calculator works out their tax and national insurance to calculate their net incomes after tax.

Self-employed applicants must provide their gross incomes (before tax) and their net incomes (after tax). The calculator will not work out their taxes and national insurance amounts.

How to use the calculator

General function

1. Data can be entered into the yellow fields, but the blue fields are calculated fields.
2. Only the yellow fields can be edited. The information entered in the yellow fields must match the information provided in the application form.
3. The calculator does some validations. These fields are highlighted in grey.
4. A warning message will show on the grey fields if there are issues with the information entered.

Applicant(s) details

1			  		
2			<p>Note: A maximum of four applicants are permitted in the application.</p>		
3					
4					
5					
6					
7	Application reference number		HTBd11000000141441		
8					
9	APPLICANT(S) DETAILS				
10		First name	Last name	Date of Birth	Mobile/Telephone phone number
11	1	Annie	Alpha	30-Jun-1982	07111222333
12	2	Bernadette	Bravo	01-May-1985	07222333444
13	3	Christopher	Charlie	30-Jan-1980	07222335555
14	4	Daniel	Delta	22-Jan-1979	07123456789

5. Enter the **'Application reference number'** (cell D7). This is the same number on the application form.
6. Enter the **'First name'** (cells C11-C14), **'Last name'** (cells D11-D14), **'Date of Birth'** (cells G11-G14) and **'Mobile/Telephone phone number'** (cells I11-I14) of the applicants. The date of birth and mobile phone number must match the correct applicant's first and last names.

Help to Build property details

This section covers the information about the property, including estimated costs and how they will be funded during the build phase.

16	HELP TO BUILD PROPERTY DETAILS			
17	Help to Build property address (if known)	Local Authority (outside London)*	Local Authority (London)*	*complete only one field
18	12 Test Street W1 5XZ		London - Wandsworth	

7. Property address (cell C18)

Enter the address if known. The exact address may not be known in the early stages of the build, in which case this field can be left blank.

8. Local authority

There are 2 local authority fields - 'Local Authority (outside London)' and 'Local Authority (London)'. Only one of these fields must be used.

- If the property address is outside London, complete '**Local Authority (outside London)**' (cell E18) by selecting the local authority from the dropdown list
- If the property address is inside London, complete '**Local Authority (London)**' (cell G18) by selecting the local authority from the dropdown list
- The unused local authority field must be left blank. If both fields are filled out, a warning message will appear in cell I18. Delete the information in the field that is not needed if this happens.



20	Help to Build cost information		
21	Land purchase price (if applicable), excluding VAT	£ 5,000.00	
22	Build cost, excluding VAT and contingency	£ 150,000.00	
23	Total build cost and land purchase price if applicable, excluding VAT and contingency	£ 155,000.00	
24	VAT included in the mortgage	£ 10,000.00	
25	Contingency included in the mortgage	£ 10,000.00	

9. Land purchase price (if applicable), excluding VAT (cell D21)

- Enter the purchase price of the land, if known. If not known, enter the estimated land purchase price
- Most land purchases for self-build are exempt from VAT. If there is a VAT on the land purchase price, the value entered in the field must not include it
- If the applicant already owns the land, this field needs to be 'nil' or left blank. If 'nil' or left blank, the message **“Land is already owned”** will show in cell E21
- The purchase price to buy a leasehold flat or a shell property can be the land purchase price. This figure must not include any cost to customise or fitout the interior of the property.

10. Build cost, excluding VAT and contingency (cell D22)

- Enter the estimated build cost, excluding VAT and contingency
- This figure must not be over £400,000. If the value entered is higher than £400,000, the message **“Exceeds max build cost”** will show in cell E22
- If the property is a leasehold flat or a shell property, the build costs must be the cost to customise and fitout the interior of the property
- If the applicant plans to demolish an existing property in order to build a new self-build home, the demolition costs can be included in the build costs, but they must exclude VAT and contingency.

11. Total build cost and land purchase price if applicable, excluding VAT and contingency (cell D23)

- This is the sum of the **‘Land purchase price (if applicable), excluding VAT’** (cell D21) and **‘Build cost, excluding VAT and contingency’** (cell D22)
- The total must not be over £600,000. If the total is higher than £600,000, the message **“Exceeds max total cost”** will show in cell E23.

12. VAT included in the mortgage (cell D24)

This must be completed only if it's funded by the mortgage.

13. Contingency included in the mortgage (cell D25)

This must be completed only if it's funded by the mortgage.

Help to Build cost funding during building phase		
Self and custom builder's deposit <i>(minimum 5% of build cost and land purchase price if applicable)</i>	£	50,000.00
Self build mortgage <i>(maximum 95% of build cost and land purchase price if applicable)</i>	£	125,000.00
Total funding during building phase	£	175,000.00
Mortgage amount at completion	£	94,000.00
Mortgage term (in years)		25
Mortgage follow on interest rate		4.80%

14. Self and custom builder's deposit (cell H21)

- This is the applicant's deposit, or contribution, towards the property's estimated development costs (for land and build)
- It must be at least 5% of the 'Total funding during build phase' (cell H23)
- If the amount is lower than 5%, the message "Insufficient deposit" will show in cell I21.

15. Self build mortgage (cell H22)

- This is the difference between the 'Total funding during build phase' (cell H23) and the 'Self and custom builder's deposit' (cell H21)
- It must not be higher than 95% of the 'Total funding during build phase' (cell H23)
- If the amount is higher than 95%, the message "Exceed max LTC" will show in cell I22.

16. Total funding during building phase (cell H23)

This is the sum of 'Total build cost and land purchase price if applicable, excluding VAT and contingency' (cell D23), 'VAT included in the mortgage' (cell D24) and 'Contingency included in the mortgage' (cell D25).

17. Mortgage amount at completion (cell H24)

This is the difference between the 'Self build-mortgage' (cell H22) and the 'Homes England Help to Build contribution' (cell D30).

This will be the mortgage amount used in the sustainability assessment.

18. Mortgage term (in years) (cell H25)

- This must be the mortgage's total term (length), if known
- If this is not known, 25 years will be entered by default.

19. Mortgage follow-on interest rate (assumed after expiry of initial offer period) (cell H26)

- The default value used is 4.8% per year, even if the follow-on rate in the mortgage offer is lower than this
- If the follow-on rate in the mortgage offer is higher than 4.8%, the higher rate must be used. Select the higher follow-on rate from the dropdown list
- Follow-on rates listed in the dropdown are in increments of 0.05%, and up to a maximum 10.00%. If the follow-on rate is in between the rates available, select the higher rate that is closest to the actual rate. For example, if the follow-on rate is 5.02%, select 5.05% from the dropdown list.

Help to Build: Equity Loan information

28	HELP TO BUILD: EQUITY LOAN INFORMATION		
29	Help to Build: Equity Loan percentage	20%	
30	Homes England Help to Build contribution	£ 31,000.00	

20. Help to Build: Equity Loan percentage (cell D29)

- Select an equity loan percentage between 5% and 20% (or 40% in London)
- If the local authority is outside London, the maximum equity loan percentage is 20%. The message "Exceed max equity loan %" will show in cell E29 if a higher equity loan percentage is selected.

21. Homes England Help to Build contribution (cell D30)

- This is worked out by multiplying 'Help to Build: Equity Loan percentage' (cell D29) and 'Total build cost and land purchase price if applicable, excluding VAT and contingency' (cell D23).
- This is the equity loan amount that we will use to calculate the equity loan interest amount in the sustainability assessment.

Applicant(s) income details

This section covers applicants' financial details (income and debt). More than 4 applicants' incomes can't be added. Any combination of employment type can be added, provided there aren't more than 4 applicant incomes in total.

'Employed' applicants

Enter the income details of employed or salaried applicants in this section. If the applicant has income from both salary and self-employment, add their income under 'Shareholder/ Director of a limited company applicant's income'.

APPLICANT(S) INCOME DETAILS					
Employed applicants	Applicant 1	Applicant 2	Applicant 3	Applicant 4	
Basic Employment Income (annual)	£ 22,000.00				
Bonus, commissions (annual)					
Overtime (monthly)					
Gross salary deductions (e.g., pension, childcare vouchers, etc) (monthly)	£ 100.00				
Net salary deductions (e.g., student loan repayment) (monthly)	£ 50.00				
Net monthly income	£ 1,433.85	£ -	£ -	£ -	£ -

22. Basic employment income (annual) (cells D34-G34)

Enter the basic salary per year, excluding bonuses, commissions and overtime.

23. Bonus, commissions (annual) (cells D35-G35)

Enter the sum of the bonuses and commissions per year. 50% of this income will count towards the gross income assessment.

24. Overtime (monthly) (cells D36-G36)

Enter the average overtime per month; 50% of this income will count towards the gross income assessment.

25. Gross salary deductions (e.g., pension, childcare vouchers) (monthly) (cells D37-G37)

Enter the total salary deductions before tax per month.

26. Net salary deductions (including student loan repayment) (monthly) (cells D38-G38)

Enter the total salary deductions after tax per month.

27. Net monthly income (cells D39-G39)

- This is calculated by deducting the personal income tax, national insurance amount and the net salary deductions from the gross income
- The personal income tax and national insurance amounts are applied on the gross taxable income, which is gross income less gross salary deductions.

‘Sole trader’ applicants (average of the most recent 2 years)

These figures must be the average of the last 2 most recent full financial years. If the applicant hasn’t filed their most recent tax self-assessment yet, the figures entered must match what they will use in their tax self-assessment submission.

	Sole trader applicants (average of the most recent two years)				
	Applicant 1	Applicant 2	Applicant 3	Applicant 4	
41	Sole trader applicants (average of the most recent two years)				
42	£ 10,000.00				
43					
44	£ 10,000.00	£ -	£ -	£ -	
45	£ 7,000.00				

28. Annual net profit (before tax) (cells D42-G42)

Enter the annual net profit from the company, with business expenses deducted.

29. Other annual income before tax (e.g., investment income) (cells D43-G43)

Enter the annual other income outside the company (if any). Rental incomes from residential properties cannot be included.

30. Total annual income before tax (cells D44-G44)

This is the sum of ‘Annual net profit (before tax)’ (cells D42-G42) and ‘Other annual income before tax (e.g., investment income)’ (cells D43-G43)

31. Net annual income after tax, national insurance, student loans and any other post tax deductions (cells D45-G45)

- Enter the annual income after tax, national insurance, student loans and any other post tax deductions
- If the amount entered is higher than the ‘Total annual income before tax’ (cells D44-G44), the message “**Check income**” will show in cells D46-G46
- The net income after tax should be lower than the income before tax. If the net income after tax is higher than the total income before tax, check the figures that have been submitted.

‘Shareholder/Director of a limited company’ applicants (average of the most recent 2 years)

These figures must be the average of the last 2 most recent full financial years. If the applicant hasn’t filed their most recent tax self-assessment yet, the figures entered must match what they will use in their tax self-assessment submission.

	Shareholder/Director of a limited company applicants (average of the most recent two years)	Applicant 1	Applicant 2	Applicant 3	Applicant 4
48					
49	Annual company dividend before tax				
50	Annual company salary before tax				
51	Other annual income before tax (e.g., investment income)				
52	Total annual income before tax	£ -	£ -	£ -	£ -
53	Net annual income after tax, national insurance, student loans and other post tax deductions				

32. Annual company dividend before tax (cells D49-G49)

Enter the annual dividend received from the company before tax.

33. Annual company salary before tax (cells D50-G50)

Enter the annual salary received from the company before tax.

34. Other annual income before tax (e.g., investment income) (cells D51-G51)

Enter the annual other income outside the company (if any). Rental incomes from residential properties can’t be included.

35. Total annual income before tax (cells D52-G52)

This is the sum of ‘Annual company dividend before tax’ (cells D49-G49), ‘Annual company salary before tax’ (cells D50-G50) and ‘Other annual income before tax (e.g., investment income)’ (cells D51-G51)

36. Net annual income after tax, national insurance, student loans and any other post tax deductions (cells D53-G53)

- Enter the annual income after tax, national insurance, student loans and any other post tax deductions
- If the amount entered is higher than the ‘Total annual income before tax’ (cells D52-G52), the message “Check income” will show in cells D54-G54
- The net income after tax should be lower than the income before tax. If the net income after tax is higher than the total income before tax, check the figures that have been submitted.

Other household non-taxed income

All applicants who receive non-taxed incomes must add the amounts received in each of the relevant cells.

56	Other household non-taxed income	
57	Working tax credits (monthly)	£ 100.00
58	Child tax credits (monthly)	£ 25.00
59	Child benefit (monthly)	£ 30.00
60	Guaranteed maintenance income (monthly)	£ 50.00
61	Disability allowance (monthly)	£ 80.00
62	Other non-taxable income (monthly)	£ 20.00
63	Additional allowable monthly income	£ 250.00

37. Working tax credits (monthly) (cell D57)

38. Child tax credits (monthly) (cell D58)

This type of benefit is for the child, not for equity loan repayment. It will not count towards the net income. It must be added to make sure it is not included in the income assessment.

39. Child benefit (monthly) (cell D59)

This type of benefit is for the child, not for equity loan repayment. It will not count towards the net income. It must be added to ensure it is not included in the income assessment.

40. Guaranteed maintenance income (monthly) (cell D60)

41. Disability allowance (monthly) (cell D61)

42. Other non-taxable income (monthly) (cell D62)

43. Additional allowable monthly income (cell D63)

This is a sum of all the non-taxed income (cells D57-D62, excluding D58 and D59).

Household debt

Household debt		
Monthly loan/hire purchase	£	200.00
Outstanding credit card balances	£	1,500.00
Total monthly debt outgoings	£	245.00

44. Monthly loan/hire purchase payments (cell H57)

Enter the sum of all the applicants' monthly unsecured loan and hire purchase repayments.

45. Outstanding credit card balances (cell H58)

- Enter the outstanding credit card balances of all applicants
- 3% of the total will be worked out as monthly credit card loan repayment, for the sake of the sustainability assessment.

46. Total monthly debt outgoings (cell H59)

This is the sum of '**Monthly loan/HP payments**' (cell H57) and 3% of '**Outstanding credit card balances**' (cell H58).

Other outgoings

Other outgoings		
Monthly service charge	£	100.00
Monthly equity loan interest	£	45.21
Monthly mortgage repayment	£	538.62

47. Monthly service charge (cell H62)

Enter the monthly service and estate charge of the property, if applicable.

48. Monthly equity loan interest payment (cell H63)

This is worked out based on the equity loan interest in year 6, applying the interest rate of 1.75% per year on the equity loan amount.

49. Monthly mortgage repayment (cell H64)

This is calculated based on the '**Mortgage amount at completion**' (cell H24), the '**Mortgage term (in years)**' (cell H25) and the '**Mortgage follow-on interest rate**' (cell H26).

Income summary

65	Income summary		
66	Gross annual household income	£	37,900.00
67	Net monthly income	£	2,281.53

50. Gross annual household income (cell D66)

This is the sum of all gross incomes of the applicants:

- For employed applicants, it's the sum of basic employment income and 50% of their bonuses, commissions and overtime
- For 'sole trader' and 'shareholder/director of a limited company' applicants, it's the sum of their incomes before tax
- All applicants' other household non-taxed income.

51. Net monthly income (cell D67)

This is the sum of all net incomes after tax for all applicants, including their other household non-taxed income.



Sustainability ratios

SUSTAINABILITY RATIOS		
Mortgage income less debt multiple (max 4.5x)	2.93	Pass
Debt to net income ratio (max 45%)	33.82%	Pass

52. Mortgage income less debt multiple (max 4.5x) (cell D70)

- This is calculated as the '**Mortgage amount at completion**' (cell H24) divided by the '**Gross annual household income**' (cell D66), minus '**Total monthly debt outgoings**' (cell H59)
- If this is higher than 4.5x, the message "**Fail**" will appear in cell E70. And, if it is 4.5x or lower, the message will be "**Pass**".

53. Debt to net income ratio (max 45%) (cell D71)

- This is the sum of the '**Other outgoings**' section, divided by the '**Net monthly income**' (cell D67), minus '**Total monthly debt outgoings**' (cell H59)
- If this is higher than 45%, the message "**Fail**" will appear in cell E71. And if it is 45% or lower, the message will be "**Pass**".

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Homes England provide the Help to Build: Equity Loan. We are an executive non-departmental public body sponsored by the Department for Levelling Up, Housing and Communities.

Homes England as an entity and Help to Build: Equity Loan as a product are exempt from the Financial Conduct Authority (FCA) authorisation and regulation.

