



Help to Buy: Equity Loan Sustainability Calculator

Information guide

Introduction

With a Help to Buy: Equity Loan the government lends first-time homebuyers up to 20% (or 40% in London) of the cost of a newly built home.

If homebuyers are eligible for an equity loan, they will need to pay a deposit of at least 5% and arrange a repayment mortgage of 25% or more, to put towards the purchase price.

Help to Buy: Equity Loan is a home ownership scheme provided by Homes England, a government agency funded by the Ministry of Housing, Communities and Local Government.

More information is available in [the homebuyers' guide to Help to Buy: Equity Loan \(2021-2023\)](#)

Are homebuyers eligible for an equity loan?

Help to Buy agents help homebuyers to complete the steps to apply for an equity loan. They check homebuyers are eligible, and that they can afford the equity loan on top of other outgoings.

Help to Buy agents use the Help to Buy sustainability calculator to work out how much they can borrow. The information provided on the Property Information Form is used in the calculator.

The sustainability calculator considers the total cost of owning and maintaining a home. They use this information to help protect homebuyers from over borrowing as their new home could be at risk if they can't afford it in the long term.

To be eligible for Help to Buy: Equity Loan (2021-2023), homebuyers must be first-time buyers. All homes are subject to regional price caps.

All homebuyers must not:

- own a home or residential land now or in the past in the UK or abroad
- have had any form of sharia mortgage finance.

All applications made by anyone that is married or in a civil partnership will have to be a joint application with their spouse or civil partner.

Only people named on the repayment mortgage can submit their income on the sustainability calculator. We will always match the details of those named in the repayment mortgage offer.

The sustainability calculator considers the following details:

- income and benefits
- regular outgoings e.g. credit cards, loans, child maintenance
- the property purchase price
- homebuyer's deposit
- repayment mortgage amount and payments
- service charges
- interest due in year 6 (on the fifth anniversary) of the equity loan
- any other housing costs.

The calculator also considers:

- **How much homebuyers can borrow** - a multiple of up to 4.5 times income is the most they can use to purchase the share of the property.
- **Debt** - no more than 45% of their income can go towards paying debt.
- **Repayment mortgage term** - a typical repayment mortgage term is 25 years. The equity loan term must be the same as the repayment mortgage. In certain circumstances, the Help to Buy agents can approve a longer term for an equity loan that will match the repayment mortgage, if the lender agrees. Homebuyers need to be working and 75 years or under at the end of the repayment mortgage term.
- **Standard variable rate** - we use a standard variable rate (SVR) of 4.8% to calculate sustainability. If the standard variable rate on the repayment mortgage is above this during the life of the repayment mortgage, we will use the higher figure to calculate homebuyer sustainability.

Please note:

We use the sustainability calculator to decide if homebuyers can continue to apply for an equity loan. If homebuyers are eligible they will get an Authority to Proceed and can apply for a repayment mortgage. If the repayment mortgage offer has an SVR higher than the 4.8%, the Help to Buy agent will need to do another sustainability check and the homebuyer will need to pass it with the higher SVR.

Understanding how we work out what homebuyers can borrow

Help to Buy agents are responsible for using the sustainability calculator to assess sustainability for an equity loan. They use the information submitted in the Property Information Form.

The sustainability calculator considers how much of the homebuyers' income is spent on fuel, living and other costs. To be eligible for the equity loan homebuyers must have at least 45% of their income after these expenses.

We believe that 45% is the most homebuyers should contribute to buying a home without stretching finances too much.

Homebuyers will get a copy of the sustainability calculator result. We will keep a copy of the application for audit by Homes England and the National Audit Office.

If homebuyers are eligible, they will get an Authority to Proceed from the Help to Buy agent and homebuyers can progress with their application for a repayment mortgage offer.

Further information:

The Help to Buy sustainability calculator is accepted by a majority of mortgage lenders and follows guidance provided by the Financial Conduct Authority.

Independent financial advisers (IFAs) can only use this sustainability calculator for guidance. IFAs cannot confirm that homebuyers are 'eligible' for a Help to Buy: Equity Loan. All salary information must match the details provided on the Property Information Form

Full details of how to use the eligibility calculator are available in 'Help to Buy: Equity Loan – Sustainability Calculator User Guide'

Help to Buy agents strictly follow the terms of the Help to Buy policies. Where an agent is not able to decide on the outcome of an application, they will refer it to Homes England.



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