A guide to repaying your Help to Buy: Equity Loan

Help to Buy: Equity Loan is a government home-ownership scheme.

This guide is a reminder of how you can repay your Help to Buy: Equity Loan.

This guide is for information only and must not be considered as advice. For full information please refer to our website www.gov.uk/manage-equity-loan

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We strongly recommend that you seek independent financial advice to understand whether the equity loan continues to be right for you and how you plan to repay it before or at the end of its term.

Think about when to repay your equity loan

Help to Buy: Equity Loan helped people to get onto the housing ladder by funding a percentage of the purchase price which was secured against their home. During the term of the equity loan, you pay management fees and interest on the amount you borrowed. **Interest payments do not go towards repaying the equity loan.**

The longer you keep the equity loan the more it could cost you, because:

1. House values go up and down and this affects how much you must repay:

a) The amount you repay is based on the current market value of your home at the time you choose to repay and the percentage you choose to repay.

b) The current market value is calculated by a RICS qualified surveyor that meets Homes England's criteria (you can find this in our guides on GOV.UK). If you sell your home for more than the RICS valuation, we'll use the sale price to work out how much you repay.

c) Any increase in your home's market value means you repay more than you borrowed. You decide when to repay the equity loan and whether repaying it sooner means you could repay less in the long term.

2. From year 6 you start to pay interest on the equity loan:

a) You are not charged interest for the first 5 years.

b) Interest rates charged on the equity loan rise every year starting from year 6. The longer you keep the equity loan the more you pay in interest. Interest does not go towards repaying the equity loan. Find out more about interest in our guide.

c) You must decide whether it's more economical to borrow more from a mortgage lender to repay the equity loan in full or keep the equity loan and continue to pay interest over a longer term. You should seek independent financial advice to help you decide.

It is important you consider your financial situation and what is affordable for you. Please consider getting independent financial advice.

When you must repay your equity loan

When you take out your equity loan, you agree to repay it in full, plus interest and management fees.

You must repay your equity loan in full when any one of the following happens:

- The equity loan term ends (normally 25 years unless extended)
- You pay off your first charge repayment mortgage without replacing it
- You sell your home
- We tell you to repay the equity loan (if you have not complied with its terms)
- You have breached the terms and conditions of your repayment mortgage
- You become bankrupt or enter into an Individual Voluntary Arrangement

You cannot make regular monthly payments towards repaying the equity loan. However, you can repay it in full, or make part payments from 10% of the current market value of your home, at any time. Find out more about part repayments in the 'How much you repay' section.

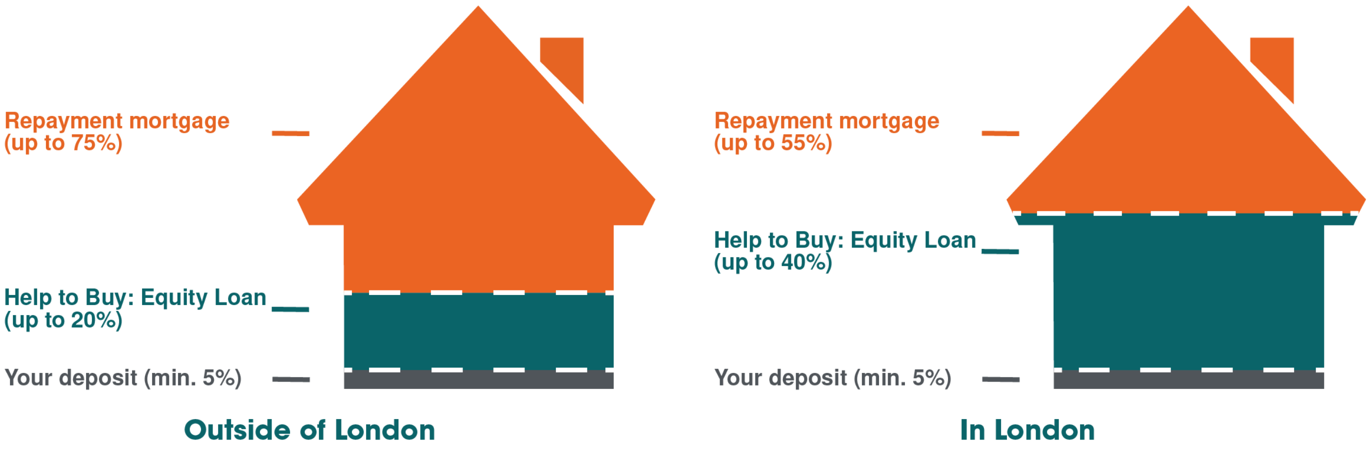
If you're selling your share in the home, but one of the original homeowners is keeping the equity loan, this is called a Transfer of Equity. You can find out more about changing the ownership of your Help to Buy home on GOV.UK.

There are no early repayment charges, but you will pay an administration fee and other charges when you apply to repay. You will also need to pay professional fees to third parties such as surveyors and legal fees. For information about how to apply visit https://www.gov.uk/manage-equity-loan.

You can speak to our Customer Service team about exceptional circumstances, including if the sale involves divorce or the death of a homeowner.

How much you repay

The equity loan amount you borrowed was based on a percentage of your home's purchase price.



The amount you repay is based on the current market value of the home at the time you choose to repay, and the percentage you want to repay.

If the market value of your home increases, so does the amount you repay. And if the value of your home decreases, the amount you repay also decreases.

You can repay all or part of your equity loan at any time. You can make part payments of at least 10% of the market value of your home, to reduce how much you owe. You cannot leave less than 5% of the market value amount to repay if you choose to make a part payment.

A Royal Institution of Chartered Surveyors (RICS) valuation report carried out by an appropriately qualified surveyor provides the current market value of your home.

The current market value is based on the property condition and the current housing market. We use this market value to work out a repayment amount.

If you sell your home to repay your equity loan in full, the amount you repay will be based on either:

- the market value of your home, as set out in a compliant RICS valuation report, or
- the price you sell the home for, whichever is higher.

Examples of how increases and decreases in property prices affect how much you repay can be found at the end of this guide.

You can find more information about the repayment process in our guides on GOV.UK/manage-equity-loan.

Interest payments change after a part repayment

You start to pay interest from year 6, on the fifth anniversary that you took out your equity loan.

If you choose to repay part of your equity loan, the minimum payment you can make is 10% of the current market value of your home, at the time you choose to repay.

After a part repayment, we work out your monthly interest payments based on the percentage you have left to repay and the original purchase price.

For example:

Price a property was bought for: **£100,000**
Current market value: **£110,000**
Equity loan: **£20,000 (20% of purchase price).**

A customer wants to **repay 10%,** leaving **10% still to be repaid.**

The market value is set by a complaint Royal Institution of Chartered Surveyors (RICS) valuation report, which you pay for, or the agreed sale price of your home (if this is higher).

To work out the repayment amount, we use this calculation:

Current market value x percentage to repay	**£110,000 x 10% = £11,000**

In this example, **a 10% repayment amount based on current market value would be £11,000**, plus any fees that remain unpaid.

To work out the interest after a part repayment, we use this calculation:

Original purchase price x percentage left to repay	**£100,000 x 10% = £10,000**

In this example, a monthly interest calculation in year 6 would be:
£10,000 x 1.75% = £175 (per annum) ÷ 12 = **£14.58 per month interest**

After the property's market valuation is complete to our requirements, our Customer Service team confirm the amount you must repay and any changes to your monthly interest amount (if applicable). This will include adjustments for making a repayment part way through a month.

Find out more about how we calculate interest in our guide.

We strongly recommend that you seek independent financial advice to understand whether the equity loan continues to be right for you and how you plan to repay it before or at the end of its term.

Equity loan fees and other costs

When you take out an equity loan, as well as agreeing to pay interest (from year 6), you also agree to pay other fees and costs. These include:

• **a monthly management fee** - when your equity loan starts you must pay a £1 monthly fee until you've paid off the full equity loan

• **administration fees** - if you apply to make changes to your equity loan, such as making a part or full repayment, or remortgaging

• **other reasonable costs** - if we need to take action to collect the money that is owed to us.

You pay management fees and interest payments by Direct Debit. This helps to keep your payment details up to date. Our Customer Service team manage these payments.

Making changes to your equity loan

There are guides available on GOV.UK that provide information about how to make changes to your equity loan.

- How to repay your equity loan using your own money
- How to repay your equity loan when you sell your home
- How to repay your equity loan when you remortgage
- How to remortgage your Help to Buy home without borrowing more
- How to remortgage your Help to Buy home and borrow more money
- How to make structural alterations to your Help to Buy home
- How to sublet your Help to Buy home
- How to change ownership of your Help to Buy home
- Help to Buy: Equity Loan administration fees
- Set up a Direct Debit to pay your Help to Buy: Equity Loan fees
- Help to Buy complaints procedure
- Paying interest on your Help to Buy: Equity Loan

When you take out an equity loan you also agree to its terms. This includes not buying a second property while you have a Help to Buy: Equity Loan as this is a breach of the terms. You cannot have an interest in more than one property and will be legally required to repay the equity loan in full.

Please refer to your Equity Mortgage contract for more detail on what is possible with an equity loan. You can find an example of this on GOV.UK.

Independent advice

Independent money advice is available from the Money Helper website: www.moneyhelper.org.uk/en, or call 0800 011 3797.

For impartial information on mortgages and other money matters go to the Citizens Advice website at www.citizensadvice.org.uk or ask a conveyancer.

If you are experiencing money worries, you can contact the National Debtline on 0808 808 4000.

Example 1 — increase in property price of a Help to Buy home outside of London

Price the property was bought for: **£200,000**
Deposit paid by the buyer: **£10,000**
Equity loan: **£40,000 (20% of purchase price)**
Repayment mortgage: **£150,000**

The table below shows the amount of equity loan that would have to be repaid when the property was sold if property prices had increased by 10% every year.

Year	Market value / sale price	Increase in property prices	Equity loan that would need to be repaid (20% of market value)
Year 1	£200,000	n/a	£40,000
Year 2	£220,000	10%	£44,000
Year 3	£242,000	10%	£48,400
Year 4	£266,200	10%	£53,240
Year 5	£292,820	10%	£58,564
Year 6	£322,102	10%	£64,420

Example 2 — decrease in property price of a Help to Buy home outside of London

Price the property was bought for: **£200,000**
Deposit paid by the buyer: **£10,000**
Equity loan: **£40,000 (20% of purchase price)**
Repayment mortgage: **£150,000**

The table below shows the amount of equity loan that would have to be repaid when the property was sold if property prices had decreased by 2% every year.

Year	Market value / sale price	Decrease in property prices	Equity loan that would need to be repaid (20% of market value)
Year 1	£200,000	n/a	£40,000
Year 2	£196,000	-2%	£39,200
Year 3	£192,080	-2%	£38,416
Year 4	£188,238	-2%	£37,648
Year 5	£184,474	-2%	£36,895
Year 6	£180,784	-2%	£36,157

Example 3 — increase in property price of a Help to Buy home in London

Price the property was bought for: **£400,000**
Deposit paid by the buyer: **£20,000**
Equity loan: **£160,000 (40% of purchase price)**
Repayment mortgage: **£220,000**

The table below shows the amount of equity loan that would have to be repaid when the property was sold if property prices had increased by 10% every year.

Year	Market value / sale price	Increase in property prices	Equity loan that would need to be repaid (40% of market value)
Year 1	£400,000	n/a	£160,000
Year 2	£440,000	10%	£176,000
Year 3	£484,000	10%	£193,600
Year 4	£532,400	10%	£212,960
Year 5	£585,640	10%	£234,256
Year 6	£644,204	10%	£257,682

Example 4 — decrease in property price of a Help to Buy home in London

Price the property was bought for: **£400,000**
Deposit paid by the buyer: **£20,000**
Equity loan: **£160,000 (40% of purchase price)**
Repayment mortgage: **£220,000**

The table below shows the amount of equity loan that would have to be repaid when the property was sold if property prices had decreased by 2% every year.

Year	Market value / sale price	Decrease in property prices	Equity loan that would need to be repaid (40% of market value)
Year 1	£400,000	n/a	£160,000
Year 2	£392,000	-2%	£156,800
Year 3	£384,160	-2%	£153,664
Year 4	£376,477	-2%	£150,591
Year 5	£368,947	-2%	£147,579
Year 6	£361,568	-2%	£144,627

This information is about how the scheme works for homebuyers in England. Separate schemes are available in Wales and Scotland.

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We strongly recommend that you seek independent financial advice to understand whether the equity loan continues to be right for you and how you plan to repay it before or at the end of its term.

Your home may be repossessed if you do not keep up repayments on your mortgage, equity loan and other loans secured against it.