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FINANCIAL VIEWPOINT

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Thanks for reading our newsletter. If you want to discuss any of the articles in more detail, please get in touch.

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Get on the property ladder with the Help to Buy scheme

All you need to know about upcoming changes to the government's Help to Buy equity loan scheme.

If you're looking to buy your first home, you probably already know about the government's Help to Buy equity loan scheme. It's proved popular since launch in 2013, with almost 300,000 properties bought as part of the initiative so far. But some aspects of the scheme are changing later this year, and it's important you understand whether you'll still be eligible for help.

Are you eligible?

The new Help to Buy equity loan rules apply from April 2021 to March 2023. To qualify, you must:

— be a first-time buyer in England;

— have a deposit worth at least 5% of the property you're looking to buy;

— borrow a minimum of 5% and up to a maximum of 20% (40% in London) of the full purchase price of a new-build home from the government; and

— buy the property from a homebuilder registered with the scheme.

What are the price caps?

The price of your home can't exceed the maximum figure outlined by the government. These limits vary depending on where you're looking to buy.

Region	Maximum property price
North East	£186,100
North West	£224,400
Yorkshire and the Humber	£228,100
East Midlands	£261,900
West Midlands	£255,600
East of England	£407,400
London	£600,000
South East	£437,600
South West	£349,000

What if the value of my home changes?

The amount you have to pay back is based on the market value of the property when you choose to repay. If the market value of your home rises, so does the amount you owe on your equity loan – if it falls, the amount you owe also falls.

Rest assured we are here to help if you have any questions about Help to Buy mortgages

How does it work?

The total cost of buying your home will be covered by the government equity loan as well as your deposit and mortgage. The percentage you borrow from the government is based on the market value of your home when you buy it.

For example, if the property is worth £200,000, you might ask the government for a 20% equity loan (£40,000) to add to your 5% deposit (£10,000) and 75% mortgage (£150,000).

The loan is interest free for the first five years, and from the sixth year you'll be charged interest at 1.75% each month. This rate increases every year after that in line with the consumer price index, plus 2%. You'll continue to pay interest until you've fully repaid the loan.

You can repay all or part of the equity loan at any time, but a part payment must be a least 10% of what your home is worth at the time.

You'll need to pay the equity loan back in full if you:

— reach the end of the equity loan term

— pay off your mortgage

— sell your home

— do not follow the terms set out in the equity loan contract

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Borrowing options in your later years

Retirement is an exciting time; the start of a new chapter in life. Whilst we will have worked, saved and prepared for this moment for a long time, many of us will find we don't quite have enough money to fund all the things we planned to do.

Luckily, there are an increasing number of options for borrowing in your later years, enabling people to stay in their homes for longer and help fund their retirement lifestyle.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP YOUR REPAYMENTS ON YOUR MORTGAGE.

Mortgage

One option is a traditional residential 'capital and repayment' or 'interest-only' mortgage. Many lenders have increased their upper age cap limits in recent years, enabling mortgages to now be applied for by people up to 80 years old and allowing mortgage terms that end when a customer is up to 85 years old.

You'll have a better chance of being accepted for these mortgages if you have a good credit history. Your income will need to be high enough to easily cover the mortgage payments, so lenders will be looking for proof of pension income. This is easier to do once you are retired.However, if you are yet to retire, your pension provider can give confirmation of your expected retirement date, current pension pot and expected retirement income. The mortgage provider will also be interested in other income you may have, such as from shares and property investments.

Equity Release

Another option is equity release. With an Equity Release Mortgage, you borrow an amount against a part-share of your home, either as a one-off lump sum or a monthly income.

You still own your home, and the payment can be used for a variety of purposes. These are, most commonly, to pay off an outstanding mortgage, pay for a major purchase or unexpected cost, or simply to help fund your retirement.

Lifetime Mortgage

A Lifetime Mortgage differs to a traditional Residential Mortgage as payments do not need to be made throughout the term of the mortgage. Instead, the total amount borrowed plus the interest is repaid when the house is sold, which is usually after the borrowers have moved into a care home or passed away.

Both Equity Release and Lifetime Mortgages will impact elements such as how much inheritance you have available to pass on, eligibility for state benefits and your tax position.

Each of these borrowing options suits different circumstances so you must carefully consider which would be best for you in your later years.

You will need to take legal advice before releasing equity from your home as Lifetime Mortgages and Home Reversion plans are not right for everyone. This is a referral service.

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