



Are you wishing to purchase a property but worried about having sufficient funds for a deposit? Whether purchasing for the first or one hundredth time, help is at hand.

Help to Buy may sound familiar. The government scheme was first implemented at the start of April of this year as Phase One. The scheme which was available only to first time buyers and newly built property aimed to encourage house building. The government were, and still are, offering 20% equity loan for buyers offering a 5% deposit if you meet the above criteria.

Phase Two of the scheme was brought forward to 10th October 2013. This phase of the scheme was aimed at lenders to make mortgage products available from now. Therefore you do not need to be a first time buyer to apply for the Help to Buy scheme. Borrowers can put down a smaller deposit of just 5% of the property price.

The Lenders offer the remaining 95%. Phase Two works by lenders paying a fee to the government when they sign up to the scheme. This provides a seven year taxpayer guarantee which can be called in if the borrower defaults. The guarantee covers 15% of the loan value.

What you, as the borrower, need to know. Not all Lenders are signed up to the scheme. On application for Help to Buy a new affordability check must be passed before the Lender can offer the remaining 95% of the loan. The scheme is available for properties sold for up to £600,000 in the UK. The whole of the scheme is due to last at least 3 years.

The Help to Buy Mortgages already on the market are relatively competitive compared with the prices outside of Help to Buy, when looking at potential borrowers with 5% deposit. If you are able to produce a deposit higher than 5% it may not be of benefit as the majority of lenders provide competitive interest rates for higher deposits.

Some of the Lenders that have already

joined are RBS and Lloyds Banking Group. Other lenders (Virgin Money and Aldermore) have announced they will be joining the scheme in January 2014. Barclays, Santander and Nationwide are still deciding.

Some safeguards have been put in place by the government to prevent a boom in the housing market and rules have been set in place for Lenders who have applied for the Help to Buy Scheme. There are no interest-only or offset mortgages allowed on the scheme. Help to Buy cannot be used for purchasing second homes or for buy-to-let. This scheme is purely to provide support for striving homeowners.

If you are interested in using this new scheme or would like further information regarding the sale, purchase or transfer of your property please contact our Conveyancing Department:
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