

Is Help to Buy the key to your dream home

The 'dream of home ownership' can now become a reality for many people who had thought it might be out of their reach, under the government's new Help to Buy schemes. However, home ownership is not without its risks both financially and personally so it is wise to take legal advice at an early stage to protect your interests.

There are two schemes which can help you fund a house purchase up to the value of £600,000:

- equity loan scheme – offering an interest free government loan of up to 20 per cent of the value of the property for the first five years. You need to put in a five per cent deposit and get a mortgage for the 75 per cent balance; or
- mortgage guarantee scheme – the government will guarantee up to 15 per cent of your mortgage loan, provided you put in a five per cent deposit.

Eligible properties

Both schemes are limited to fund the purchase of a property up to the value of £600,000. It must be for your only home; not for buy-to-let or second homes.

The equity loan scheme is only available for new-build properties. The mortgage guarantee scheme applies to new and existing homes.

As your solicitor we will, amongst other things, carry out detailed searches with the land registry. For new-builds this includes finding out about the type of land that has been built on. For existing properties, it includes verifying ownership and rights of way. We also make sure that planning permissions are in place and that you have the relevant NHBC guarantees on completion.

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Eligible purchasers

Both schemes are now available to both first-time buyers and existing home owners. You will need to have a relatively clean credit history, as anyone with a county court judgement for over £500 in the previous three years will be automatically barred.

As your solicitor, with your permission, we can look at your credit record and may even be able to help repair your credit history.

If you are not married and intending to pool your finances to raise a deposit, you should consider making a cohabitation agreement to record your intentions if your relationship does not work out.

Repayment options

The equity loan is interest free for the first five years, and after that there is an increasing yearly fee payable. This does not go toward repaying the loan itself, so you will have to make separate arrangements to do so. It can be repaid early subject to conditions and fees.

The equity loan has to be repaid in full when the property is sold or your mortgage ends. The amount to repay will be the appropriate percentage of the property's market value at that time. This may be higher than the original loan value. If you have made home improvements that have added to the value of the property, your solicitor may be able to negotiate to have the figure reduced. One option may be to re-mortgage to repay the loan.

The mortgage guarantee scheme only lasts for the first seven years. During that time, if you do not keep up your mortgage repayments and your house is repossessed, you will lose your deposit first before the guarantee applies for the lender.

Ware & Kay LLP

good on paper, even better in person

Contact us

For further advice on Help to Buy please contact a member of our Residential Property team on York 01904 716000 or Wetherby 01937 583210

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