



Buyers Guide to **FirstBuy**

Your guide to affordable
home ownership

 **FIRSTSTEPS**
to home ownership in London

 **HomeBuy**
UK Government

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What is FirstBuy?

FirstBuy is an affordable housing deposit assistance equity loan product from the Homes and Communities Agency, working in partnership with house builders. It aims to make more new affordable homes available to eligible buyers priced out of the housing market.

FirstBuy is available in England and only from approved, participating house builders for a limited time period – no assistance is available after March 31st 2013.

This guide provides an overview of the product. If you'd like to know more, or if you want to apply, please contact your Local HomeBuy Agent (see page 18).

Your home may be repossessed if you do not keep up repayments on a mortgage or any other debt secured on it.

Check that these mortgages will meet your needs if you want to move or sell your home or you want your family to inherit it. If you are in any doubt, seek independent advice.



Overview: the ‘stepping-stone’ into home ownership

With **FirstBuy**, the buyer (‘you’) buys a new home on an approved **FirstBuy** new build development with assistance from both the Homes and Communities Agency (‘the Agency’) and the house builder in the form of two equity loans.

You must take out a first mortgage (with a qualifying lending institution e.g. a bank or building society). This mortgage, together with any cash contribution from you, must be a minimum of 80% of the full purchase price the maximum full purchase price is set at £280,000.)

The Agency and the house builder will provide equal equity loans to fund the balance needed to make up the full purchase price of your home, up to a maximum of 20% of the full purchase price. These equity loans must be repaid when you sell your home, at which point you must repay the same percentage of the proceeds of the sale to the Agency and the house builder as the initial equity loans (i.e. if you received equity loans for 20% of the purchase price of your home, you must repay 20% of the proceeds of the sale).

In addition, you can, if you wish, make voluntary part repayments of the equity loans (‘staircasing’).

The equity loans are interest free for the first five years. After that, you will pay a fee on each of the equity loans of 1.75%, rising annually by the increase (if any) in the Retail Price Index (RPI) plus 1%.

If you purchase a home through **FirstBuy**, you will have 100% title to your home and you can sell it on the open market without restriction, subject to the repayment of the equity loans.

Local HomeBuy Agents will assess and approve your eligibility for **FirstBuy**, and you need to be confirmed as eligible before you proceed with the buying process.

Further details on all these points and the buying process are set out within this guide.

How does it work?

FirstBuy enables eligible buyers to purchase a new property, funded by an affordable mortgage and with help from the Agency and the participating house builder.

This enables you to take out an affordable mortgage on which you make repayments in the normal way in conjunction with a deposit that the mortgage lender may require (to cover a combined minimum 80% of the total purchase price). The rest of the purchase price will be paid for with equity loans from the Agency and the house builder.

As a result of providing this assistance, the Agency and house builder then both have an entitlement to a share of the future sale proceeds equal to the percentage contribution required to assist your purchase.

For the first five years of **FirstBuy** home ownership there is nothing to pay on the amount that the Agency and house builder contributed to your purchase.

After five years, both equity loans will be subject to a fee (collected from you on behalf of the Agency and house builder by the Post Sales HomeBuy Agent) of 1.75% per annum on the outstanding amount of the equity loans.

This fee will increase each year by the increase (if any) in RPI plus 1%. This is illustrated on page 13.

The equity loans supporting your initial purchase mean **FirstBuy** is a 'stepping-stone' to assist buyers into home ownership.

When you sell your **FirstBuy** home, you must repay the **FirstBuy** assistance from a share of the sale proceeds. So, if the Agency and the house builder initially assisted your purchase with a 20% contribution, your repayment will be 20% of the total market value when it is sold. Turn to page 11 to see what happens if values have fallen.

Following completion you can choose at any time to make voluntary part repayments ('staircasing') of the **FirstBuy** assistance at the prevailing market value. The minimum voluntary repayment is 10% of the market value at the time of repayment.

The Agency's and house builder's entitlement to a share of the future sale proceeds is secured through equal ranking second charges on your home. This is done in the same way that your mortgage lender will secure its lending through a first charge on your home.

Although, if you buy through **FirstBuy**, you will have a mortgage for less than the full purchase price of the property, you will be the legal owner with 100% title to your home. The table below shows how it works.

Example of FirstBuy home ownership	£	%
Open market price of new home	£200,000	100
FirstBuy buyer affordable mortgage @ 75%	£150,000	75
FirstBuy buyer pays 5% deposit	£10,000	5
FirstBuy buyer total contribution	£160,000	80
Agency and house builder assistance 20% equity loan (via two equity loans at 10% each)	£40,000	20

In this example, the **FirstBuy** buyer has purchased a £200,000 home with a deposit of £10,000 and a mortgage of £150,000. The Agency and house builder have contributed equity loans totalling £40,000 or 20% of the total purchase price.

In this example, when the home is sold, the Agency and house builder will be entitled to 20% of the total sale price (10% each).

Because **FirstBuy** assistance is through an equity loan, the amount required to increase your equity share will be dependent on the total value of the property at the time you want to redeem part of your equity loan sometimes known as ‘staircasing’ or repay in full. The amount you need to do this will increase if your home increases in value and decrease if its value falls (see examples later in this guide).



What does the HomeBuy Agent do?

The Local HomeBuy Agents act on behalf of the Agency to signpost eligible applicants towards **FirstBuy** schemes in their area, administer these schemes, as well as to guide you through the process of buying your **FirstBuy** home. The role of the Local HomeBuy Agent is to:

- act at a local level on behalf of the Agency
- hold information about **FirstBuy** schemes for prospective buyers
- deal with applications, assess eligibility and affordability, and offer guidance to prospective buyers, and
- give approval to a **FirstBuy** buyer's solicitor/conveyancer to proceed with a purchase (exchange of contracts).

Following the **FirstBuy** sale, your details will be transferred to the Post Sales HomeBuy Agent.

The role of the Post Sales HomeBuy Agent is to provide a single point of contact to:

- administer payment of fees by buyers on the **FirstBuy** equity loans after five years of ownership, and
- recover the equity loans repayments as owners sell and move on or staircase.
- Provide advice and approval for exceptional cases relating to subletting, remortgaging and requests for additional borrowing

Where are FirstBuy homes available?

FirstBuy homes are only available from approved house builder who are in contract with the Agency to offer homes for sale through the **FirstBuy** programme.



Eligibility and prioritisation: Who can take part in the scheme?

FirstBuy homes are available to households who cannot afford to buy a suitable home on the open market and have a household income of less than £60,000 per annum.

Where two or more applicants wish to purchase the same home, priority must go to the following groups in order. Where two or more applicants are in the same priority group then priority should go to the applicant who applied earliest.

Priority group one: existing social tenants and serving military personnel

Priority group two: locally determined priorities as specified by the local authority in which the property is located

Priority group three: any other eligible applicants.

The Agency wishes to see sales maximised to priority group one wherever possible (e.g. through targeted marketing by house builders). For further explanation of the priority groups please see page 20.

Applicants should be buyers looking to own a home for the first time, although if you are looking to buy a new home after a relationship breakdown you may also be considered.

Qualifying criteria for all applicants

- Must be a qualifying buyer unable to afford a suitable home in their local market. Applicants must not be able to buy a home suitable for their housing needs within a reasonable travelling distance of their work place, without assistance.
- Must be able to demonstrate access to savings or sufficient funds to pay, if required, a deposit (which may be 5% or more of the purchase price), legal fees, stamp duty and other costs of moving.
- Must be able to sustain home ownership in the longer term. Typically, applicants will be employed on a permanent contract of employment (there are exceptions for key workers). If self-employed, the applicant must be able to provide accounts for the last three years.
- Must not already be home owners or named on a home mortgage. If an applicant has had their name on a mortgage they will have to provide evidence that it has been (or is in process of being) removed.
- Must have a good credit history. If applicants have rent arrears during the last 12 months, are in breach of their current tenancy agreement or have an adverse credit history which means they are unlikely to be able to sustain ownership, they will not be eligible for **FirstBuy**.
- Must take out a first mortgage with a qualifying lender.

How to buy a FirstBuy home The 5-stage FirstBuy buying process

Stage 1

- You register your interest with your Local HomeBuy Agent, either directly with the Agent or via the house builder.
- You complete a **FirstBuy** application either online or on a paper copy and submit it to your Local HomeBuy Agent.
- You must see an Independent Financial Advisor (IFA) to gain confirmation of financial status. The Local HomeBuy Agent will be able to suggest some IFAs for you to try. Some Local HomeBuy Agents may also require you to attend a financial interview before giving eligibility approval.
- You must ensure you have funds to pay:
 - a reservation fee if required
 - a deposit on exchange if required (a mortgage deposit is typically 5% although some schemes may require higher or lower deposits at exchange of contracts)
 - other fees on completion (e.g. stamp duty, legal fees).

Stage 2

- Your Local HomeBuy Agent assesses your eligibility.
- If eligible, you will receive an 'Approval of Eligibility Letter' from your Local HomeBuy Agent within four working days of submitting a completed full application. You also receive details of the level of mortgage you should be seeking (your 'Prescribed Mortgage Level').
- Your Local HomeBuy Agent provides details of the applicable **FirstBuy** schemes in your area.

Stage 3

- If you have not already done so, you make appointments with sales teams at **FirstBuy** schemes.
- When you've found a suitable property, you complete a 'Property Information Form' and return it to your Local HomeBuy Agent together with details of your solicitor/conveyancer and a copy of the house builder's completed reservation form.
- You pay a reservation fee, if required, usually up to £500, to the house builder, you should not pay this until you have been confirmed as eligible by the Local HomeBuy Agent.
- You instruct a solicitor to act for you and tell your IFA so that a full mortgage application can be submitted.



Stage 4

- Your Local HomeBuy Agent reviews the 'Property Information Form' ensuring it is consistent with the terms of your approval letter.
- If it is, your Local HomeBuy Agent issues an 'Authority to Proceed' and instructions to you and your solicitor/conveyancer. This pack will include legal documents that will be explained to you by your solicitor/ conveyancer.
- You agree to exchange contracts within a timeframe specified by the house builder (usually 21-28 days).
- Your solicitor/conveyancer checks that your mortgage offer, property price and available funds are consistent with the Authority to Proceed, and requests permission to exchange contracts from the Local HomeBuy Agent.
- Your Local HomeBuy Agent issues approval to your solicitor/conveyancer and contracts are exchanged.
- You will have paid a deposit if required and are now legally contracted to complete the purchase by an agreed date.

Stage 5

- At completion, your lender provides its funds and the Agency will make its funds available to the house builder. Once completion has taken place you own the property and can move in.
- Your solicitor returns confirmation of the sale to your Local HomeBuy Agent who then registers your details with the Post Sales HomeBuy Agent.
- Two equal ranking second charges are placed on your home by your solicitor in favour of the Agency and house builder, entitling it to a share of the future sale proceeds. The charges will be equivalent to the percentage contribution made towards the purchase price. You must repay the percentage contribution when you sell your home or after 25 years (whichever is earlier).



How long does the process take?

Your Local HomeBuy Agent will seek to assess your eligibility (from a fully completed application form, together with all the other documents they may require from you) within four working days.

After receiving confirmation of your eligibility it is up to you how soon you find a property and submit a 'Property Information Form' to your Local HomeBuy Agent.

Your Local HomeBuy Agent's 'Authority to Proceed' is valid for three months – the time limit for exchange of contracts. Typically, most house builders will be seeking buyers to exchange contracts within one month of making a reservation.

You are responsible for securing your mortgage and appointing your solicitor/conveyancer, although your Local HomeBuy Agent and house builders will be able to suggest some options.

Further information

FirstBuy homes are only available from approved house builder who are in contract with the Agency to offer homes for sale through the **FirstBuy** programme. You should contact your Local HomeBuy Agent to find out more about availability of **FirstBuy** homes in your area and to make an application.

An additional question and answer section appears on page 15.

Your mortgage. What is the minimum contribution I must make to my FirstBuy home purchase?

Your minimum contribution must be 80% of the full purchase price which can be made up from your mortgage and your cash deposit contribution and any other savings.

Your required contribution will be assessed by your Local HomeBuy Agent and confirmed to you when you are approved to purchase under the scheme. This assessment will include the estimated amount of mortgage you should seek to obtain.

What is the maximum contribution I can make to my FirstBuy home purchase?

To ensure that funding can be used to help as many buyers as possible, **FirstBuy** purchasers are always expected to maximise their contribution to a reasonably affordable level. This is assessed by your Local HomeBuy Agent. If you could afford more than 90% of the full purchase price you will not receive **FirstBuy** assistance.

How is my mortgage level assessed?

Your mortgage is designed to be affordable relative to your income. Your Local HomeBuy Agent will ensure you maximise your mortgage while having regard for the overall affordability of your repayments.

Typically, your mortgage will be based on a multiple ranging from three to four times your household income. Your Local HomeBuy Agent will also work to a guideline to ensure that your monthly costs (mortgage, service charges and fees) are no more than 45% of your net disposable income.

You cannot choose to take a lower mortgage if your affordable income multiple suggests you can afford and sustain a higher one. This is because the scheme is designed to assist buyers by giving them only just enough help to achieve home ownership. With only limited resources available, the Agency is seeking to help as many buyers as possible, and allowing a buyer to reduce their mortgage could stop others from also benefiting from the initiative.

Once you have had your eligibility approved your Local HomeBuy Agent will set the 'Prescribed Mortgage Level'. This is the level of mortgage that you should be seeking from your lender.

What is the legal mechanism that ensures the Agency and house builder receive their correct share when the equity loan is repaid?

The Agency's and house builder's equity loans will be secured through two equal ranking second charges registered on your property title at Land Registry; this process will be undertaken by your solicitor. This means your property cannot be sold in the future unless the Agency's and house builder's equity loan percentage is repaid.

You must agree to these legal charges being secured on your home before your purchase can be completed. Your **FirstBuy** documents include other obligations such as the requirement for you to insure your property. Your solicitors/conveyancer will advise you on the legal implications of your obligations and these documents before they are signed.

What happens when I sell my FirstBuy home?

When you sell your **FirstBuy** home, you will repay the Agency's and house builder's equity loan simultaneously. So if you initially purchased with a 75% mortgage and a 5% cash deposit and have made no other staircasing repayments (see Illustration 1 below), you will repay the Agency 10% of the value and the house builder 10% at the time you sell.

The Post Sales HomeBuy Agent will collect the Agency's repayment.

You can sell your home at any time when an independent valuer must decide what it is worth. Your property must be sold on the open market at the prevailing market valuation.

If there are any fees, for example, arrears at the time of selling, these must be paid before the sale is completed.

The **FirstBuy** equity loans must be repaid when you sell your home. You will pay the costs of selling.

The illustrations below give examples of how the equity loan repayment is calculated assuming a **FirstBuy** home starting value of £200,000 and a buyer taking on a mortgage for 75% and paying a 5% deposit. Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 1

Star of year	Estimated annual change in property price %	Total property Value	FirstBuy home owner your entitlement to 80% of property value	Agency and house builder entitlement to 20% of property value
1	2	£200,000	£160,000	£40,000
2	2	£204,000	£163,200	£40,800
3	2	£208,080	£166,464	£41,616
4	2	£212,242	£169,794	£42,448
5	2	£216,846	£173,477	£43,369
6	2	£220,816	£176,653	£44,163

In the example above, if the buyer chose to sell their **FirstBuy** home at the start of year six (after owning the property for five years) and assuming property values increased by 2% every year, the buyer would receive an estimated £220,816 from the sale. The buyer would then use this to settle any outstanding balance on their main mortgage and to repay the £44,163 **FirstBuy** equity loans.

What happens if property values fall? Will I have to repay the full amount of FirstBuy assistance or just a percentage of the total sale proceeds?

When you sell your home, the **FirstBuy** equity loan documents commit you to repay a percentage of the market value equal to the percentage contribution of assistance received.

This means if the market value of your property falls below the level at which it was first purchased, you will repay less than the original amount the Agency and the house builder contributed to the original purchase.

You must always show that the proposed sale value is at the prevailing market value before going ahead. The Post Sales HomeBuy Agent must approve the sale before allowing the second charges to be released.

As long as you have complied with all your obligations in the **FirstBuy** mortgage deeds, you will not be required to provide for any shortfall in the equity loan if you sell when values have fallen.

If you do not comply with the terms of the **FirstBuy** mortgage deeds, the Agency and the house builder will seek to recover all the money they are owed. Your solicitor will explain the **FirstBuy** mortgage deeds to you before the property is purchased.

Illustration 2

Star of year	Estimated annual change in property price %	Total property Value	FirstBuy home owner your entitlement to 80% of property value	Agency and house builder entitlement to 20% of property value
1	-5	£200,000	£160,000	£40,000
2	-5	£190,000	£152,000	£38,000
3	-5	£180,500	£144,400	£36,100
4	5	£171,475	£137,180	£34,295
5	5	£180,049	£144,039	£36,010
6	5	£189,051	£151,241	£37,810

In the above example, if no capital repayment has been made on the main mortgage, repayment of the £150,000 mortgage from sales proceeds would leave £39,051 to contribute to the repayment of the £37,810 equity loan.

Can I redeem my equity loan in part, sometimes known as “staircasing”?

The **FirstBuy** scheme allows you to repay all or part of your equity loan. A partial repayment is often called ‘staircasing’.

Staircasing payments can be made at any time and must be a minimum of 10% of your home’s prevailing market value – whether that value is more or less than when originally purchased. You may wish to check any additional criteria with your current lender.

An independent valuer must provide a valuation of your property and you will also be responsible for the associated administrative cost. Enquiries about administrative costs should be made to the Post Sales HomeBuy Agent.

If you decide to staircase after five years of ownership, the fees (see below) you pay on your **FirstBuy** equity loans will reduce to reflect your smaller outstanding loan percentage.

If you extend your mortgage to fund your staircase, your mortgage repayments will probably increase to reflect the fact that you have repaid some of the equity loan.

In the example below, the buyer chooses to staircase by 10% to 90% at the start of year six (after owning the property for five years). Assuming property values increased by 5% every year, the buyer would have to repay £25,526 to increase their share to 90% based on the future property value.

If the buyer has any outstanding equity loan fees at the time of staircasing, these arrears must also be paid at the same time as the staircasing payment is made.



Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 3

Start of year	Estimated annual change in property price %	Total property Value	FirstBuy home owner your entitlement to 80% of property value	Cost to FirstBuy Home owner staircasing by 10%	After staircasing FirstBuy home your entitlement to 90% of property value
1	5	£200,000	£160,000	Not applicable	Not applicable
2	5	£210,000	£168,000	£21,000	£189,000
3	5	£220,500	£176,400	£22,050	£198,450
4	5	£231,525	£185,220	£23,153	£208,373
5	5	£243,101	£194,480	£24,310	£218,790
6	5	£255,256	£204,204	£25,526	£229,730

Are there any restrictions on the mortgage provider?

Your **FirstBuy** mortgage must be from a qualifying lending institution. These include lenders who are authorised under the Financial Services and Markets Act 2000, and who have permission to enter into regulated mortgage contracts. This is likely to include most banks and building societies.

The Financial Services Authority keeps a register of authorised persons on its website. The register can be found at fsa.gov.uk/page/register Your solicitor/conveyancer will check that the lender is compliant before a sale can proceed.

Fees and costs

What are the monthly costs of FirstBuy?

Typically every month, you will need to make payments in addition to your normal monthly outgoings, including:

- mortgage repayments to lenders
- after five years, fees on the **FirstBuy** equity loan (see below)
- service charges, if you buy a house or flat with shared areas that require maintenance
- council tax
- life insurance and payments into investment products if the mortgage is interest only
- buildings insurance
- utility bills and other costs of occupying the property.

How the fees are calculated on the FirstBuy equity loans?

If you have not repaid in full your **FirstBuy** equity loans, after five years you will be required to pay a fee on each of the loans of 1.75%, rising annually by the increase (if any) in the Retail Price Index (RPI) plus 1%. This fee is payable to the Post Sales HomeBuy Agent.

The example below shows how fees are calculated. The fee payment is not made for the first five years. After this date a monthly fee will be payable and the table below illustrates how this would work on **FirstBuy** equity loans totalling £40,000.

Your solicitor/conveyancer will be able to provide more illustrations when they advise you on your purchase.

Illustration 4

Start of year	FirstBuy equity loan assistance	Estimated RPI %+1	Fee percentage	Annual fee due	Estimated monthly payment
1	£40,000	6%	0%	£0	£0
2	£40,000	6%	0%	£0	£0
3	£40,000	6%	0%	£0	£0
4	£40,000	6%	0%	£0	£0
5	£40,000	6%	0%	£0	£0
6	£40,000	6%	1.75%	£700	£58
7	£40,000	6%	1.86%	£744	£62
8	£40,000	6%	1.97%	£788	£66
9	£40,000	6%	2.08%	£832	£69
10	£40,000	6%	2.21%	£884	£74

At the start of year six, after five years of ownership, the **FirstBuy** owner in this example has to pay a monthly fee of £58. At the start of year seven, after six years of ownership, the monthly fee will have risen to £62.

The fee structure is intended to encourage you to staircase and move to full ownership. The introduction of fees after five years also takes into account that you benefit from living in your own home, made possible by the Agency and the house builder contributing part of the purchase price until your property is sold.

The fee is not introduced until the start of year six, which means that you have a five year period of zero fees at a time when most first time buyers are usually the most financially stretched.

The future rate of inflation cannot be predicted but you should assume your fees will always rise. The example shown above assumes annual inflation as measured by the RPI is 5% making the annual fee increase by 6%, from 1.75% to 1.86%, in year seven. By the start of year ten, if the same rate of inflation is maintained, the fee would be 2.21% equating to £74 per month based on the original equity loans totalling £40,000.

Your payment of fees does not contribute towards repaying your **FirstBuy** equity loans. If you staircase or want to make full repayment of the equity loans, any fee arrears must be repaid at the same time.

Annual Percentage Rates (APR) for FirstBuy owners

Because you have to pay fees on your **FirstBuy** equity loan during your ownership, and you may have to pay more than the original contribution back to the Agency and house builder, the effect will be similar to a loan under which a buyer pays credit charges at a rate dependent on the growth in house prices combined with the percentage rates of fees payable.

The previous illustrations demonstrated separately the effects of house price changes and fees on the costs a buyer would have to pay starting with a £200,000 market value home and a buyer's affordable mortgage and contribution of 80%.

The combined effect of fees and repayments effects the APR which is the buyer's cost of credit. Using the previous illustrations, after six years of ownership, if the buyer decides to sell and house prices have grown for example by 5% every year, the buyer will have to repay £53,604 on their equity loan.

The owner will have also paid £700 in fees on the **FirstBuy** equity loan. This means the total amount payable after five years on the **FirstBuy** original assistance of £40,000 is £54,304.

For this example, this is equal to an APR 5.2% typical.

The total amount repaid is £54,304. You should remember this is an illustration. House inflation, the Retail Price Index and the fees and costs an owner pays could all vary substantially over time. Your solicitor/conveyancer will be able to provide a further illustration of APR when they advise you on your purchase.

Prospective buyers should always seek independent financial advice before proceeding.

Questions and answers

Q Can I buy a home off plan?

Yes, you are able to reserve a new home off plan up to 9 months before completion. However, you cannot exchange contracts before 6 months to completion of the sale. You also need to ensure that your mortgage offer is valid through to completion.

Q Will I have to pay Stamp Duty?

The Government's standard rules and procedures for Stamp Duty Land Tax (SDLT) apply to all **FirstBuy** purchases.

SDLT is payable at the time of purchase, on the full purchase price of the home. That is, the amount paid by you (the first mortgage and any cash contribution) plus the value of the **FirstBuy** assistance.

There is no further SDLT to pay on any 'staircasing' repayments or repayment when the home is sold.

You should budget for SDLT on the full open market price of the property when you purchase a **FirstBuy** home.

Q Who pays for repairs and ongoing maintenance to my home?

It is your responsibility to repair and maintain your home. New homes often come with a guarantee that will cover certain defects for up to 10 years after it was built. This guarantee usually only covers defects in the house builder's workmanship.

Q Who provides the contribution for FirstBuy?

There are two contributions: one from the house builder and one from the Agency. The contributions are made equally and secured by the equally ranking second charges on your property title registered at Land Registry.

Q If I am not eligible for help under this scheme, are there any other schemes available that may help me?

Other schemes offered through the Agency may be applicable to your personal situation and needs. Details on the full HomeBuy suite of products can be obtained from your Local HomeBuy Agent.

Q How long will it take before I can move in?

Because **FirstBuy** homes are generally on new developments (and may still be under construction), in common with most new home sales, you will normally be expected to arrange a mortgage and exchange contracts within one month of paying your reservation fee.

Your moving in date may depend on the time required to complete construction work, which will vary from scheme to scheme. Some **FirstBuy** applicants may need to wait for a longer period of time for a home that matches very specific needs whereas others may buy from a development that allows earlier occupation.



Q What happens if the completion of my home is delayed?

Once you have committed to buy a home (at exchange of contracts) the house builder will have agreed to build the home and keep you informed of progress. If you are unhappy about any delays in construction you must speak to the house builder. Your solicitor/conveyancer will be able to advise on the house builder's contractual responsibilities before you agree to the sale.

Funding for **FirstBuy** sites is time limited. You should check with your house builder that the funding will be available on the date you expect to complete your purchase.

Q Are there any restrictions on the properties that I can purchase?

All **FirstBuy** homes are on new build developments where the Agency has an agreement with the house builder. You can only purchase from these house builders.

To ensure that growing families can access homes suitable for their needs, the purchase of a property with one bedroom more than your household's current need is permitted. This is assessed by your Local HomeBuy Agent as part of the eligibility approval process.

Q What happens if the rules change after I purchase and I am no longer eligible? Do I have to pay all the money back?

No – eligibility status will be judged against the criteria at the time you are given financial help to buy your home. So if the scheme rules change you will not be affected.

Q Can I sublet my FirstBuy home?

No – **FirstBuy** is designed to assist you to get on the housing ladder. If you wish to sublet, you will first have to repay the **FirstBuy** equity loan assistance. In exceptional circumstances (e.g. a serving member of the Armed Forces staff whose tour of duty requires them to serve away from the area in which they live for a fixed period, then sub-letting can be considered, in these circumstances you would also require approval from your mortgage lender).

Q Can I own a FirstBuy home and buy a second home?

No – **FirstBuy** is designed to assist you to get on the housing ladder. If you wish to purchase another home you will have to repay the **FirstBuy** equity loan.

Q Can I use cash from my council, Housing Association or other public sector body to buy with the addition of help through FirstBuy?

Provided that your local council is satisfied that this represents value-for-money and the other funding is compatible with **FirstBuy**. Funding provided which must be secured against your home would not be compatible with the **FirstBuy** scheme.

Q After purchasing my home, can I increase my mortgage or take out another loan?

Not without permission from the Post Sales HomeBuy Agent. Further advances must be approved by the Post Sales HomeBuy Agent.

Advances to be used for staircasing or repaying the equity loans will usually be welcomed and approved. Advances for other purposes will be considered by the Post Sales HomeBuy Agent on a case by case basis (see question below regarding extending or altering the property).

You can transfer your mortgage to another qualifying lending institution (see page 12), following prior permission from the Post Sales HomeBuy Agent. However, you must ensure your new lender is informed that your home is a **FirstBuy** property with a second charge entitling both the Agency and the house builder to a share of the future sale proceeds.

The Post Sales HomeBuy Agent may decline permission for further advances or transfer to another lender if after assessment they consider you may be putting yourself in an unsustainable financial position.

Q Can I extend or alter the property?

Not without permission. Because **FirstBuy** is designed to help aspiring buyers into home ownership, you should consider repaying part or all of the Agency's contribution before making plans for improvements or alterations. This is because the Agency is seeking to help future aspiring buyers and may use the proceeds of these repayments to make more low cost homes available. Therefore, consent will not usually be granted for significant home improvements. However, the Post Sales HomeBuy Agent will review cases of hardship if, for example, property modifications are required for a disability.

When your property is sold in the future, if improvements have been made with the approval of the Post Sales HomeBuy Agent, these will be ignored when your property is valued to work out how much should be repaid to the Agency.

Q After five years of ownership how is the fee collected?

The Post Sales HomeBuy Agent will collect your fee monthly by direct debit or standing order. They will contact you at least a month before your fees are due, to set up your repayment arrangement.

You will also receive a statement each year confirming when your fees are payable. The annual statement will also show any payments you have made once you start paying the fee. Fees can be paid in a single yearly payment or in monthly instalments.

Q What if I die after purchasing a FirstBuy home?

This depends on whether you bought your home alone or with others. If you bought the house/flat on your own and you die, the home will be passed on in the normal way under the terms of your will and the payments explained in this guide will be made by your estate in accordance with the scheme. If you have not made a will it will pass under the laws of intestacy.

It is recommended that a sole buyer seeks independent legal advice about this.

If you bought your home with others and one of them dies, their interest in the property will either be transferred to the surviving co owner (s) or will pass under the terms of their will, or (if there is no will) the laws of intestacy.

It is recommended where there are two or more owners, that they seek independent legal advice about this.

Q Can owner names be added or changed on the FirstBuy property?

Only with permission from the Post Sales HomeBuy Agent and you will be required to cover their administration costs. This will require a deed of accession and/or a deed of release to be completed by you. This is a legal document that permits name changes on the property.

Q Can I get help with benefits to pay the FirstBuy fees if, for example, I lose my job?

Because **FirstBuy** fees are not classified as rent, they do not qualify for Housing Benefit. You should make sure you have made arrangements to ensure you can continue to make you **FirstBuy** payments if your income falls. You should seek independent financial advice about this before purchasing a **FirstBuy** home.

Q What happens if my partner or a friend moves into my property to live?

Any person aged eighteen years old or above must sign a form of consent that they have no interest in the property and have sought independent legal advice in relation to their rights. This will be required before the Local HomeBuy Agent consents to the exchange of contracts.

Q What happens if my partner moves out and no longer wants to be party to the equity loan agreement?

The Post Sales HomeBuy Agent will be able to arrange for a 'Deed of Release' which will release your partner from the obligation of having to repay the equity loan, but first this will need to be approved by the Agency and the house builder to whom the equity loan is owed. Assuming that your first charge mortgage lender is content for this to take place and that you are able to provide evidence that you can meet your housing costs and still have a reasonable standard of living, permission should be a formality.

Find your Local HomeBuy Agent

To find out the nearest location of **FirstBuy** homes in your area, you should contact your Local HomeBuy Agent.

Bedfordshire, Cambridgeshire, Norfolk and Suffolk

Orbit 0345 850 2050
orbithomebuyagents.co.uk

Essex

Moat 0845 359 6161
homebuyoptions.co.uk

Hertfordshire

Lea Valley Homes 01582 869440
leavalleyhomes.co.uk

Derbyshire, Leicestershire, Lincolnshire and Rutland, Northamptonshire and Nottinghamshire

East Midlands Housing 0844 892 0112
emhomebuy.co.uk

East, North and West London

Metropolitan Housing Group/FIRSTSTEPS
0845 230 8099
Firststepslondon.org

South East and South West London

L&Q/FIRST STEPS 0844 406 9997
Firststepslondon.org

Tees Valley and County Durham

Time2Buy 0845 604 2942
ime2buy.org.uk

Tyne and Wear and Northumberland

Isos Group 0191 292 2749
isoshousing.co.uk

Cheshire and Merseyside

HomesHub 0845 603 4559
homeshub.co.uk

Cumbria

Riverside Housing Group 0845 112 8800
cumbriahomebuy.org.uk

Greater Manchester and Lancashire

Plumlife 0161 447 5050
plumlife.co.uk

Berkshire and Oxfordshire, Buckinghamshire and Milton Keynes and Surrey

Catalyst 0845 601 7729
catalysthomebuy.org.uk

Hampshire

Radian Housing Group 023 8062 8004
homesinhants.co.uk

Kent and Sussex

Moat 0845 359 6161
homebuyoptions.co.uk

Avon, Cornwall, Devon, Dorset, Gloucestershire, Somerset and Wiltshire

South West Homes 0300 100 0021
southwesthomes.org.uk

Coventry and Warwickshire, Hereford and Worcester, Staffordshire and Shropshire, Wolverhampton, Walsall, Dudley, Birmingham, Sandwell and Solihull

Orbit 0345 850 2050
orbithomebuyagents.co.uk

North Yorkshire, West Yorkshire and Humberside

My 4 Walls 0113 243 6893
my4walls.org.uk

South Yorkshire

Plumlife 0161 447 5050
plumlife.co.uk

The Post Sales Post Sales Agent

Covering all of England (for all post-sale queries only)

Housing Options Plus 0845 470 0121
myfirsthome.org.uk

Use this checklist to help you through the FirstBuy buying process

	Action	Completed
1	Read this buyers' guide	
2	Contact your local HomeBuy Agent to find out about FirstBuy homes for sale in your area. Searching on the internet will also identify house builders selling FirstBuy homes.	
3	Get the local HomeBuy Agent application form, complete it and return to the local HomeBuy Agent as soon as possible. For the application to be complete the local HomeBuy Agent will also require additional documents with the application form (for example pay slips, proof of identity). It is very important you supply all these documents or the local HomeBuy Agent will not be able to make a decision.	
4	Visit house builder sites in your area, identify your preferred choice and tell the house builder and local HomeBuy Agent you would like to purchase a FirstBuy home.	
5	See an independent financial advisor to review your mortgage options. The local HomeBuy Agent and house builder will be able to suggest names to try.	
6	If the local HomeBuy Agent confirms eligibility, go back to the house builder to reserve your home. As soon as you have done this you must ensure the reservation forms are sent to the local HomeBuy Agent for approval along with the FirstBuy "Property Information Form".	
7	Tel your financial advisor you have reserved a property so they can be ready to submit your mortgage application to a lender.	
8	Instruct a solicitor/conveyancer to act for you. The local HomeBuy Agent and house builder will be able to suggest names to try.	
9	If the local HomeBuy Agent approves the reservation, tell your financial advisor as soon as possible so they can submit your mortgage application.	
10	See your solicitor/conveyancer so that they can advise you of the purchase details and the legal documents you will need to sign.	
11	When your mortgage offer arrives, your solicitor/conveyancer will ask your local HomeBuy Agent for approval to exchange contracts – after exchange you will be legally committed to buy the property.	
12	The house builder and your solicitor/conveyancer will keep you updated on progress and give you notice before completion so that you can arrange to move in.	

Prioritisation

All applicants for **FirstBuy** have to meet the eligibility criteria as outlined on page 6.

Where two or more applicants wish to purchase the same home then priority must go to the following groups in order. House builders are encouraged to maximise sales to priority group one, wherever possible.

Priority group one:

Existing social tenants – Any tenant of a Registered Provider, Local Authority, mutual housing organisation or co-operative.

Serving military personnel – Members of the armed forces who have completed their basic (phase 1) training and are one of the following:

- Regular service personnel (including Military Provost Guard Service, in the Navy, Army and Air Force)
- Clinical staff (with the exception of doctors and dentists)
- MOD Police Officers
- Uniformed staff in the Defence Fire Service
- Ex-Regular service personnel who have served in the Armed Forces for a minimum of six years, and can produce a Discharge Certificate (or similar documentation) as proof, where they apply within 12 months of the date of discharge from service

Priority group two:

Locally determined priorities - Local authorities are able to choose priority applicant groups for affordable home ownership according to the specific needs of their locality. For example, if the local economy is heavily reliant on a particular industry, the LA may choose to give priority to applicants working in that industry, or in areas of high property values may wish to prioritise households already living or working in the local area. The HomeBuy Agent covering the local area will be able to advise what, if any, local priorities the local authority has set.

Priority group three:

Any other eligible applicants. Any other purchaser who meets the eligibility criteria outlined on page 6.

Where two or more applicants are in the same priority group then priority should go to the applicant who applied earliest.



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON A MORTGAGE OR ANY OTHER DEBT SECURED ON IT.

CHECK THAT THIS MORTGAGE WILL MEET YOUR NEEDS IF YOU WANT TO MOVE OR SELL YOUR HOME OR YOU WANT YOUR FAMILY TO INHERIT IT. IF YOU ARE IN ANY DOUBT, SEEK INDEPENDENT FINANCIAL ADVICE.

How FirstBuy Works

Eligible applicants will be offered an equity loan of up to 20% of the purchase price. The registered provider and the HCA will hold equal second charges on the property. Applicants are required to fund the balance of the purchase price by deposit and mortgage. Applicants are required to obtain their mortgage from a Qualified Lending Institution. The Equity Loan is repayable upon sale based on the relevant percentage of the sale value. In any event it must be repaid by the 25th anniversary. There is no interest in the first 5 years. The interest rate in the sixth year is 1.75% per annum payable on the amount funded originally but reduced to reflect any partial repayment. The rate will increase each year thereafter by RPI +1% per annum and will never reduce. Interest is payable monthly.

Example

Purchase price £200,000 Deposit £8,000 Mortgage £152,000 Balance FirstBuy Equity Loan 20%

If you sold at year 5 for £210,000 you would repay us 20% of sale value = £42,000 on a sale value of £180,000 - £36,000

Annual Percentage Rates (APR)

Because you have to pay interest on your FirstBuy Equity Loan after year 5 and you may have to pay more than the original contribution, the effect will be similar to a loan where you pay credit charges at a rate dependent on the growth in house prices combined with the percentage rates of interest payable.

In an example, where the property is purchased for £200,000 with a 20% Equity Loan, if property prices increase by 5% per annum and it is sold after 6 years, for £268,019. Interest of £700 over 1 year would have been payable giving a total payable of £54,304 on an original loan of £40,000. **This is equivalent to an APR 5.2% typical.**

Full details will be supplied to you prior to entering into your loan.

Registered address: Berkeley Homes (Eastern Counties Ltd) Limited, Berkeley House, 19 Portsmouth Road, Cobham, Surrey, KT11 1JG

Homes and Communities Agency

Maple House
149 Tottenham Court Road
London
W1T 7BN

Tel: 0300 1234 500

<http://www.homesandcommunities.co.uk/FirstBuy>

