



Llywodraeth Cymru
Welsh Government

Help to Buy – Wales

Housebuilder and Developer Participation Guide

www.gov.wales/helptobuy



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Help to Buy – Wales overview

1. Welsh Government *Help to Buy – Wales* funding is now available to assist all buyers purchasing a new home prior to the end of December 2021. The maximum price for an eligible *Help to Buy – Wales* property is £300,000.
 2. The assistance will be offered to purchasers on development sites all over Wales, via those new-build housebuilders and developers registered for the scheme (referred to below as Providers).
 3. *Help to Buy – Wales* demand will be consumer-led (within available funding). All Providers will be expected to offer *Help to Buy – Wales* on all their new-build homes which have a value up to the maximum purchase price permitted by the initiative.
 4. Providers can make sales to eligible purchasers to the end of December 2021 (within available funding). Annual forecasts will be agreed with registered housebuilders, and will be subject to review.
 5. This document sets out the registration process for the Welsh Government's *Help to Buy – Wales* scheme for Wales.
- ### Product overview
6. New home purchasers will be able to access a shared equity loan of up to 20% (minimum 10%) of the purchase price subject to a maximum purchase price of £300,000. The shared equity loan will be funded by Help to Buy (Wales) Ltd who have been appointed by the Welsh Government to administer the scheme. There is no cap on the buyer's household income.
 7. *Help to Buy – Wales* home purchasers will be required to raise funding, (a mortgage plus a deposit of a minimum of 5%* of the purchase price) of at least 80% of the purchase price. The home buyer's mortgage loan will be secured as a first charge on the property in the usual way and will rank ahead of Help to Buy (Wales) Ltd's charge in relation to the shared equity loan.
 8. The form of equity mortgage will be prescribed by Help to Buy (Wales) Ltd. Use of a standardised equity mortgage will simplify the conveyancing process; make the product more attractive to lenders and coherent to potential home buyers. Each shared equity loan term is 25 years subject to earlier repayment on any sale of the property. Voluntary repayment may also be made at any time.
 9. Help to Buy (Wales) Ltd's contribution will be paid to the purchasers' solicitor at legal completion of the purchase. The purchasers' solicitor will then pay the purchase price (made up of the first mortgage, remaining purchasers' contribution and the *Help to Buy – Wales* contribution) to the Provider.

Help to Buy – Wales registration

- 10.** All housebuilders and developers of new-build homes (including Registered Providers) are eligible to register to participate in the *Help to Buy – Wales* initiative. *Help to Buy – Wales* registration is simple and Providers are required to satisfy the following three requirements:

 - a.** Confirmation of potential Provider details, company name, registered office and number etc.
 - b.** Provision of proposed forecast *Help to Buy – Wales* sales by postcode and local authority area and estimated market value. Sales forecasts must be provided for every quarter until the end of December 2021 (subject to available funding).
 - c.** Confirmation of acceptance of contractual terms to make *Help to Buy – Wales* sales.
- 11.** Registration must be completed on the standard pro-forma application form which is available from: www.helptobuywales.co.uk.
- 12.** Help to Buy (Wales) Ltd will review registrations and determine if the application is compliant. Potential Providers will be asked to provide confirmation that the proposed sites they are putting forward are within the legal ownership of the applicant (or that they have sufficient control of the land to procure a compliant sale using the *Help to Buy – Wales* product). In addition, potential Providers will have to confirm that they are in a position to comply with the terms of Help to Buy (Wales) Ltd's standard contract for the provision of the *Help to Buy – Wales* funding to purchasers. Potential Providers who are unable to give these confirmations may have their registration application rejected. No application will be rejected without prior discussion to seek to resolve any issues.
- 13.** Help to Buy (Wales) Ltd will review the applicant's proposed forecasts for achieving purchaser legal completions with the *Help to Buy – Wales* product to estimate *Help to Buy – Wales* demand nationally.
- 14.** Help to Buy (Wales) Ltd will not approve any forecasts for sales which are to complete after 23 December 2021. For the avoidance of doubt, all purchaser legal completions must be achieved by 23 December 2021.
- 15.** Homes which have been previously occupied either by an owner/occupier or a tenant before sale may not be purchased with *Help to Buy – Wales* assistance.
- 16.** *Help to Buy – Wales* Homes must benefit from an NHBC or equivalent guarantee and must meet building regulations and other applicable guidance.
- 17.** Homes developed to fulfil S106 obligations are not eligible for *Help to Buy – Wales* assistance. They must be market sale homes. As *Help to Buy – Wales* assistance is offered to the buyer, all new-build market sale units up to £300,000 purchase price are eligible.
- 18.** There is no minimum number of homes requirement for Provider's participation in the *Help to Buy – Wales* initiative.

Provider forecast performance management

19. Providers will be required to enter into a signed contract with Help to Buy (Wales) Ltd covering the terms on which shared equity loans will be made available for individual purchases.
20. Help to Buy (Wales) Ltd will require Providers to provide quarterly monitoring information including: progress against forecasts, enquiries, reservations and sales achieved.
21. In submitting a registration application for *Help to Buy – Wales* based on this document, potential Providers will be deemed to accept the requirements contained within the standard form agreement.



Marketing

22. Help to Buy (Wales) Ltd recognises that Providers will have considerable expertise in the area of sales and marketing of newly built homes. However, we are keen to ensure that the customer receives a consistent message about *Help to Buy – Wales* from all Providers. Help to Buy (Wales) Ltd will not seek to agree individual marketing strategies, but Providers will need to meet the following fundamental parameters:

- Logo guidelines from Help to Buy (Wales) Ltd must be applied.
- Marketing material must include accurate descriptions of *Help to Buy – Wales* (including any text prescribed by Help to Buy (Wales) Ltd).

- Promotional material must not be misleading for the customer.
- Help to Buy (Wales) Ltd expects Providers to actively market *Help to Buy – Wales* to meet their forecast sales.
- Prospective purchasers must be provided with a *Help to Buy – Wales* Buyers' Guide.

23. In addition, providers must not offer part-exchange as an option for *Help to Buy – Wales* purchasers. Providers should also note the requirements for valuations and the disclosure of incentives (see below).



Help to Buy – Wales shared equity loan details

Valuations and the purchase price

24. To ensure properties are sold at market value, the selling price must match the main mortgage lender's independent valuation. It is a requirement of the *Help to Buy – Wales* product that purchasers take out and maintain a first charge loan with a qualifying lender.
25. Incentives are excluded from the assessment of the market value for the purposes of calculating the amount of equity *Help to Buy (Wales) Ltd* will invest (i.e. the investment equity calculation is undertaken on the purchase price after incentives have been discounted).
26. Incentives could include the payment of fees or provision of white goods. Incentives must comply with Council of Mortgage Lenders (CML) guidance and not exceed 5% of the purchase price and therefore impact on the valuation of the property. Providers will also be required to use the CML disclosure of incentives form which is available to download at www.cml.org.uk/lenders-handbook/disclosure-ofincentives-form. For avoidance of doubt, "assisted move" packages, or equivalent, offered to purchasers are always deemed to be incentives and must be disclosed on the CML form.
27. As stated above, purchasers cannot part-exchange their existing property for a *Help to Buy – Wales* purchase.

Charges on the shared equity loan

28. Aside from a monthly £1 administrative charge, *Help to Buy – Wales* purchasers will not pay interest on the *Help to Buy (Wales) Ltd* shared equity loan for the first five years. From the beginning of year six annual interest of 1.75% will be levied on the shared equity loan payable in monthly instalments. The annual interest of 1.75% of the market value of the property at the time of sale will be uplifted by RPI +1% p.a.

Future sales or shared equity loan redemptions

29. If a buyer opts to sell the property prior to the redemption date (of 25 years), or redeems their main mortgage prior to that period (without immediately refinancing) the shared equity loan is to be repaid. The amount payable is based on the relevant percentage share of the market value of the property at the time the loan is repaid. Owners may redeem the shared equity loans ("staircase out") at any time in full or in part, if they wish.
30. The minimum amount for shared equity loan redemption will be 5%.



An example of how *Help to Buy – Wales* will work in a rising market is as follows:

Initial purchase:

Purchase price: £200,000

Mortgage: £150,000 (75%)

Deposit: £10,000 (5%)

Shared Equity loan: £40,000 (20%)

Aside from the monthly £1 administrative charge, for the first five years the shared equity loan is charge free.

At the start of year 6 an interest charge is levied of 1.75% rising at RPI + 1% per year.

Sale after 5 years:

OMV: £210,000 (a 5% uplift in value).

Mortgage repayment: £150,000.

Shared Equity loan: 20% of OMV = £42,000

Remainder available to the purchaser to use as a deposit = £18,000 for their next purchase.

- 31.** Help to Buy (Wales) Ltd recognises that the value of homes can also fall. It is intended that Help to Buy (Wales) Ltd will accept the equity depreciation as well as the benefit from any appreciation. Therefore, as long as an owner has otherwise complied with the terms of the shared equity loan, Help to Buy (Wales) Ltd will not pursue the owner for payment if there is a shortfall when the shared equity loan is redeemed.

- 32.** As the shared equity loan is a second charge, the first lender will always recover up to the full amount due under its loan before the second charge holder has any rights to the proceeds of the sale. In circumstances where house prices have fallen since the initial purchase, *Help to Buy – Wales* provides an extra cushion for the homeowner against negative equity.
- 33.** We believe that this offer will make *Help to Buy – Wales* attractive to purchasers and will help them acquire new-build homes.

An example of how *Help to Buy – Wales* will work in a falling market is as follows:

Initial purchase:

Purchase price: £200,000

Mortgage: £150,000 (75%)

Deposit: £10,000 (5%)

Shared Equity loan: £40,000 (20%)

Aside from the monthly £1 administrative charge, for the first five years the shared equity loan is charge free.

At the start of year 6 a low interest charge is levied of 1.75% rising at RPI + 1% per year.

Sale after 5 years:

OMV: £180,000 (a 10% fall in value).

Mortgage repayment: £150,000.

Shared Equity loan: 20% of OMV = £30,000

Help to Buy (Wales) Ltd absorbs a £10,000 loss. The purchaser receives no capital and loses their deposit.

Applicant affordability criteria

34. *Help to Buy – Wales* is targeted at providing support for first time buyers and those selling to move up the property ladder.
35. Applicants for *Help to Buy – Wales* will be required to undergo an affordability check with Help to Buy (Wales) Ltd, to ensure they can afford to sustain home ownership.
36. The maximum shared equity loan which a purchaser will be able to access is 20%. However, the purchaser may wish to maximise the amount of their contribution (mortgage plus deposit) which they can reasonably afford. Where this is the case, the minimum (total) shared equity loan allowable will be 10% combined with 90% finance (mortgage plus deposit) to fund the purchase. Main lender mortgage deposit requirements will vary but buyers will usually expect to contribute 5%* of the purchase price and this is also a requirement of *Help to Buy – Wales*. Main lender mortgages must always be on repayment (capital and interest) basis. Purchasers are not permitted to take out an interest-only mortgage.

* Buyers will be required to provide a minimum deposit of 4% in addition to any incentive offered by a developer. Any queries please contact Help to Buy – Wales Ltd.

Role of Help to Buy (Wales) Ltd

37. Help to Buy (Wales) Ltd will review applications from potential buyers and determine whether applicants meet the minimum affordability criteria for assistance through *Help to Buy – Wales*.
38. Help to Buy (Wales) Ltd undertakes an affordability check designed to ensure that an applicant can afford their financial contribution to the purchase. This is based on a maximum of 45% for housing costs as a proportion of net available income. This approach provides a robust assessment of an applicant's ability to afford and sustain home ownership in the long term and protects tax payer assistance to purchasers.
39. Help to Buy (Wales) Ltd will issue their approval for a *Help to Buy – Wales* purchase to proceed to the applicant and the registered housebuilder Provider.
40. Potential purchasers will be strongly encouraged to seek independent financial and legal advice before they purchase. Help to Buy (Wales) Ltd and Providers will often be able to 'signpost' purchasers to potential advisors although potential purchasers are not restricted in their choice of advisors. However, Help to Buy (Wales) Ltd will have the final say in determining whether a buyer is deemed to be able to satisfy the affordability and eligibility criteria for the *Help to Buy – Wales* product.
41. Help to Buy (Wales) Ltd will also collect the interest charges for each of the shared equity loans once those become due, and deliver all after sales services.

Submitting a registration application

42. Housebuilders and developers should use the standard Excel registration application, downloadable from www.helptobuywales.co.uk. Once complete it should be submitted to: builders@helptobuywales.co.uk.

There is no closing date for registration but Help to Buy (Wales) Ltd will not consider applications if the forecast sales cannot be met by 23 December 2021 or if funding is no longer available.

Key contacts

43. The first point of contact for registration applicants is Help to Buy (Wales) Ltd. Help to Buy (Wales) Ltd office details are set out below.

44. For general registration process enquiries or general questions about the operation of the scheme, applicants are invited to email builders@helptobuywales.co.uk.

45. All registration applications must be sent to builders@helptobuywales.co.uk.

For more information, our contact details are below:

1 Capital Quarter
Tyndall Street
Cardiff, CF10 4BZ
Enquiries: 08000 937 937
Fax: 02920 803 451

www.helptobuywales.co.uk

Mae'r ddogfen yma hefyd ar gael yn Gymraeg.
This document is also available in Welsh.