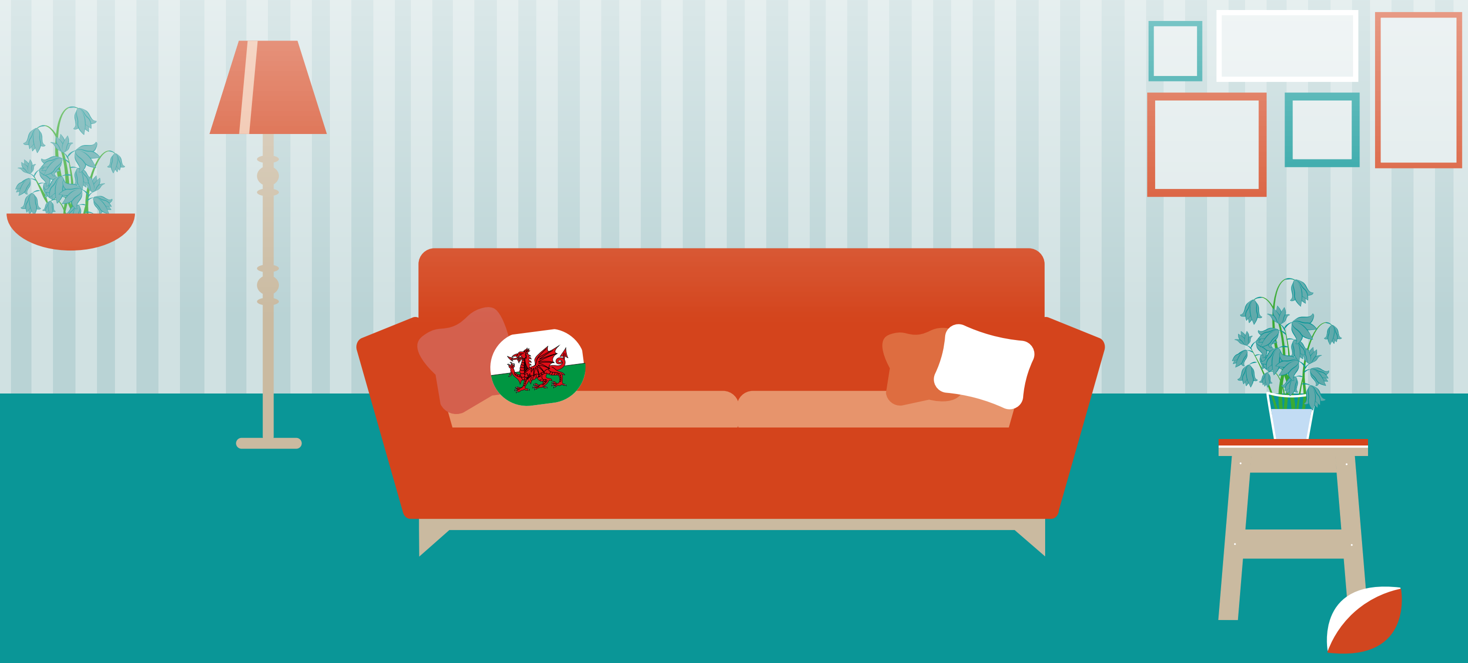
Cymorth i Brynu-Cymru
Help to Buy-Wales

Llywodraeth Cymru
Welsh Government

Help to Buy – Wales

Buyer's Guide
Phase 3 Extension



www.gov.wales/helptobuy

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Your guide to a *Help to Buy – Wales*: Equity Mortgage

This guide provides useful information about *Help to Buy – Wales*: Equity Mortgage, a home ownership scheme ("Equity Mortgage"). It will help you to understand what is involved in taking out an Equity Mortgage, how it works and how to apply.

The principles of the Equity Mortgage Scheme are to provide support to people who want to become homeowners, who would not otherwise have access to an affordable mortgage or be able to get onto the property ladder.

What is an Equity Mortgage?

An Equity Mortgage is from the Welsh Government that you put towards the cost of buying a newly built home, who could not otherwise afford it.

If you're eligible for an Equity Mortgage you can borrow up to 20% of the market value of a new home. The market value is:

- the value of the home, as determined by an independent organisation called the Royal Institution of Chartered Surveyors (RICS); or
- the price a home sells for, whichever is higher.

When you take out an Equity Mortgage , you only pay interest on the amount you borrowed. You should be aware that the interest payments you make do not go towards repaying your Equity Mortgage.

You cannot make monthly repayments to reduce your Equity Mortgage but you can choose to repay it all or in part at any time. If you sell your home, you will need to repay all of your Equity Mortgage.

You can only apply for an Equity Mortgage if you reserve your new home with one of our registered homebuilders.

Who provides the loan?

The Equity Mortgage is provided by *Help to Buy – Wales* Ltd ("us" "we" "our") the administering agents appointed by the Welsh Government.

Key things you should know before taking out an Equity Mortgage

The Equity Mortgage is not a discount scheme or a price reduction – the purchase price of the new home will be the same whether you buy with or without an Equity Mortgage.

The Equity Mortgage is not “interest free” – We do not charge interest for the first 5 years of the Equity Mortgage, but you will begin to pay interest from year 6.

The total Equity Mortgage amount you repay is linked to the value of your home at the point of repayment, and not the amount you originally borrowed.

You will also need to have a First Charge Mortgage from a Qualifying Lender:

www.gov.wales/help-buy-wales-participating-lenders

You cannot have an Equity Mortgage without a repayment mortgage, which is valid for the duration of the Equity Mortgage.

How does it work?

With an Equity Mortgage we lend you a minimum of 10% and up to 20% of the market value of your newly built home.

The maximum purchase price for an eligible property under the scheme is £300,000. You cannot change or negotiate this price. Your homebuilder will be able to confirm if the home you want to buy is within the eligible price range.

You must:

- pay a minimum cash deposit of 5% of the purchase price of your new home at exchange of contracts;
- arrange a repayment mortgage of at least 25% of the purchase price of your new home.

An Equity Mortgage is secured against your property in the same way a repayment mortgage is. The Equity Mortgage scheme is not regulated by the Financial Conduct Authority (FCA).

Example of how much your deposit, mortgage and Equity Mortgage may be if you buy a new home worth £200,000:

Homebuyers	
£10k	5% deposit
£40K	20% Equity Mortgage
£150k	75% mortgage from repayment mortgage lender

For the first 5 years:

- the Equity Mortgage is interest free;
- pay a £1 monthly management fee by Direct Debit.

From year 6:

- pay the £1 monthly management fee;
- pay a monthly interest fee of 1.75% of the Equity Mortgage;
- interest fees will rise each year in April in line with the Consumer Price Index (CPI), plus 2%;
- continue to pay interest until you repay your Equity Mortgage in full.

You must repay the Equity Mortgage in full when you pay off your repayment mortgage, sell your home or reach the end of your loan term, normally 25 years.

You can repay your Equity Mortgage in full at any time.

If making a partial repayment, your first partial repayment will need to be at least 10% of the market value of your home, at that time.

The remaining balance of the Equity Mortgage must be at least 5% of the market value.

For example, you could repay 10% if you took out a 20% loan.

Am I eligible?

You must be able to fund up to 80% of your selected property through a combination of a conventional repayment mortgage, and a minimum cash deposit of 5% of the purchase price.

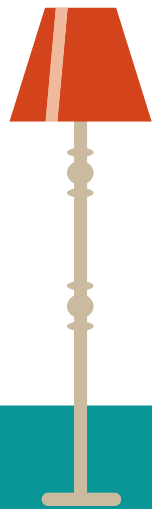
You must take out a first charge repayment mortgage with a Qualifying Lender. **www.gov.wales/help-buy-wales-participating-lenders**

When you buy your new build home with an Equity Mortgage, you must be able to afford the monthly fee and interest payments.

The home you purchase must be your only home.

Whilst it will not adversely affect your eligibility for the Equity Mortgage you **must** tell us if you or anyone you are buying with has a connection with a homebuilder.

If your financial position shows you can secure a 90% first charge mortgage, without our support then you will not be eligible for our assistance. Your Independent Financial Advisor will be able to provide you with further advice.



Quality standards

We aim to make sure that homes sold on the Scheme are of a high standard and broadband ready.

All our home builders will clearly communicate any quality marks they have been awarded or any quality schemes of which they are a member, for example Trustmark, in all our communications and advertisements.

Members of the Home Builders Federation (HBF) that participate in the star rating scheme, must clearly communicate that rating on all our related communications and advertisements. Only developers/ builders that have a rating of 4 stars and above will be permitted to be part of the Scheme.

Members of the Federation of Master Builders (FMB) must clearly communicate their membership on all our related communications and advertisements.

Home Builders must:

- have a system in place which ensures homes offered for sale through the Scheme are checked for quality of construction and finish during the build and on completion;
- be clear in all communications with customers about likely broadband capability on developments;
- allow buyers to view the actual home being purchased (with their own surveyor if desired) before legal completion of sale.

Our home builders agree to follow:

1. Consumer Code for Home Builders

All our registered home builders follow a code of customer care and standards set out within the Consumer Code for Home Builders. To find out more about the code visit **www.consumercode.co.uk**

2. Planning permission and building regulations

Home builders must ensure each eligible home built complies with planning permissions and the Building Regulations in force in Wales.

Your conveyancer is responsible for making sure these are evidenced.

3. New Home Warranty

Your home builders must give you a new home warranty before you complete the purchase.

You won't be able to buy your home without it. The warranty will:

- deal with defects you may find when you move into your new home;
- offer you, us and your mortgage lender protection.

If you have any questions about the new home warranty, your conveyancer or home builders will be able to give you more information.

Lease restrictions

The Welsh Government has set out rules to protect you from unfair lease terms and costs when you buy a home.

There are very few homes on the Scheme you can buy that will include a lease.

If you are buying a flat with a lease, check with your conveyancer that the terms of the lease meet our requirements.

Home builders can only charge a peppercorn ground rent for leasehold homes included in Scheme.

What is Peppercorn Rent?

The new Leasehold Reform (Ground Rent) Act 2022 limits the amount of ground rent payable under most new long leases of residential properties to a peppercorn. Peppercorn is effectively a notional rent.

Estate Management Fees

Your builder must provide information, in writing, about the existence, and likely level of estate charges, before accepting a deposit on your home.

Your conveyancer will ensure you have been advised of any fees that may become due and the likely action that could be taken if you do not pay these fees.

How to apply

1. Find and reserve your home

Registered home builders advertise homes for sale that can benefit from the Scheme on their developments. You must reserve your home and pay a fee of no more than £500 before you can apply for an Equity Mortgage. This fee is fully refundable if you're not eligible for an Equity Mortgage or you do not exchange contracts.

2. Get professional advice

We will help you to apply for an Equity Mortgage if you're eligible and can afford the Equity Mortgage on top of your other outgoings. However we are not financial advisors and cannot provide you with specialist advice. Therefore before applying to the Scheme you must check that the Equity Mortgage meets your needs and that you can afford to repay it.

Consider seeking independent advice to help you understand your financial situation.

You can contact us at
www.gov.wales/help-buy-wales/contact-us

Buying your new home with an Equity Mortgage

Stage 1: Applying

Find your new home

Search online for new homes for sale using an Equity Mortgage. Look for our Help to Buy – Wales logo, supported by Welsh Government logo on registered home builders new home development sites.

Reserve your home

Reserve your home with the home builder and pay a fee of no more than £500. This fee is fully refundable if you're not approved for an Equity Mortgage. Make sure the homebuilder gives you a signed copy of the reservation form, you'll need it when you apply for the Equity Mortgage.

Get financial advice

Buying a new home can be a daunting process, but there are many organisations that offer free advice. Consider seeking independent financial advice.

Apply for your Equity Mortgage

You need to complete a Property Information Form to apply for an Equity Mortgage. You will need to provide personal and financial information, such as household income, the property details, your proposed repayment mortgage and deposit details.

The information you provide when you apply must be accurate and true. False details will lead to delays and may put you at risk of fraud, which is a criminal offence.

Return your paperwork

Send your signed Property Information Form and a copy of the home builder's signed reservation form to us.

Stage 2: Authority to Proceed

Checking your affordability

We will check if you're eligible for the scheme.

We will use an eligibility calculator tool to check your monthly income and outgoings, including household bills and estimated mortgage repayments in the calculations. To be eligible for the Scheme your debt or outgoings must not exceed 45% of your household income.

Your repayment mortgage should be less than 4.5 times your gross annual income.

We are committed to responsible lending and ensuring applicants are able to comfortably afford the Equity Mortgage. There is no flexibility on Debt to Household Income Ratios above 45%.

Apply for a repayment mortgage

You will have to have a repayment mortgage in place, which will be registered as a First Charge. You are responsible for arranging your repayment mortgage. Only apply for your repayment mortgage once you have the Authority to Proceed from us. If you apply for a repayment mortgage first and are not eligible to apply for an Equity Mortgage, you may lose money. Your credit rating may also be affected if the mortgage lender has carried out a credit check on you.

Get Authority to Proceed

If your application is approved, we will give you the Authority to Proceed to buy your new home. This is valid for 6 months.

When you have the Authority to Proceed, your conveyancer will receive legal guidance and forms to complete. Return these to us so you can buy your home.

Your conveyancer is responsible for explaining the legal information to you. A list of conveyancers that have undertaken our training can be found at **www.gov.wales/help-buy-wales/how-apply**

Get the conveyancer's pack

When you have the Authority to Proceed, your conveyancer will receive legal guidance and forms to complete. Your conveyancer is responsible for explaining this information to you.

Stage 3: Mortgage offer and exchange of contracts

Your conveyancer will:

- explain the Equity Mortgage contract and your legal responsibilities. They will remind you that your application must be accurate and true. False or misleading information could be fraud. This is a criminal offence and you may have to repay the Equity Mortgage immediately in full;
- ask you to sign the property sale contract and the Equity Mortgage deed;
- make sure your repayment mortgage offer, property price and deposit are the same amount as agreed in the Authority to Proceed;
- ask us for permission to exchange contracts.

We will:

Check all the paperwork is correct and issue the Authority to Exchange to your conveyancer so they can exchange contracts.

Exchange of contracts is the process where you and the seller have all the paperwork in place and you legally agree to buy a home. When contracts are exchanged, you will need to pay an exchange deposit of 5% to the seller. At this point, an agreement to buy becomes legally binding.

You will:

- pay your deposit and be legally bound to buy your new home by an agreed date. You pay 5% cash deposit when you exchange contracts, even if your full deposit is more;
- make sure your repayment mortgage offer does not expire before the completion date.

Home visits

You can visit your new home once you have exchanged contracts. Your homebuilder will arrange this for you. This will give you a chance to confirm any last-minute details or changes before you move in. Speak to your conveyancer or your homebuilder for more information about home visits.

Stage 4: Completing the purchase

Pay for your new home on completion:

- you pay the rest of your deposit (if more than 5%);
- your mortgage lender provides its share of the funds to buy your new home;
- We will pay your Equity Mortgage to your conveyancer;
- you legally own your new home, get the keys and can move in.

Confirm the sale

Your conveyancer will contact us to confirm the sale.

Registration of interest

Your conveyancer will register your First Charge Mortgage on your home and they will also register our legal charge, which will rank second. This is recorded with HM Land Registry and will be shown on your property title deeds.

When you're ready to sell your home, you need to let us know. You must pay back your Equity Mortgage and repayment mortgage before we can remove our legal charge on the property.

Your home

After you buy your home, we will:

- set up your Direct Debit to pay the £1 monthly management fee;
- arrange for you to pay fees and interest payments on your Equity Mortgage;
- help set up repayments when you're ready to repay some or all of your Equity Mortgage.

Your home may be repossessed if you do not keep up repayments on your repayment mortgage, Equity Mortgage or other loans secured against it. Consider seeking independent financial advice before making any financial decisions.

How long does it take to buy a new home with an Equity Mortgage?

You have 6 months to exchange contracts when you get our Authority to Proceed.

You must complete buying your home within 6 months of exchanging contracts.

When you exchange contracts, you make a legal commitment to buy the property. If you change your mind, you may have to pay costs.

Repaying your Equity Mortgage

When you take out your Equity Mortgage, you agree to repay it in full, plus interest and management fees.

You must repay your Equity Mortgage in full:

- at the end of the Equity Mortgage term; or
- when you sell your home; or
- if you do not comply with the terms set out in the Equity Mortgage contract and we ask you to repay the loan in full.

Your monthly Equity Mortgage Repayments are interest only and will not reduce the amount you owe to us. You can pay off all or part of your Equity Mortgage any time before then.

You may pay back more than you borrow

The percentage you borrow is based on the market value of your new home when you buy it.

When you repay your Equity Mortgage in full or in part, the amount you pay back is worked out as a percentage of the market value at the time you choose to repay.

If the market value of your home rises, so does the amount you owe on your Equity Mortgage. And if the value of your home falls, the amount you owe on your Equity Mortgage falls too.

Your home could be at risk if you do not keep up with repayments on your mortgage, so it's important to consider how you will manage if your home drops in value.

If your home is worth less than when you bought it, it may affect your ability to pay your repayment mortgage. Consider talking to a financial adviser about what you could do if this happens.

Work out what you need to repay

You can repay your Equity Mortgage in full at any time.

If making a partial repayment, your first partial repayment will need to be at least 10% of the market value of your home, at that time.

The remaining balance of your Equity Mortgage must be at least 5% of the market value.

For example, you could repay 10% if you took out a 20% loan.

To work out how much you pay back we need to know the current market value of your home.

You will need to get a Royal Institution of Chartered Surveyors (RICS) valuation report. A qualified surveyor will estimate the value of your home, based on its condition and the current housing market.

If you are selling your home, we use the current market value of your home as determined by a Royal Institution of Chartered Surveyors (RICS) valuer, or the price it sells for, whichever is highest. In all other circumstances the market value will be determined by RICS valuer.

Please note that the valuation will only be valid for a period of 3 months and the cost of the valuation is to be paid for by yourself.

Understanding your interest payments

Interest is what we charge for lending you the funds to help you buy your home.

Interest payments do not go towards paying off your Equity Mortgage.

- you start to pay interest from year 6, on the fifth anniversary that you took out your Equity Mortgage;
- your first interest payment will be 1.75% of the amount you borrowed;
- your interest will go up each year in April by the Consumer Price Index (CPI), plus 2%.

The amount of monthly interest you pay is worked out by multiplying:

1. **the Equity Mortgage amount** purchase price x Equity Mortgage percentage).

The Equity Mortgage percentage will reduce following any part repayment.

2. **by the interest rate (in the first year this is 1.75%).** The interest rate increases every year by adding CPI plus 2%.

The interest rate from the previous year is then used to work out the interest rate rise for the following year.

Payments are worked out as an annual figure and then divided by 12 equal instalments to get a monthly interest payment.

Based on the yearly interest rate rises, it is possible to show the typical annual and monthly payments, including interest and management fees. You will receive a personalised example which estimates the fees you'll pay on your Equity Mortgage. The figures in this guide are examples only.

Typical annual and monthly payments, including interest and management fees, based on an Equity Mortgage in a region of £40,000 and inflation (CPI) of 2.5%:

If the market value of your home at the time of purchase was £200,000 and you borrowed an Equity Mortgage amount of £40,000 (20%), in year 6, on the fifth anniversary of taking out your Equity Mortgage, the interest rate used to work out your monthly interest fee would be 1.75%. So the sum is: (£40,000 x 1.75%) ÷ 12 = £58.33 interest every month in year 6.

How we work out interest rate increases

Interest rates go up each year in April by the Consumer Price Index (CPI), plus 2%. The table below shows how the interest rate rise is worked out.

Year	Interest rate increase calculation	Interest rate
1-5	No interest payments	0%
6	Not applicable	1.75%
7	1.75% (year 6 rate) + 0.08% 1.75% (previous interest rate) x 4.5% (2.5% CPI + 2%) = 0.08% (interest increase)	1.83%
8	1.83% (year 75 rate) + 0.08% 1.83% (previous interest rate) x 4.5% (2.5% CPI + 2%) = 0.08% (interest increase)	1.91%

Differences in interest payments

You will pay slightly less interest if you take out an Equity Mortgage at the start of the year, and slightly more interest if you take it out later.

Your interest payments start in year 6, on the fifth anniversary that you took out your Equity Mortgage if your Equity Mortgage anniversary is between:

- **1 April and 31 December**, your first interest rate rise will be the coming April. For example, if you take out your Equity Mortgage on 1 June 2023, interest payments will start on 1 June 2028 (year 6) and the increase in interest will take place in April 2029. This means your interest will rise to the next rate sooner.
- **1 January to 31 March**, your first interest rate rise will be a year or more later in the following April. For example, if you take out your Equity Mortgage on 1 January 2024, interest payments will start from 1 January 2029 (year 6) and the increase in interest will take place in April 2029. **This means you will pay a lower rate of interest for slightly longer**.

What happens if the Consumer Price Index (CPI) is below 0%?

CPI can go up and down.

If, when we work out your interest, CPI is 0% or less, a figure of 0% will be used for CPI to calculate your interest rate rise. This means the interest rate increase will be a minimum of 2%. CPI will never be less than 0% when used to work out the interest rate increase.

Example:

Where CPI is equal to or less than 0%, we use 0% to work out the interest rate rise:

0% + 2% = 2% interest rate rise.

Equity Mortgage fees and costs

You agree to pay the fees and costs when you take out the Equity Mortgage, and these include

Monthly management fee

When your Equity Mortgage starts you must pay a £1 monthly fee. This is paid by Direct Debit for the life of your Equity Mortgage. For example, if you have the Equity Mortgage for 5 years (60 months) you will pay a total of £60 in management fees.

Interest

You start to pay interest from year 6, on the fifth anniversary of your Equity Mortgage and this is calculated at a rate of 1.75% of the Equity Mortgage amount. The interest rate will rise each year thereafter in April by the Consumer Price Index (CPI), plus 2%.

The interest you pay during the life of the Equity Mortgage does not reduce the amount you owe.

The amount of interest you pay will reduce if you make part repayments. Interest will be worked out on the amount of Equity Mortgage left to pay.

Administration fees

You may be required to pay administration fees, for example if you make changes to, or redeem, your Equity Mortgage.

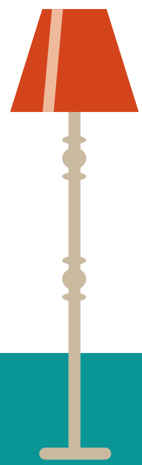
A full list of charges will be available from us.

In addition to administration fees, you are responsible for paying other costs and fees, such as a Royal Institution of Chartered Surveyors (RICS) valuation report, legal fees and mortgage arrangement fees.

Costs for late payment

You may be charged interest on overdue money you owe us. Interest is worked out based on the amount you owe. Interest is applied every day until the money you owe is paid in full. You may also be asked to pay other reasonable costs that we have incurred, if we need to take action against you.

We collect interest and management fee payments by Direct Debit. This helps to keep your payment details up to date.



Equity Mortgage and mortgages

An Equity Mortgage normally has a term of 25 years. If you choose to switch lenders to get a better deal on your first charge repayment mortgage, either with your current or a new lender, you will need to get our permission first.

Your lender must be a Qualifying Lender. You can access the list of qualifying lenders here **www.gov.wales/help-buy-wales-participating-lenders**

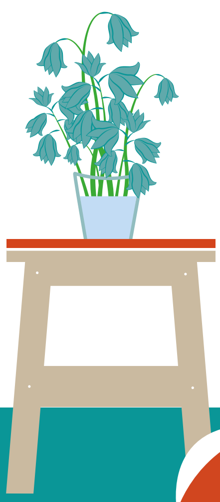
If you want to borrow more on your mortgage, you will need to meet certain conditions.

You can only borrow more when you remortgage if you use the money to pay:

- for repayment of all or part of your Equity Mortgage;
- for structural alterations on medical grounds, if we agree to it;
- to remove or add a homebuyer to the Equity Mortgage agreement (Transfer of Equity);
- for other personal circumstances that you agree with us.

Add and remove homebuyers from the Equity Mortgage

With our permission, you can add or remove a homebuyer from the Equity Mortgage. Homebuyers who are added must meet our eligibility criteria. One of the homebuyers named, must stay the same as when the Equity Mortgage was taken out.



Structural alterations

You cannot make structural alterations to your home without our permission, such as adding an extension or converting a bedroom into a bathroom.

We will only give permission to make structural alterations on medical grounds.

The Equity Mortgage is linked to the value of your home. So, if you make structural alterations without our permission and it increases the value of your home, the Equity Mortgage amount you owe will increase.

If we give permission to make structural alterations and the value of your home increases, we will not consider the value of that alteration when we work out how much you owe on your Equity Mortgage.

Redecorating or fitting a new kitchen or bathroom are not structural alterations, and you do not need our permission to do this.

You have the option to repay your Equity Mortgage before you make structural alterations.

Other restrictions

You are not allowed to sublet your home without our consent.

Like your repayment mortgage, you must have building insurance for your home, keep it in a good state of repair and comply with other conditions.

Changes in the housing market could affect your property price

Changes in the housing market means that house prices can go up and down. These examples show what could happen if a property price increases.

Increase in a home

In this example, the homebuyer has:	
Property value	£200,000
Homebuyer's deposit	£10,000 (5%)
Equity Mortgage %	£40,000 (20%)
Repayment mortgage	£150,000 (75%)

This assumes the property value increases by 2% every year. If you sell your home at the start of year 6, you would need to repay £44,163.

Changes in the housing market could affect your property price.

Changes in the housing market means that house prices can go up and down.

Start of year	Property price (%) increase	Property price	Homebuyer entitlement: 80%* of property value	Help to Buy entitlement: 20% of property value
1	0%	£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	£169,793	£42,448
5	2%	£216,486	£173,189	£43,297
6	2%	£220,816	£176,653	£44,163

* This entitlement excludes any balance you owe on your repayment mortgage

This example shows what could happen if a property price decreases.

Example 1: Decrease in a home

In this example, the homebuyer has:	
Property value	£200,000
Homebuyer's deposit	£10,000 (5%)
Equity Mortgage %	£40,000 (20%)
Repayment mortgage	£150,000 (75%)

This assumes the property value decreases by 5% every year. If you sell your home at the start of year 6, you would need to repay £30,951 (20% of the sale price) to settle the Equity Mortgage. Since the sale price of your home in this example is less than when you bought it, it may affect your ability to pay your repayment mortgage and the: Equity Mortgage.

Start of year	Property price (%) increase	Property price	Homebuyer entitlement: 80%* of property value	Help to Buy entitlement: 20% of property value
1	0%	£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%	£162,901	£130,321	£32,580
6	-5%	£154,756	£123,805	£30,951

* This entitlement excludes any balance you owe on your repayment mortgage

Glossary

Capital repayments

Capital is the money you borrow; interest is the charge made by the lender (in this case, Help to Buy Wales Ltd) on the amount you owe.

Completion

This is the final stage in the sale of a property, and the point at which it legally changes ownership to you, the homebuyer.

Consumer Prices Index (CPI)

CPI is a government annual measure of inflation. CPI is measured at different points in the year.

We use the September measurement and apply it to our interest rate rise every April.

Deposit

A house deposit is usually an upfront payment which is normally a percentage of the house price and not included in the mortgage. On the Scheme the deposit at exchange of contracts must be 5% of the price of the home.

A deposit is your equity in the house you buy.

Exchange of contracts

Where you and the seller have all the paperwork in place, you legally agree to buy a home. When contracts are exchanged, you'll need to pay an exchange deposit of 5% to the seller. At this point, an agreement to buy becomes legally binding.

Interest

Interest is the cost of borrowing money. You will usually pay interest for borrowing money, such as an Equity Mortgage. Interest is usually shown as a percentage of the amount you borrow. This percentage is called the interest rate. The higher the rate of interest, the more interest you pay back. For example, on £100 at a 5% interest rate you'll pay £5 in interest per annum.

Leasehold

You only own a leasehold property for a fixed period. A lease is a private legal agreement between you and the freeholder and sets out the rights and responsibilities of both parties. There may be charges and fees included in a lease.

There are only a limited number of leasehold properties that can be purchased with our support.

Market value

The value of a home on the Scheme as determined by an independent organisation called the Royal Institution of Chartered Surveyors (RICS) valuer, or the price a home sells for, whichever is highest.

Mortgage

This is an amount of money you borrow from a lender to put towards the full asking price of a property. You normally borrow it for a set amount of time and pay back a set amount each month, for an agreed time.

There are 2 main types of mortgage

- **Interest-only** – you only pay interest based on the amount you owe, and these payments do not reduce how much you owe. At the end of your mortgage term, you will still owe the same amount you borrowed. If you would like a Equity Mortgage, you cannot have an interest-only mortgage.
- **Repayment** – you repay the full amount (capital) borrowed, plus interest. The amount you owe will decrease until you repay it all by the end of your mortgage term.

To be eligible for a Equity Mortgage, you must have a repayment mortgage. A mortgage uses your home as security for the debt, so it is important you're able to keep up with mortgage repayments.

Net disposable income

The amount of money left over from your wages or salary that is available to invest, save or spend as you please, after bills and expenses.

New build or new home

A newly built home, including converted commercial premises and conversions which have not been used as residential dwellings before conversion. Homes split into flats are not included. Homes which have been previously occupied either by an owner occupier or a tenant before sale may not be purchased with the Scheme.

Part repayment

A minimum voluntary payment of 10% of the current market value of the home, paid on top of your regular monthly interest payments. This will reduce the amount you owe on the Equity Mortgage.

You can repay your Equity Mortgage in full at any time.

If making a partial repayment, your first partial repayment will need to be at least 10% of the market value of your home, at that time.

The remaining balance of the Equity Mortgage, must be at least 5% of the market value.

For example, you could repay 10% if you took out a 20% loan.

Sublet

You are unable to rent out your entire house to another person/tenant when you buy a home with an Equity Mortgage. You can rent out rooms to lodgers with our permission, but you must continue to live in your home.

This guide is for information only and must not be considered advice. Consider seeking independent financial advice before making any financial decisions on whether an Equity Mortgage is right for you.

To apply for a Equity Mortgage, visit:
www.gov.wales/help-buy-wales/how-apply

Please be aware that investments can go down as well as up and you may get back less than you invested.

Your home may be repossessed if you do not keep up repayments on your mortgage, Equity Mortgage and other loans secured against it.