



# Assistance with House Purchase

Transition Information Sheet 8



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## 1. Introduction

Home ownership is a major commitment and can be beyond many people’s capability and expectations. The Government recognises this and has put in place a number of initiatives that may, with sound planning and careful provision, make home ownership slightly more achievable. This Information Sheet lists the various House Purchase Schemes that exist to familiarize Service Personnel (SP) with what is currently available to assist with their personal planning. There is an increasing amount of information available to SP on house purchase designed to raise awareness and assist with personal planning. The Joint Service Housing Advice Office (JSHAO)<sup>1</sup> is available to provide a greater level of information on the various House Purchase Schemes that are available. It is strongly suggested that SP do not make decisions or enter into commitments without taking professional financial advice from the Services Insurance & Investment Advisory Panel (SIAP)<sup>2</sup> or other qualified Independent Financial Advisers (IFAs). Further information is available in articles contained in [Housing Matters Spring 2016](#)<sup>3</sup> which is a useful source of valuable housing information.

## 2. Forces Help to Buy (FHtB)<sup>4</sup>

Forces Help to Buy is available to Regular Service personnel who may apply for the loan online through Joint Personnel Administration (JPS).

Headlines	Explanation
<ul style="list-style-type: none"> <li>• Advance of 50% of gross annual salary capped at £25,000</li> <li>• Interest free- although HMRC consider an amount above £10,000 as a beneficial loan which has personal tax implications</li> <li>• Repayable over 10 years or shorter by agreement if or recoverable from pay</li> <li>• Compatible with other Government schemes ( Help to Buy Equity Loan, Shared Ownership and Help to Buy (Scotland)</li> <li>• Additional information: JSHAO Housing Briefing JSP 464, Pt 1, Ch 12 FHtB Team: 94560 3600 or 0141 224 3600 (Option 4)</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance towards purchase price taking account of deposit, legal, surveyors and land registration fees.</li> <li>• Eligibility: 1st time buyers and those wanting/needing to move to another property due to posting or extenuating family or medical circumstances. Medical circumstances allow current property to be extended or modified.</li> <li>• Restrictions: Not for purchase of buy- to- let property or second property. Not for personnel who have given notice and have 6 months or less to serve.</li> <li>• Ensure mortgage lender is aware you will use FHtB before making a formal mortgage application ( some don’t recognise the scheme).</li> </ul>

## 3. ISA

An Individual Savings Account (ISA) is a method of saving that is exempt income tax and capital gains tax on investment returns.

### 3a. Help to Buy ISA<sup>5</sup>

A help to Buy ISA is a form of cash ISA that receives a government bonus if the money is used in paying the deposit on a first home purchase.

Headlines	Explanation
<ul style="list-style-type: none"> <li>• For first time buyers</li> <li>• One account per person</li> <li>• UK property up to £250K (£450K in London)</li> <li>• Initial deposit of up to £1000</li> <li>• Save maximum of £200 per month</li> <li>• Min bonus £400/ Max bonus £3000</li> <li>• Claim bonus by December 2030</li> </ul>	<ul style="list-style-type: none"> <li>• Restriction: - Can’t use scheme to purchase buy-to-let property.</li> <li>• May open an account in banks or building societies until 30 Nov 19.</li> <li>• Scheme may boost your savings by 25%.</li> <li>• You receive the Govt bonus when house purchase has been finalised.</li> <li>• Ensure solicitor is engaged during process</li> </ul>



### 3b. Lifetime ISA<sup>6</sup>

A Lifetime ISA is a flexible way to save for both home purchase and retirement.

Headlines	Explanation
<ul style="list-style-type: none"> <li>• Launch expected April 2017</li> <li>• Maximum saving is £4000 per annum with 25% added each year until the age of 50</li> <li>• Maximum bonus achievable is £32,000</li> </ul>	<ul style="list-style-type: none"> <li>• Eligibility:                         <ul style="list-style-type: none"> <li>- Open to 18 – 40 year olds.</li> <li>- First time buyers for properties under £450K or use in retirement upon reaching 60.</li> </ul> </li> <li>• Likely to replace the Help to Buy ISA.</li> </ul>

### 4. Affordable Home Ownership Schemes<sup>7</sup>

In addition to FHTB there are a number of Government Affordable Home Ownership Schemes. They are intended to make property ownership more achievable. SP have priority status for Shared Ownership schemes (see below for details) alongside social housing tenants. Eligibility continues for 12 months beyond discharge in England & Wales. Scotland prioritises SP for affordable housing for 24 months beyond discharge with Low-cost Initiative First Time Buyers [LIFT<sup>6</sup>](#). No priority for SP in Northern Ireland as on first come first served basis. The main Affordable Home Ownership Schemes are:

- Help to Buy: UK Mortgage Guarantee
- Help to Buy: Equity Loan
- Help to Buy: Shared Ownership



#### 4a. Mortgage Guarantee Scheme<sup>8</sup>

Mortgage lenders had become increasingly unwilling to offer 95% Mortgages ( buyer pays a 5% deposit and borrows 95% of the value of the property). The Mortgage Guarantee Scheme encourages lenders to offer 95% repayment only mortgages with the Government underwriting 15% of the loan)

Headlines	Explanation
<ul style="list-style-type: none"> <li>• Available to all UK wide</li> <li>• Used for the purchase of new or older homes up to £600K</li> <li>• Must be the only property you own</li> <li>• Applications made to selected providers</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictions:                         <ul style="list-style-type: none"> <li>- Can't be used for buy-to-let properties.</li> <li>- Can't be used for shared ownership.</li> <li>- Can't be used for shared equity.</li> <li>- UK properties only.</li> <li>- Not all lenders accept this scheme.</li> <li>- Scheme expected to end 31 Dec 16.</li> </ul> </li> </ul>



#### 4b. Equity Loan (Shared Equity)<sup>9</sup>

An Equity Loan comprises a buyer's 5% deposit, a mortgage for 75% of the property purchase price taken from a mortgage provider with the Government, through the Homes and Communities Agency, providing the remaining 20% in the form of a loan (40% if the property is in London).

Headlines	Explanation
<ul style="list-style-type: none"> <li>• Take out a mortgage for 80% of purchase price (Government provides remaining 20% in a loan)</li> <li>• Loan is interest free for the first 5 years, thereafter interest is charged at 1.75% and rises annually in line with the Retail Price Index</li> <li>• When the property is sold, or the loan is repayed, the percentage of the value of the home at the time of the sale/repayment is paid back</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictions:                         <ul style="list-style-type: none"> <li>- Property cannot be buy-to-let.</li> <li>- New build properties up to £600K (£300K in Wales)</li> <li>- Smallest repayment is 10% of market value of home.</li> </ul> </li> <li>• Purchasers should aim to repay the Government loan before the 5 year point, and/or at the time of reviewing a fixed term mortgage period (2 yrs, 3 yrs etc.)</li> </ul>





### 4c. Help to Buy Shared Ownership<sup>10</sup>

This scheme comprises a mortgage of between 25 – 75% the value of the property and then a subsidised rent to a Housing Association on the remaining share . Different rules apply in [Scotland<sup>11</sup>](#) and Northern Ireland ([NI low cost home ownership schemes<sup>12</sup>](#)) - best check with your Local Authority

Headlines	Explanation
<ul style="list-style-type: none"> <li>• First time buyers</li> <li>• People who used to own their own home but can't afford to now.</li> <li>• People renting from a Local Authority or Housing Association.</li> <li>• Mortgage of between 25 – 75% of sale value.</li> <li>• The outstanding balance is covered by paying rent.</li> </ul>	<ul style="list-style-type: none"> <li>• Restrictions:                             <ul style="list-style-type: none"> <li>- Household earnings need to be less than £80K to qualify (£90K in London)</li> <li>- Some Housing Associations will restrict you obtaining 100% ownership.</li> <li>-Requires a deposit.</li> </ul> </li> <li>•Can buy more shares in home at any time: 'staircasing'.</li> </ul>

### 4d. Starter Homes<sup>13</sup>

A Government initiative that sets out to attract first time buyers under the age of 40 years old. Register with 20 developers and purchase a new starter home at a minimum of 20% discount to market price.

Headlines	Explanation
<ul style="list-style-type: none"> <li>• 20% discount applies for full 5 years.</li> <li>• Register via new-homes.</li> <li>• Selling home within 5 years will attract 20% discount on current market value.</li> </ul>	<ul style="list-style-type: none"> <li>•Restrictions:                             <ul style="list-style-type: none"> <li>-First time buyer</li> <li>-Buy-to-let not permitted.</li> <li>-No estimated start date of first development of Starter Homes</li> </ul> </li> </ul>

## 5. Private Housing Development Schemes

In addition to Government initiatives, private developers may also run their own schemes to encourage first time buyers into the housing market. It is therefore worthwhile checking local developments to see whether they are offering any house purchase schemes.

Government initiatives can be withdrawn at short notice.

To help with planning and early decision making visit Own Your Own Home portal assist with personal planning [ownyourhome.gov.uk<sup>14</sup>](http://ownyourhome.gov.uk)

Access to more detailed information is available at:

1. <https://www.gov.uk/government/collections/joint-service-housing-advice-office-jshao>
2. <http://siiap.org/>
3. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/513146/20160330\\_-\\_HOUSING\\_MATTERS\\_SPRING\\_2016.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/513146/20160330_-_HOUSING_MATTERS_SPRING_2016.pdf)
4. <https://www.gov.uk/guidance/forces-help-to-buy> Forces Help to Buy
5. <https://www.helptobuy.gov.uk/help-to-buy-isa/how-does-it-work/>
6. [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/508117/Lifetime\\_ISA\\_explained.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/508117/Lifetime_ISA_explained.pdf)
7. <https://www.gov.uk/affordable-home-ownership-schemes/overview>
8. <https://www.gov.uk/affordable-home-ownership-schemes/help-to-buy-mortgage-guarantee>
9. <https://www.gov.uk/affordable-home-ownership-schemes/help-to-buy-equity-loan>
10. <https://www.gov.uk/affordable-home-ownership-schemes/shared-ownership-scheme>
11. <http://www.gov.scot/Topics/Built-Environment/Housing/BuyingSelling/lift>
12. <https://www.nidirect.gov.uk/articles/low-cost-home-ownership-schemes>
13. <http://www.new-homes.co.uk/>
14. <https://www.ownyourhome.gov.uk/>