

The First Time Buyers' Initiative Buyers' Guide



What is the First Time Buyers' Initiative?

The First Time Buyers' Initiative (FTBI) aims to make more affordable homes available to first-time buyers priced out of the housing market. It is part of the government's HomeBuy low-cost home ownership initiative, and is available in England through 23 regional HomeBuy Agents. FTBI is delivered as part of HomeBuy by the Homes and Communities Agency.

To enquire about FTBI, please contact your local HomeBuy Agent (see pages 3 and 4).

Information about FTBI homes for sale can also be found at www.myftbihome.co.uk

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 advice.

The First Time Buyers' Initiative

Overview: the 'stepping-stone' into home ownership

- Buy a new build home on an FTBI development with an affordable mortgage and with government assistance.
- Buyers must take out a first mortgage (with a qualifying lending institution). This mortgage and any cash contribution must be a minimum of 50% of the full purchase price.
- Government will assist with up to 50% of the full purchase price.
- Buyers have 100% title to the home.
- Buyers must repay the assistance when they sell. If government contribution was 25% of the full purchase price, the seller must repay 25% of the total value at the time of sale.
- Buyers can make part repayments ('staircasing') at any time.
- Buyers pay fees to government on its contribution after three years of ownership: 1% after three years, 2% after four years and 3% thereafter.
- Buyers can sell their FTBI home on the open market.
- Local HomeBuy Agents assess and approve buyer eligibility for FTBI.
- Not all buyers will qualify for the maximum 50% assistance. This is assessed by the local HomeBuy Agent.

How does it work?

It enables aspiring first-time buyers, who cannot otherwise afford to buy a new home, to purchase a new property with an affordable mortgage and with government assistance on a designated FTBI development. Assistance is paid to the participating housebuilder, not the first-time buyer. The government then has an entitlement to a share of the future sale proceeds which will be equal to the initial percentage contribution required to assist the buyer. This enables an FTBI buyer to take out an affordable mortgage (minimum 50% of the total purchase price) on which they make repayments.

For the first three years of FTBI home ownership there is nothing to pay on the amount that the government contributed. After three years, buyers will pay a fee to the government (through the National HomeBuy Agent) of 1% per annum on the amount the government funded. This fee will increase each year by a fixed percentage reaching a maximum of 3% after five years in the property.

Because it is made affordable, FTBI is a 'stepping-stone' to assist buyers into full home ownership.

When owners sell their FTBI home, they will repay the government's contribution by way of a share of the sale proceeds. So, if the government initially assisted the purchase with a 25% contribution, the repayment will be 25% of the total value when it is sold.

FTBI homeowners can also choose to reduce the amount payable to the government at any time by making repayments at the prevailing market value. The minimum additional repayment is 10% of the market value.

The government's entitlement to a share of the future sale proceeds is enforced through a second charge on the property. This is done in the same way that a buyer's mortgage lender will secure its lending through a first charge on the property.

Although FTBI buyers will have a mortgage less than the full purchase price of the property, they will be the legal owner with 100% title to the home. The table below shows how it works.

The First Time Buyers' Initiative continued

Example of FTBI home ownership	£	%
Open market total purchase cost of new home	£150,000	100
FTBI buyer affordable mortgage @ 70%*	£105,000	70
FTBI buyer pays 5% equity deposit*	£7,500	5
Government contribution on which an FTBI buyer pays fees after 3 years	£37,500 (cost at time of purchase)	25 (entitlement to percentage share of future sale proceeds)

*The buyer's mortgage and cash contribution must be a minimum 50% of the full purchase price.

In this example, the FTBI buyer has purchased a £150,000 home for an initial mortgage and deposit totalling £112,500 and the government has contributed 25% of the total price. When the home is sold, the government will be entitled to 25% of the total sale price.

For the first three years of FTBI home ownership there is nothing to pay on the amount of government contribution. After three years, the homeowner will pay a fee to the government (through a HomeBuy Agent) on this contribution of 1% per annum. The fee will increase by a fixed percentage each year reaching a maximum of 3% after five years (see below for an illustration of how fees work).

Buyers can reduce the amount payable to the government at any time by making payments at the prevailing market value (see below). Therefore, FTBI offers aspiring buyers an opportunity to establish themselves in home ownership, when their income is most likely to be stretched, and progressively move to reducing the government's entitlement as their circumstances allow.

Because the government's entitlement to a share of the sale proceeds is a percentage of the total home value, the amount required by the buyer to reduce the entitlement, and therefore increase their share of the sale proceeds, will be dependent on the total value of the property at the time the buyer wants to increase their future share of the sale proceeds. The buyer will increase their share of the sale proceeds by taking on more mortgage, using their savings or both. The actual amount the buyer needs to do this will increase if the property increases in value and decrease if its value falls (see examples below).

What is the role of the HomeBuy Agent?

The 23 HomeBuy Agents act on behalf of the government at a local level to market and administer the FTBI schemes in their area, as well as to guide the first-time buyer through the process of buying an FTBI home. The role of the HomeBuy Agent is to:

- act at a local level on behalf of the government;
- hold information about FTBI schemes for prospective buyers;
- deal with applications, assess eligibility/affordability (percentage affordable mortgage taken by the buyer) and offer guidance to prospective first-time buyers; and
- give approval to an FTBI buyer's solicitor/conveyancer to proceed with a purchase (exchange of contracts).

Following the first FTBI sale, the owner's details are transferred to a central, National HomeBuy Agent which provides a single point of contact to:

- administer payment of fees by buyers on the government's entitlement after three years of ownership; and
- recover the government's entitlement in the sale of FTBI homes as owners sell and move on or reduce the government's entitlement.

What types of homes are available?

FTBI homes are only available on designated developments where the government has an agreement with the housebuilder to offer FTBI homes for sale.

These will typically be smaller homes (1-2 bedrooms) with larger homes sometimes available on selected schemes. To find out the nearest location of FTBI homes in your area, prospective buyers should contact their local HomeBuy Agent (see below).

East of England

Bedfordshire and Cambridgeshire

Bedfordshire Pilgrims Housing Association/
Keyhomes East:
0845 456 6757

Essex

Moat:
07002 662 846

Hertfordshire

Lea Valley Homes Aldwyck Housing Association:
01582 869 440

Norfolk and Suffolk

Orbit: 0845 850 2050

East Midlands

Derbyshire, Leicestershire and Nottinghamshire

East Midlands Housing Association/EM HomeBuy:
0844 892 0112

Lincolnshire

Eastern Shires Housing Association/Home2you:
0845 845 0800

Northamptonshire

Bedfordshire Pilgrims Housing Association/
Keyhomes East:
0845 456 6757

London

East London

Metropolitan Housing Group/Housing Options:
0845 230 8099

North London

Metropolitan Housing Group/Housing Options:
0845 230 8099

South East London

Tower Homes/Housing Options:
0845 230 8099

South West London

Tower Homes/Housing Options:
0845 230 8099

West London

Metropolitan Housing Group/Housing Options:
0845 230 8099

North East

Tees Valley and County Durham

Nomad E5:
0191 229 7333

Tyne and Wear and Northumberland

Nomad E5:
0191 229 7333

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North West

Cheshire

Riverside Housing Group:
0845 111 0000

Cumbria

Eden Housing Association:
01768 861 400

Greater Manchester

Plumlife:
0161 447 5050

Lancashire

Plumlife:
0161 447 5050

Merseyside

Plus Housing Group:
0845 603 4559

South East

Berkshire and Oxfordshire

Catalyst:
0845 601 7729

Buckinghamshire and Milton Keynes

Catalyst:
0845 601 7729

Hampshire and Isle of Wight

Swaythling Housing Association:
023 8062 8000

Kent

Moat:
07002 662 846

Surrey

Thames Valley Housing Association:
0845 600 6699

Sussex

Moat:
07002 662 846

South West

Avon, Gloucestershire, North Somerset, North Wiltshire and West Wiltshire

New Futures Partnership:
0800 073 1315

Devon and Cornwall

West Country Housing Association/Home 2 Own:
0800 975 1915

Dorset, Salisbury and South Somerset

Knightstone Housing Association/My Place:
0800 707 6707

West Midlands

Coventry and Warwickshire

Mercian Housing Association:
0845 607 6726

Hereford and Worcester

West Mercia Housing Association:
0845 658 5420

Sandwell and Solihull

Mercian Housing Association:
0845 607 6726

Staffordshire and Shropshire, Wolverhampton, Walsall, Dudley, Birmingham

Mercian Housing Association:
0845 607 6726

Yorkshire and the Humber

North Yorkshire and Humberside

Joseph Rowntree Foundation:
0800 633 5670

South Yorkshire

Yorkshire Housing Association/My 4 Walls:
0113 243 6893

West Yorkshire

Yorkshire Housing Association/My 4 Walls:
0113 243 6893

Eligibility

Who can take part in the scheme?

FTBI homes are available for qualifying: social tenants, key workers and other first time buyers who cannot afford to buy in their local market.

The maximum household income for all groups who cannot afford to buy is £60,000 per annum.

Applicants must be buyers looking to own a home for the first time, although those applying to the scheme after a relationship breakdown will also be considered.

Qualifying Criteria for All Applicants

Must be a qualifying first-time buyer unable to afford a new home. 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 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 long 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.

Cannot already be a homeowner 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.

Applicants must have a good credit history.

Applicants must take out a first mortgage with a qualifying lender.

Non-Qualifying Criteria for All Applicants

If applicants have rent arrears during the last 12 months or are in breach of their current tenancy agreement.

If applicants have an adverse credit history, which means they are unlikely to be able to sustain ownership.

If an applicant already owns a home or is named on a home mortgage (unless the name is in the process of being removed, for example, following a relationship breakdown).

If an applicant does not intend to take out a first mortgage on the FTBI property.

(See page 19 for qualifying criteria specific to key workers).

How to buy an FTBI home

The FTBI buying process

Stage 1

- Prospective buyer/applicant registers their interest with the HomeBuy Agent, either direct or via the housebuilder.
- Buyer completes a HomeBuy Application either online or on a paper copy.
- Buyer contacts an Independent Financial Advisor to gain confirmation of financial status. Some HomeBuy Agents may also require buyers to attend a financial interview before giving eligibility approval.
- Buyer must ensure they have funds to pay:
 - A reservation fee.
 - 5% exchange deposit (5% deposit, some schemes may require higher or lower deposits at exchange of contracts).
 - Other fees on completion (e.g. stamp duty, legal fees).

Stage 2

- If eligible, the buyer will receive an 'Approval of Eligibility Letter' from the HomeBuy Agent within eight working days of application. They will also receive details of the level of mortgage the buyer should be seeking (their 'Prescribed Mortgage Level').
- The HomeBuy Agent will also provide details of the applicable FTBI schemes in their area.

Stage 3

- If they have not already done so, the buyer makes appointments with sales teams at FTBI development schemes.
- The buyer completes a 'Property Information Form', returns it to the HomeBuy Agent together with details of their solicitor/conveyancer and a copy of the housebuilder's completed reservation form. The buyer will also pay a reservation fee, usually £500, to the housebuilder.
- The buyer should instruct a solicitor to act for them and tell their Financial Advisor so that a full mortgage application can be submitted.

Stage 4

- The HomeBuy Agent will review the 'Property Information Form' ensuring it is consistent with the terms of the buyer's approval letter. If it is, the HomeBuy Agent will issue an 'Authority to Proceed' document pack to the buyer and the buyer's and housebuilder's solicitors/conveyancers. This pack will include legal documents that will be explained to buyers by their solicitor/conveyancer.
- The buyer will agree to exchange contracts within a timeframe specified by the builder (usually 21-28 days).
- The buyer's solicitor/conveyancer will check that the buyer's mortgage offer, property price and available funds are consistent with the Authority to Proceed, and will request permission to exchange contracts from the HomeBuy Agent.
- The HomeBuy Agent issues approval to the buyer's solicitor/conveyancer and contracts are exchanged.
- The buyer will have paid a deposit and now be legally contracted to complete the purchase by an agreed date.

Stage 5

- At completion, the buyer's lender will provide its funds and the government will make funds available to the housebuilder. Once completion has taken place the buyer owns the property and can move in.
- The buyer's solicitor will then return confirmation of the sale to the local HomeBuy Agent who will then register the buyer's details with the National HomeBuy Agent.
- A second charge will be placed on the property by the buyer's solicitor in favour of the government entitling it to a share of the future sale proceeds. This means that the buyer must repay this when they sell the property.

How long does the process take?

The HomeBuy Agent will seek to assess an applicant's eligibility (from a fully completed application form together with all the other documents it may require from a buyer,) within eight working days. After receiving confirmation of eligibility it is up to the buyer how soon they can find a property and submit a 'Property Information Form' to the HomeBuy Agent.

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

Buyers are responsible for securing their mortgage and appointing their solicitor/conveyancer, although the HomeBuy Agent and housebuilders will be able to suggest some options.

Further information

The initiative is making FTBI homes available nationally. Prospective buyers should contact their local HomeBuy Agent to make an application and find out more about availability of FTBI homes in their area.

An additional Q & A section appears on page 15.

The FTBI buyer's mortgage

How is a buyer's mortgage level assessed?

The buyer's FTBI mortgage is designed to be affordable relative to their income. The local HomeBuy Agent will ensure buyers maximise their mortgage while having regard for the overall affordability of the repayments. Typically, the FTBI mortgage will be based on a multiple ranging from 3 to 4 times the applicant's household income. The local HomeBuy Agent will also work to a guideline to ensure that a buyer's monthly costs (mortgage, service charges and fees) are no more than 45% of their after-tax monthly pay.

Buyers cannot choose to take a lower mortgage if their affordable income multiple suggests they 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 government is seeking to help as many buyers as possible, so allowing a buyer to reduce their mortgage could stop others from also benefiting from the initiative.

Once a buyer has had their eligibility approved the HomeBuy Agent will set the 'Prescribed Mortgage Level'. This is the level of mortgage that a buyer should be seeking from their lender.

What is the legal mechanism that ensures the government gets its share of future sale proceeds?

This is through a second charge on the property, which means it cannot be sold in the future unless the government's entitlement is paid. Buyers must agree to this charge before the purchase can be completed. The legal document setting out the charge includes other obligations such as the requirement for owners to insure their property. A buyer's solicitors/conveyancer will advise them on the legal implications of this document before it is signed.

What happens when owners sell their FTBI home?

When owners sell their FTBI home, they will repay the government its entitlement to a share of the future sales proceeds. So if a buyer initially purchased with a 70% mortgage and a 5% cash deposit and has made no other repayments, it will repay the government 25% of the value at the time they sell. The National HomeBuy Agent will recover the government's repayment.

Owners can sell their property at any time and an independent surveyor will decide what it is worth. The property will be sold on the open market at the prevailing market valuation. The government's entitlement must be paid when a buyer sells the home. The buyer will pay the costs of selling.

The illustration below gives an example of how the payment to the government is calculated assuming a starting FTBI home starting value of £150,000 and a buyer taking on a mortgage for 70% and paying a 5% deposit.

Illustration 1

Start of year	Total property value assuming forecast future annual increase of 5%	FTBI homeowner entitlement to 75% of property value	Government entitlement to 25% of property value
1	£150,000	£112,500	£37,500
2	£157,500	£118,125	£39,375
3	£165,375	£124,031	£41,344
4	£173,644	£130,233	£43,411
5	£182,326	£136,744	£45,581
6	£191,442	£143,582	£47,861

In the example above, if a buyer chose to sell their FTBI home at the start of year six (after owning the property for five years) and assuming property values increased by 5% every year, the buyer would have to repay £47,861 to the government and use £143,582 to settle any outstanding balance on the mortgage provided by their lender.

Illustration 2

In this example, property values are assumed to be static for three years followed by annual increases of 2%. The buyer then chooses to sell at the start of year six, after five years of ownership.

Start of year	Estimated annual change in property value %	Total property value at start of year assuming forecast annual change in value	FTBI homeowner entitlement to 75% of property value	Government entitlement to 25% of property value
1	0	£150,000	£112,500	£37,500
2	0	£150,000	£112,500	£37,500
3	0	£150,000	£112,500	£37,500
4	2	£150,000	£112,500	£37,500
5	2	£153,000	£114,750	£38,250
6	2	£156,060	£117,045	£39,015

In the example above, if a buyer chose to sell their FTBI home at the start of year six (after owning the property for five years) and assuming property values increased by 0% annually for the first three years followed by two more years when they rose by 2% annually, the buyer would have to repay £39,015 to the government and use £117,045 to settle any outstanding balance on the mortgage provided by their lender.

The FTBI buyer's mortgage continued

Illustration 3

In this example, property values are assumed to increase by 5% every year for three years followed by annual decreases of -5%. The buyer then chooses to sell at the start of year six, after five years of ownership.

Start of year	Estimated annual change in property value %	Total property value at start of year assuming forecast annual change in value	FTBI homeowner entitlement to 75% of property value	Government entitlement to 25% of property value
1	5	£150,000	£112,500	£37,500
2	5	£157,500	£118,125	£39,375
3	5	£165,375	£124,031	£41,344
4	-5	£173,644	£130,233	£43,411
5	-5	£164,962	£123,721	£41,240
6	-5	£156,713	£117,535	£39,178

In the example above, if a buyer chose to sell their FTBI home at the start of year six (after owning the property for five years) and assuming property values increased by 5% annually for the first three years followed by two more years when they fell by 5% annually, the buyer would have to repay £39,178 to the government and use £117,535 to settle any outstanding balance on the mortgage provided by their lender.

Illustration 4

In this example, property values are assumed to increase by 2% every year for two years followed by annual increases of 8%. The buyer then chooses to sell at the start of year six, after five years of ownership.

Start of year	Estimated annual change in property value %	Total property value at start of year assuming forecast year annual change in value	FTBI homeowner entitlement to 75% of property value	Government entitlement to 25% of property value
1	2	£150,000	£112,500	£37,500
2	2	£153,000	£114,750	£38,250
3	8	£156,060	£117,045	£39,015
4	8	£168,545	£126,409	£42,136
5	8	£182,028	£136,521	£45,507
6	8	£196,591	£147,443	£49,148

In the example above, if a buyer chose to sell their FTBI home at the start of year six (after owning the property for five years) and assuming property values increased by 2% annually for the first two years followed by three more years when they rose by 8% annually, the buyer would have to repay £49,148 to the government and use £147,443 to settle any outstanding balance on the mortgage provided by their lender.

What happens if property values fall? Will an owner have to repay the full amount of government contribution or just a percentage of the total sale proceeds?

When an FTBI homeowner sells, the FTBI second charge commits the owner to repay a percentage of the market value equal to the percentage contribution which the government has provided towards the original purchase price. This means if the market value of the property falls below the level at which the home was first purchased, the FTBI homeowner will repay less than the original amount the government contributed to the original purchase.

The FTBI homeowner will need to show that the proposed sale value is at the prevailing market value before going ahead. The National HomeBuy Agent will approve the sale before releasing the second charge.

As long as the FTBI homeowner has complied with all their obligations in the FTBI mortgage deed, the owner will not be required to provide for any 'shortfall' if they sell when values have fallen.

If an owner does not comply with the terms of the FTBI mortgage deed, government will seek to recover all the money it is owed.

The buyer's solicitor will explain the FTBI mortgage deed before the home is purchased.

Can an FTBI owner 'staircase'?

The FTBI scheme allows owners to reduce all or part of the government's entitlement to some of the future sale proceeds. A partial reduction in the entitlement is called 'staircasing'. Staircasing payments can be made at any time and must be a minimum of 10% (always in 10% tranches e.g. 10, 20, 30, 40 or 50%) of the home's prevailing market value – whether that value is more or less than when originally purchased. A buyer cannot leave less than 10% outstanding, so if the government's remaining entitlement is for 15%, the buyer has to repay this entire amount.

An independent RICS surveyor/valuer must provide the valuation and the owner will pay for this. Enquiries about staircasing payments should be made to the National HomeBuy Agent.

If an owner staircases after three years of ownership, then the fees (see below) you pay on the government's entitlement will be reduced because it is smaller. Correspondingly, the owner's mortgage repayments will probably increase to reflect the fact that they have reduced the government's entitlement.

In the example over the page, if a buyer chooses to 'staircase' by 10% to 85% at the start of year six (after owning the property for five years) and assuming property values increased by 5% every year, the buyer would have to repay £19,144 to the government. If the buyer has any fee arrears (see page 13) at the time of staircasing, the arrears must also be paid at the same time as the staircasing payment is made.

The FTBI buyer's mortgage continued

Start of year	Total property value assuming annual increase of 5%	FTBI homeowner entitlement to 75% of property value	Cost to FTBI homeowner of 'staircasing' by 10%
1	£150,000	£112,500	£15,000
2	£157,500	£132,300	£15,750
3	£165,375	£138,915	£16,538
4	£173,644	£145,861	£17,364
5	£182,326	£153,154	£18,232
6	£191,442	£160,811	£19,144

Are there any restrictions on the mortgage provider?

The buyer's FTBI 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 www.fsa.gov.uk/register. The buyer's solicitor/conveyancer will check that the lender is compliant before a sale can proceed.

Fees and costs

What are the monthly costs of FTBI?

Every month, owners will need to make payments including:

- mortgage repayments to lenders;
- fee on the government's contribution (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; and
- utility bills and other costs of occupying the property.

How are the fees calculated on the government's entitlement?

After three years a fee is payable of 1% on the value of the government's contribution. This rises to a maximum of 3% after five years of ownership. This is payable to the National HomeBuy Agent.

Before the fee is calculated, the government's amount of contribution is inflated by 2.4% every year. This is done because it represents an estimate of the long-term real rate of house price inflation and ensures that owners have an incentive to staircase and reduce the government's entitlement (see above), which will reduce their level of fees.

The example below shows how fees are calculated. The fee payment is waived for the first three years, after this date a monthly fee will be payable and the table below illustrates how this would work on a government contribution of 25% worth £37,500 on the day of purchase.

Start of year	Govt contribution value carried forward	% Increase in govt contribution value for fee calculation	Total value for fee calculation at end of year	Annual fee payable by FTBI homeowner		Monthly fee payable by FTBI homeowner
1	£37,500	2.4%	£38,400	£ -	0%	£ -
2	£38,400	2.4%	£39,322	£ -	0%	£ -
3	£39,322	2.4%	£40,265	£ -	0%	£ -
4	£40,265	2.4%	£41,232	£403	1%	£34
5	£41,232	2.4%	£42,221	£825	2%	£69
6	£42,221	2.4%	£43,235	£1,267	3%	£106
7	£43,235	2.4%	£44,272	£1,297	3%	£108
8	£44,272	2.4%	£45,335	£1,328	3%	£111
9	£45,335	2.4%	£46,423	£1,360	3%	£113
10	£46,423	2.4%	£47,537	£1,393	3%	£116

At the start of year four, after three years of ownership, the FTBI owner has to pay a monthly fee of £34. At the start of year six, after five years of ownership, the monthly fee will have risen to £106.

Fees and costs continued

This is to encourage buyers to staircase and move to full ownership, so that they reduce the government's entitlement. The introduction of fees also takes into account that the buyer gets all the benefit of living in a house that has been made possible by the government contributing part of the purchase price until the property is sold.

The full fee of 3% per annum on the amount of government entitlement is not introduced until year six, which means that an owner has a five year period of zero or reduced fees at a time when first-time buyers are usually the most financially stretched.

Because the government's entitlement is inflated every year, unless an owner staircases, their fees will keep rising year-on-year even though the fee remains at a flat 3% annually.

The level of fees is fixed at the time of purchase so a buyer will know exactly how much they will have to pay after three years of ownership.

The payment of fees does not reduce the government's entitlement to a percentage share in the proceeds of sale. If a buyer staircases or wants to make full repayment of the government's contribution, any fee arrears must be repaid at the same time.

Annual percentage rates for FTBI owners

Because a buyer has to pay fees on the government's contribution during their ownership and may have to pay more than the original contribution back to the government, 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 £150,000 market value home and a buyer's affordable mortgage and contribution of 75%. The combined effect of fees and repayments effects the Annual Percentage Rate (APR) which is the buyer's cost of credit.

Using the previous illustrations, after five years of ownership, if the buyer decides to sell and house prices have grown by 5% every year, the buyer will have to repay £47,861 to the government. The owner will have also paid £1,227 in fees on the government's contribution and is assumed to have paid £1,000 in legal and valuation fees. This means the total amount payable after five years on the government's original cash contribution of £37,500 is £50,088.

This is equal to an APR 6.0% typical. The total amount repaid is £50,088.

Questions and answers

Q Will an FTBI buyer have to pay Stamp Duty?

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

SDLT is payable at the time of purchase, on the full purchase price of the home. That is, the amount paid by the buyer (the first mortgage and any cash contribution) plus the value of the Government assistance. There is no further SDLT to pay on any 'staircasing' repayments or repayment when the home is sold.

Buyers should budget for SDLT when they purchase an FTBI home.

Q Who pays for repairs and ongoing maintenance to the FTBI home?

It is the owner's responsibility to repair and maintain their new 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 builder's workmanship.

Q Who provides the contribution for FTBI?

This is provided by the Homes and Communities Agency, www.homesandcommunities.co.uk and delivered through HomeBuy Agents as part of the government's HomeBuy programme. The government's contribution is always provided to the first-time buyer but paid to the housebuilder on the designated FTBI development.

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 HomeBuy Agents may be applicable. Registered Social Landlords also run other low-cost home ownership schemes for people who cannot afford to buy a home. First-time buyers can get details of Registered Social Landlords running schemes in your area from the the Homes and Communities Agency, www.homesandcommunities.co.uk

Q How long will it take before a buyer can move in?

Because FTBI homes are on new developments (and may still be under construction), in common with most new home sales, a buyer will normally be expected to arrange a mortgage and exchange contracts within one month of paying a reservation fee. The moving in date will then depend on the time required to complete construction work and this will vary from scheme to scheme. Some FTBI applicants will be prepared to wait a longer period of time for a home that matches very specific needs whereas others will buy from a development that allows earlier occupation.

Questions and answers continued

Q What happens if the completion of an FTBI home is delayed?

Once an FTBI purchaser has committed to buy a home (at exchange of contracts) the housebuilder will have agreed to build the home and keep the buyer informed of progress. If the buyer is unhappy about any delays in construction they must speak to the housebuilder. A buyer's solicitor/conveyancer will be able to advise on the housebuilder's contractual responsibilities before they agree to the sale.

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

All FTBI homes are on new build developments where the Homes and Communities Agency has an agreement with the housebuilder. Buyers can only purchase from these designated schemes.

To ensure that families have access to the scheme, purchase of a property one bedroom larger than the household's current need is permitted. This is assessed by the HomeBuy Agent as part of the eligibility approval process.

Q What happens if the rules change after a buyer purchases and they are no longer a priority or eligible as a key worker? Do they have to pay all the cash back?

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

Q Can a buyer sub-let their FTBI home?

No – FTBI is designed to assist the buyers to get on the housing ladder. If they wish to sub-let, they will first have to immediately repay the government's entitlement.

Q Can a buyer own an FTBI home and buy a second home?

No – FTBI is designed to assist buyers to get on the housing ladder. If a buyer wishes to purchase another home they will have to immediately repay the government's entitlement.

Q Can a buyer use cash from their council, the Homes and Communities Agency, Registered Social Landlord or other public-sector body to buy with the addition of help through FTBI?

No – assistance through government key worker or other programmes cannot be combined with any other publicly funded home ownership scheme such as FTBI.

Q After purchasing an FTBI home, can a buyer increase their mortgage or take out another loan?

Not without permission from the National HomeBuy Agent. Further advances must be approved by the National HomeBuy Agent. Advances to be used for staircasing or repaying the government's contribution will usually be welcomed. Advances for other purposes will be considered by the National HomeBuy Agent on a case-by-case basis (see question below regarding extending or altering the property).

Buyers can transfer their mortgage to another lender, which must be a qualifying lending institution (see page 12), with permission from the National HomeBuy Agent. Buyers must ensure their new lender is informed that it is an FTBI property with a second charge entitling the government to a share of the future sale proceeds.

The National HomeBuy Agent may decline permission for further advances or transfer to another lender if it considers the buyer may be putting themselves in an unsustainable financial position.

Q Can a buyer extend or alter the property?

Not without permission. Because FTBI is designed to help aspiring buyers into home ownership, they should consider repaying part or all of the government's contribution before making plans for improvements or alterations. This is because the government is seeking to help future first-time 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 National HomeBuy Agent will review cases of hardship if, for example, property modifications are required for a disability.

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

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

The National HomeBuy Agent will collect this fee monthly by direct debit or standing order. It will contact you at least a month before fees are due to set up the payment arrangement.

FTBI homeowners will also receive a statement each year confirming when fees are payable. The statement will also show any payments made once an owner starts paying the fee.

Fees can be paid in a single yearly payment or monthly.

Q Can two key workers buying together get a double subsidy of government assistance help them buy an FTBI home?

No, buyers cannot combine two separate applications for financial assistance. The joint income will be taken into consideration to assess their affordable mortgage.

Questions and answers continued

Q Are key workers on temporary contracts eligible for assistance?

They may be eligible for help, and should check with their local HomeBuy Agent for details.

Q What if the buyer dies after purchasing an FTBI home?

This depends on whether one or more persons have bought the property or several people have.

If one person has bought the house/flat and that person dies, the home will be passed on in the normal way under the terms of their will and the payments explained in this guide will be made by their estate in accordance with the scheme. If the buyer has 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 the property has been bought by two or more people and one of them dies, what happens afterwards will depend on how the property is owned. If one of the owners 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 FTBI property?

Only with permission from the National HomeBuy Agent. This will require a deed of accession and/or a deed of release to be completed by the owner. This is a legal document that permits name changes on the property.

Q Can buyers get help with benefits to pay the FTBI fees if, for example, they lose their job?

Because FTBI fees are not classified as rent, FTBI homeowners may not qualify for Housing Benefit. Buyers should make sure they have made arrangements to ensure they can continue to make their FTBI payments if their income falls. Buyers should seek independent financial advice about this before purchasing an FTBI home.

Q What happens if my partner or a friend moves into the 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 HomeBuy Agent consents to the exchange of contracts.

Key worker eligibility

Qualifying criteria for key workers

Be employed as one of the following qualifying key worker professions:

- Clinical staff employed by the NHS (excluding doctors and dentists);
- Teachers, including FE teachers and Early Years/nursery teachers;
- Police officers and community support officers in specified forces (frontline civilian police staff may also be eligible in some areas);
- Prison officers and some Prison Service staff in prisons in specified areas;
- Probation Officers, Senior Probation Officers, Probation Service;
- Local Authority/Local Education Authority/NHS Social workers;
- Local Authority Therapists (including Occupational Therapists and Speech and Language Therapists);
- Local Authority Educational Psychologists;
- Local Authority/Local Education Authority/NHS nursery nurses;
- Local Authority Planners;
- Local Authority clinical staff;
- Uniformed staff, below principal level, in Fire and Rescue Services;
- Connexions Personal Advisors;
- Armed Forces personnel and some civilian MoD personnel (clinical staff, MoD police officers and uniformed staff in the Fire and Defence Service);
- Highway Agency Traffic Officer Staff; and
- Local Authority Environmental Health Officers/Practitioners

The key worker applicant must also:

- be unable to buy a home suitable for their household needs within a reasonable travel to work area of their employment;
- be permanent employees or be temporary employees where all the following conditions are met at the time of application:
 - i at least 6 months must be remaining on the contract;
 - ii the contract must have been issued at the outset for at least 12 months;
 - iii at least 3 months of the contract have already elapsed; and
 - iv there is a reasonable prospect of continuing employment as a qualifying key worker sufficient to sustain home ownership in the longer term.
- have a household income that does not exceed £60,000 per annum; and
- be first-time buyers

The key worker eligibility criteria may be amended from time to time. The HomeBuy Agent can provide further details.

Use this guide to help you through the FTBI buying process

Action	Completed
1 Read the FTBI Buyers' Guide.	
2 Contact the HomeBuy Agent to find out about FTBI homes in your area. See the contact details on pages 3 and 4.	
3 Get an application form from your local HomeBuy Agent. Complete an application form and send it to the HomeBuy Agent as soon as possible. For the application to be complete, the HomeBuy Agent will also request additional documents to confirm identity, employment, income, savings and other circumstances. It is very important you supply all these documents with your application form. If you do not, your application cannot be considered.	
4 Visit the FTBI development in your area, identify your preferred choice and tell the housebuilder and local HomeBuy Agent that you would like to purchase an FTBI home.	
5 See an independent financial advisor to review your mortgage options. The HomeBuy Agent and FTBI housebuilder will be able to suggest some names. Tell the independent financial advisor you are an FTBI applicant because the HomeBuy Agent will need to contact them. Ensure you have access to sufficient funds to pay a deposit and other fees. The HomeBuy Agent will need to check that you can do this.	
6 If the HomeBuy Agent approves your eligibility, go back to the FTBI housebuilder to reserve a home. Send the reservation forms back to the HomeBuy Agent for approval.	
7 Tell your financial advisor you have reserved a property so they can be ready to submit your mortgage application.	
8 Instruct a solicitor/conveyancer to act for you. The HomeBuy Agent and FTBI housebuilder will be able to suggest some names.	
9 If the HomeBuy Agent approves your reservation, tell your financial advisor straight away so that the mortgage application can be submitted.	
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 will ask the HomeBuy Agent for approval to exchange contracts – after exchange you are now legally committed to purchase the FTBI property.	
12 The housebuilder will keep you updated on progress completing your home and give you notice before completion so that you can arrange to move in.	



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