Reducing or paying off your Help to Buy: equity loan

What you need to know and things to think about

What you need to know

- We won't give you advice about reducing or paying off your Help to Buy: equity loan. You must decide if this is the right thing for you.

Things to think about

- You pay no interest in the first 5 years of your Help to Buy: equity loan. If you take an additional loan to repay your Help to Buy equity loan during this period, you'll start paying interest on the full amount you borrow.
- Any change in your property's value will affect how much you pay back. For example, if your property sold now for £200,000, and you have a 20% equity loan, you'd pay back £40,000. If you waited and your property value went up to £220,000, you'd need to pay 20% of the new value, so £44,000. But if it went down to £180,000, you'd only need to pay £36,000.
- If you think your property's value might go up, it could be better to pay off your equity loan. You'll then get the full benefit of any increase in your home's value.
- Once you start making monthly payments for your Help to Buy: equity loan, they'll only cover the interest. This means the amount you owe the government stays the same.
- With a Help to Buy: equity loan, you pay nothing for the first 5 years. After that, the interest rate increases in April each year, by adding the Consumer Price Index (CPI) plus 2%. If you bought your home with the earlier Help to Buy: equity loan scheme (2013-2021), the interest rate increases by adding the Retail Price Index (RPI) plus 1%. If you borrow money against your mortgage to repay your Help to Buy: equity loan, the interest rate might be more than what you currently pay to the Help to Buy: equity loan provider.
- If you pay off your Help to Buy: equity loan, you're buying out the government's interest in your property. This means if the value of your home increases, you'll benefit from the full increase.
- If you pay off your Help to Buy: equity loan, you'll need a solicitor to do the legal work. You'll also need to get a valuation through a RICS qualified surveyor. You might need to pay fees and you should tell your Help to Buy: equity loan provider about your plans.
- If there's anything here you don't understand, or if you have questions, please speak to us. You can also seek independent advice.

Put simply

- We won't give you advice about paying off your Help to Buy: equity loan.
- When you repay the equity loan in full, the government no longer has an interest in your home. If the value goes up, you'll benefit from the full growth in value.
- An additional loan on a repayment basis means you pay off part of what you borrowed, plus the interest due.
- With a Help to Buy: equity loan, you only pay the interest due. You don't pay back the amount you borrowed. You'll owe the government a lump sum to pay off your equity loan.

YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

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