

Reducing or paying off your Help to Buy: equity loan

Implications and considerations

Before reducing or paying off your Help to Buy: equity loan, there are some things we'd like you to think about.

Implications

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

Considerations

- There's no interest to pay on the 5 years of your Help to Buy: equity loan. If you take an additional loan during this period, you'll start paying interest on the full amount you borrow. You must repay the same percentage to the Government as the initial equity loan you took.
- Any change in your property's value will affect how much you pay back. For example, if your property is currently worth £200,000, and you have a 20% equity loan, you'd pay back £40,000. If you waited and your property increased 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.

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- If you think the value of your property may go up, you may be better to pay off your equity loan. This means you would benefit from the full growth of any value in your property.
- If you think the value of your property may go down in future, you could owe more money than your property's worth. This is 'negative equity'. It can make it difficult to move home or take a mortgage with another lender.
- With an additional loan on a repayment basis, you pay back part of what you borrowed plus the interest due. With a Help to Buy: equity loan your monthly payments only pay the interest, not the amount you borrowed. You'll owe the Government a lump sum to pay off your equity loan.
- With a Help to Buy: equity loan, there's no interest payments for the first 5 years. After year 5, the interest rate is 1.75% for the first year of payments. After that, they increase each year at a rate linked to the Retail Price Index (RPI). The interest rate and payments on an additional loan will probably be more than the Help to Buy: equity loan.
- 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.
- The value of your property could go up or down in the future.
- If there's anything in this factsheet you don't understand, or if you have any questions, please speak to us. You can also seek independent advice.

Put simply

- We won't provide 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.

