

## Authority to Proceed

Date **Friday, 11 March 2022**

Revised Date: **Wednesday, 27 April 2022**

To **Nicola Taylor  
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Liz Diorazio - Taylors Legal (Chigwell)**

Homebuyer(s) **Mr Joseph Gordon Bower**

Property **NP5653 Chobham Manor, Plot 749, 36 Criterium House, 19 Olympic Park Avenue,  
London, E20 1NZ**

Cc **Mr Joseph Gordon Bower  
8 Villiers Gardens  
London  
E20 1GW**

### The homebuyer's Help to Buy: Equity Loan application has been approved.

The homebuyer's application for Help to Buy: Equity Loan (2021–2023) has been approved by Help to Buy Midlands and London – Agent 2 on behalf of Homes and Communities Agency (trading as Homes England) (**Homes England**). Subject to Homes England's standard terms, an equity loan will be made available for the above Property on the following further terms:

<b>Full details of named homebuyer(s)</b>	Mr Joseph Gordon Bower
<b>Full purchase price</b>	£512,000.00
<b>Reduced purchase price</b> That is, the amount paid by the Homebuyer after deducting Homes England's Contribution from the Full Purchase Price and excluding any mortgage fees of the repayment mortgage lender. <sup>1</sup>	£307,200.00
<b>Homes England's contribution</b> The pounds sterling contribution (to be paid directly to the Homebuilder) in part payment and satisfaction of the Full Purchase Price payable by the Homebuyer to the Homebuilder.	£204,800.00

<sup>1</sup> The lender must be authorised by the Financial Conduct Authority under the Financial Services and Markets Act 2000, to enter into regulated mortgage contracts. The Financial Conduct Authority (FCA) keeps a register of authorised lenders on its website. The register can be found at <https://register.fca.org.uk/>.

<b>Homes England's contribution percentage</b> The percentage of the value of the Property that the Homebuyer will have to repay Homes England being the same percentage attributable to the Homes England Contribution of the Full Purchase Price.	40%
<b>Forecast interest charge in year 6</b> This will be collected by Homes England's equity loan administrator by Direct Debit in year 6.	£298.67 (monthly)
<b>Repayment mortgage amount</b>	£232,200.00
<b>Homebuyer deposit</b> Excluding any cashback incentive provided to the homebuyer and must be equal to a minimum of 5% of the Full Purchase Price.	£75,000.00
<b>Cashback provided by the homebuilder</b> To be paid to the Homebuyer on completion.	£0  or such other lesser amount as disclosed in a subsequent UK Disclosure of Incentives Form provided to (and approved by) the Help to Buy agent.
<b>Total amount of incentives provided by homebuilder</b> As set out in the UK Finance Disclosure of Incentives Form and not to exceed 5% of the Full Purchase Price. These must include all financial and non-financial incentives provided by the homebuilder.	None or such other lesser amount as disclosed in a subsequent UK Disclosure of Incentives Form provided to (and approved by) the Help to Buy agent.

However, you should note that unless we otherwise confirm in writing this Authority to Proceed is:

1. valid for 3 months from the date of issue. Contracts for the sale of the Property must be exchanged within those 3 months; and
2. given on the condition that a mortgage valuation of the Property is no less than the Full Purchase Price.

**WARNING: This Authority to Proceed may be withdrawn at any time if the homebuyer does not comply with, or satisfy, Homes England's eligibility criteria (including anti-money laundering requirements).**

Yours sincerely



For and on behalf of Help to Buy Midlands and London – Agent 2

**Enclosed: Next steps guidance for the homebuyer and a personal worked example**

## Guidance for the homebuyer

### Next steps in progressing your Help to Buy: Equity Loan (2021-2023)

Your Authority to Proceed (**ATP**) has been given based on the information you provided in the Property Information Form. It is valid for 3 months from the date of issue.

If you wish to proceed with your home purchase using the Help to Buy: Equity Loan (2021–2023) on the terms set out in the ATP, you can now submit a repayment mortgage application to a qualifying repayment mortgage lender (as defined in the ATP).

#### What you need to do next

The repayment mortgage offer you get must be for the same amount as the repayment mortgage amount in this ATP. Interest only mortgages will not be approved for Help to Buy: Equity Loan purchases.

Consider seeking independent financial advice. An independent financial adviser can help you to understand what you can afford to borrow and what may be suitable for you.

#### Your repayment mortgage's standard variable rate

The Help to Buy eligibility calculator uses an estimated standard variable rate (SVR) of 4.8% to calculate your eligibility for an equity loan.

You must tell your Help to Buy agent if your repayment mortgage offer has a standard variable rate that is higher than 4.8%. You will then also need to complete, and pass, a second eligibility check using the actual standard variable rate to recalculate your eligibility.

Your Help to Buy agent will decline your application for Help to Buy: Equity Loan, and withdraw the ATP, if the repayment mortgage offer's standard variable rate means your eligibility changes. Your Help to Buy agent will always act reasonably having regard for the individual circumstances of each application.

The standard variable rate in your final repayment mortgage offer will be checked when your conveyancer requests an Authority to Exchange (**ATE**). If the rate is higher than 4.8% or has changed, this will delay the ATE being issued, until a further eligibility calculation is carried out.

**The homebuyers' guide to Help to Buy: Equity Loan (2021–2023)** explains the next steps in progressing your equity loan.

Your conveyancer will receive legal guidance and forms to complete. These must be returned to your Help to Buy agent by certain deadlines to progress your purchase.

Your conveyancer is responsible for explaining the legal information in these forms to you.

**Your home may be repossessed if you do not keep up repayments on your mortgage, equity loan or other loans secured against it. Consider seeking independent financial advice on whether the Help to Buy: Equity Loan is right for you.**

**Important information:**

Your application will be treated as withdrawn if contracts are not exchanged within 3 months of the date of issue of the Authority to Proceed. If you are unsure of how to proceed, please contact Help to Buy Midlands and London – Agent 2 at bpha Limited, Bedford Heights, Manton Lane, Bedford, MK41 7BJ. Telephone: 03333 214 044.

Before you proceed, make sure you are familiar with the Homebuyers' guide to Help to Buy: Equity Loan (2021–2023) which explains how the equity loan works. If you are unsure on how to proceed, please contact Help to Buy Midlands and London – Agent 2 for help.

Remember, you should not enter into a legal agreement (exchange contracts) to buy a Help to Buy home until we have given you approval by issuing an Authority to Exchange.

## Personal worked example

Help to Buy information	
Date of Authority to Proceed*	11/03/2022
Authority to Proceed expiry date*	11/06/2022
Full purchase price*	£512,000.00
Homes England Help to Buy contribution*	£204,800.00
Help to Buy: Equity Loan percentage*	40
Homebuyer(s) deposit	£307,200.00
Homebuyer(s) percentage contribution	60

Example 1	
Year for CPI calculation	7
Assumed CPI	1.5
Assumed CPI plus 2%	3.5
Interest charge in year 7	£3,709.44

Example 2 – Sale at end of year 1	
Sum paid where increase after 1 year is 5%	£215,040.00

Example 3 – Sale at end of year 7	
Assumed CPI	1.5
Market value in year 7 (5% annual increase)	£720,435.42
Capital repayment sum in year 7 (sale)	£288,174.17
Interest repayment sum in year 7 (sale)	£7,293.44
Total repayment sum in year 7	£295,467.61
Annual Percentage Rate (APR)	5.38

\*Data to be entered by the Help to Buy agent.

Please note that this document is only a guide for Help to Buy agents to provide a personal worked example for each equity loan application. The Help to Buy agent should understand how the information is worked out before sending it to the homebuyer's conveyancer.

Help to buy Example calculations for homebuyer(s)		
Interest increase per year (Consumer Price Index + 2%)		3.5
Market value increases by 5% per year		
INITIAL INFORMATION	Full purchase price	£512,000.00
	Help to Buy contribution	£204,800.00
	Help to Buy percentage contribution	40
Annual interest payments		
The examples used in this document are based on the full purchase price and the contribution made by Homes England through the Help to Buy: Equity Loan. No interest is payable for the first 5 years.		
In year 6, interest is payable at 1.75% of the Help to Buy: Equity Loan amount. From year 7 onwards the total amount of interest charged will increase from the previous year by 2% plus any increase in the Consumer Price Index (CPI) for the previous 12 months. As CPI cannot be predicted, we have assumed the CPI in this example to be 1.50% every year, and an annual increase in market value of 5%. The management fees are excluded from the calculations in the example.		

<b>Year 6</b>	Annual interest charge	£3,584.00
<b>Market value</b>	Monthly payment	£298.67
<b>£686,128.97</b>	Interest rate	1.75
	Increase on previous year	N/A
<b>Year 7</b>	Annual interest charge	£3,709.44
<b>Market value</b>	Monthly payment	£309.12
<b>£720,435.42</b>	Interest rate	1.81
	Increase on previous year	£125.44
<b>Year 8</b>	Annual interest charge	£3,839.27
<b>Market value</b>	Monthly payment	£319.94
<b>£756,457.19</b>	Interest rate	1.87
	Increase on previous year	£129.83
<b>Year 9</b>	Annual interest charge	£3,973.64
<b>Market value</b>	Monthly payment	£331.14
<b>£794,280.05</b>	Interest rate	1.94
	Increase on previous year	£134.37
<b>Year 10</b>	Annual interest charge	£4,112.72
<b>Market value</b>	Monthly payment	£342.73
<b>£833,994.05</b>	Interest rate	2.01
	Increase on previous year	£139.08
<b>Year 11</b>	Annual interest charge	£4,256.67
<b>Market value</b>	Monthly payment	£354.72
<b>£875,693.75</b>	Interest rate	2.08
	Increase on previous year	£143.95
<b>Year 12</b>	Annual interest charge	£4,405.65
<b>Market value</b>	Monthly payment	£367.14
<b>£919,478.44</b>	Interest rate	2.15
	Increase on previous year	£148.98

### Sale of property – example Annual Percentage Rate (APR)

If you sell the property or repay the equity loan in full, based on the example figures shown above, the total cost of the Help to Buy: Equity Loan (excluding management fees) would work out with the following example Annual Percentage Rates (APR):

Year of sale	Total cost of equity loan*	Annual Percentage Rate (APR)
End of year 6	£278,035.59	5.23
End of year 7	£295,467.61	5.38
End of year 8	£313,715.59	5.48
End of year 9	£332,818.37	5.54
End of year 10	£352,816.69	5.59
End of year 11	£373,753.24	5.62
End of year 12	£395,672.77	5.64

\*Excluding management fees

### Personal worked example illustrating the different costs of the equity loan

#### Mr Joseph Gordon Bower

You have found a home which is valued at £512,000.00.

The Homes and Communities Agency (trading as Homes England) (**Homes England**) has agreed to loan you 40% of the purchase price.

You will fund £307,200.00 which represents 60% of the market value.

There are no interest charges for the first 5 years.

In year 6, you will have to pay a monthly interest of £298.67.

In year 7, and every year after until the Help to Buy: Equity Loan is paid back in full the total interest charge increases by CPI plus 2% for the previous 12 months.

The amount of interest you will pay is calculated by multiplying the following:

1. the market value of your home when you bought it
2. by the interest rate (1.75% for the first year interest is payable (which will be year 6 of the equity loan));
3. by the equity loan percentage that you borrowed.

Payments are calculated as an annual figure and then divided in 12 equal monthly instalments.

## How the interest rate increases

In April from year 7 (on the sixth anniversary of your equity loan) and every year thereafter, the interest rate on the equity loan will increase by the Consumer Price Index (CPI) from September of the previous year plus 2%. The interest rate will continue to increase until the equity loan is paid back in full.

**This table shows how interest charges are calculated and how the interest rate increases over time.**

In this example, it assumes CPI is a constant at 2.5%. However, CPI can vary as it is a measure of inflation.

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

The illustrative annual and monthly interest amounts payable are shown in your personal worked example.

## Repaying the Help to Buy: Equity Loan (2021-2023)

You can pay off the equity loan at any time. If you decide to repay the Help to Buy: Equity Loan in full, you will pay back 40% of the market value.

To work out how much you need to pay back we use the current market value of your home. This is determined by a Royal Institution of Chartered Surveyors (RICS) valuer, or the price it sells for (in the case of a house sale), whichever is highest. If you want to pay back your loan, but are not selling your home, the market value will be determined by a RICS valuer.

The entry called “Example 3 – Sale at the end of year 7” on page 6 of the worked example, shows how much you will repay Homes England at the end of year 7. This is if your property price has increased by 5% every year, based on the assumed CPI in Year 7. The capital repayment amount is £295,467.61 and the total interest repayment amount is £7,293.44. In this example, the APR is 5.38%.

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

When you repay your loan 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 loan. And if the value of your home falls, the amount you owe on your equity loan falls too.

<sup>2</sup> Example 3 – Sale at end of year 7 shown in the worked example table on page 6



So, if the full purchase price was £512,000.00 and at the time of repayment the valuer determined the market value to be £215,000 but the property proved popular with potential homebuyers and eventually a sale was agreed at £220,000 then the sale price would be used to calculate the equity loan repayment.

**The table below illustrates a) where the RICS valuation is more than the sales price and b) where the sale price is more than the RICS valuation.**

	Valuation	Sale Price	Figure used to calculate repayment under equity loan	Your entitlement: 60% of market value *  * This entitlement excludes any balance you owe on your repayment mortgage	Homes England entitlement: 40% of market value
a)	£215,000	£220,000	Sale (£220,000)	£32,227	£88,000
b)	£235,000	£230,000	Valuation (£235,000)	£34,424	£94,000

Please note that this is based **solely** on the amount you borrowed and does not include interest charges or any valuation fee payable on repayment.

**The above example is for illustration only. Consider seeking independent financial advice on whether the Help to Buy: Equity Loan is right for you.**

**Your home may be repossessed if you do not keep up repayments on your mortgage, equity loan or other loans secured against it. Consider seeking independent financial advice on whether the Help to Buy: Equity Loan is right for you.**

<sup>3</sup> Example 3 – Sale at end of year 7 shown in the worked example table on page 6

<sup>4</sup> Figure to be higher than valuation (referenced in table)

<sup>5</sup> Figure to be less than valuation (referenced in table)