

Help to Buy loophole closed to benefit homeowners

- Homeowners using Help to Buy face difficulties and uncertainty if they want to take out a 35-year mortgage at present.
- Changes will give people freedom to spread their borrowing over a longer period.

Homeowners buying a property under Help to Buy will be given new freedoms which will make it easier to take out a 35-year mortgage.

The government has moved to close a loophole which has seen purchasers using the Help to Buy scheme facing difficulties and uncertainty if they wanted to take out a mortgage with a term of more than 25 years.

Under the changes, which are taking effect immediately, people will have the freedom to reduce their monthly mortgage repayments by spreading their borrowing over a longer period.

The move reflects change in the wider mortgage market, where the number of first-time buyers taking out a mortgage of more than 30 years has doubled in the last decade.

At present, when re-mortgaging after 2 or 5 years at the end of a fixed rate period, Help to Buy homeowners cannot in practice take out a mortgage that goes on for more than 25 years after the original property purchase date.

This policy change opens up the Help to Buy re-mortgage market for more lenders, giving customers more choice – potentially paving the way to more competitive deals.

Housing Minister Rt Hon Esther McVey MP said:

We are determined to open up the dream of home ownership to the next generation and our Help to Buy schemes have already been used more than 500,000 times by families to get a leg up onto the property ladder.

I want our Help to Buy scheme to work for homeowners so we are giving people the freedom and flexibility to take out longer mortgages, if it suits their needs.

Will German, Director of Help to Buy at Homes England, said:

Lenders told us our agreement to match or extend our equity loan to the main mortgage loan term was critical to giving them the confidence to offer re-mortgage products to Help to Buy customers.

Under our new policy, if the customers' re-mortgage runs for longer than the standard 25-year Help to Buy: Equity Loan term, then we will automatically extend ours.

This move opens up the Help to Buy re-mortgage market to more lenders. It offers more choice, more options and better outcomes for these customers.

Trade Association UK Finance worked alongside Homes England on developing this new policy.

Jackie Bennett, Director of Mortgages at UK Finance comments:

We are pleased to have worked alongside Homes England, providing feedback and helping to ensure this new policy is ready for implementation.

The new changes provide certainty for lenders and should also attract new entrants to the market, providing greater choice for customers who are looking to re-mortgage under the Help to Buy Scheme.

This is a great example of public and private sector engagement and we look forward to continuing to work closely with Homes England in the months ahead.