

# Home Builder Guidance for the Help to Buy (Scotland) Affordable New Build Scheme

## Background

1. The Programme for Government published on 1<sup>st</sup> September 2015 announced a successor to the Help to Buy (Scotland) Scheme with the allocation of 3 year funding of £195 million to help households to buy an affordable new build home from a participating home builder. On 21 January 2016 the Cabinet Secretary for Social Justice, Communities & Pensioners' Rights announced that the Help to Buy (Scotland) Affordable New Build Scheme was open for home builders to register and that applications to the new scheme would start from 1<sup>st</sup> March 2016 onwards.
2. On 4 April 2018 the Minister for Local Government and Housing announced that the Help to Buy (Scotland) scheme would be extended to March 2021
3. Property transactions supported by the new scheme can be completed between 1<sup>st</sup> April 2016 and 31<sup>st</sup> March 2021. No supported transactions can complete after 31<sup>st</sup> March 2021.
4. The scheme is split into the main Help to Buy (Scotland) Affordable New Build Scheme and the Help to Buy (Scotland) Smaller Developers Scheme. The main scheme provides assistance to home buyers who are purchasing their home from any of the home builders or companies listed in **Annex A**. The Help to Buy (Scotland) Smaller Developers Scheme is available to support home buyers who are buying from any other home builder who registers to participate in the scheme.
5. The Help to Buy (Scotland) Affordable New Build scheme is demand led and once funding for the scheme has been fully allocated for any financial year no further applications will be accepted for the purchase of homes within that year.
6. Application forms can be submitted no more than nine months prior to the anticipated completion date of a home. **Home builders should bear this in mind and should not encourage a prospective purchaser to submit an application form for financial assistance under the scheme to purchase a property unless the home builder reasonably considers that the anticipated completion date for the home will occur within the next 9 months.** The Authority to Proceed letter issued to eligible purchasers will make clear that if the transaction does not complete within the 9 month period of time, financial assistance under the scheme will be withdrawn.
7. Please note that transactions approved cannot complete after 31 March 2021. **If a transaction does not complete by or before this date, the financial assistance will be withdrawn from the eligible buyer.**

## **An overview of the Help to Buy (Scotland) Affordable New Build Scheme**

8. Assistance will be offered to buyers who wish to purchase a new build home from a home builder who has registered with the Scottish Government to participate in the Help to Buy (Scotland) Affordable New Build scheme.

9. The scheme will not be available for part-exchange, buy-to-let or self-build properties.

10. Prospective purchasers should be encouraged to apply for assistance under the scheme at least three months in advance of the anticipated completion date of the property to allow the necessary legal paperwork to be completed.

11. The maximum property sale prices for Help to Buy are as follows:-

- For financial year 2016/17 for transactions completing up to 31<sup>st</sup> March 2017, the threshold price is £230,000;
- For financial year 2017/18 for transactions completing up to 31<sup>st</sup> March 2018, the threshold price is £200,000;
- For financial year 2018/19 for transactions completing up to 31<sup>st</sup> March 2019, the threshold price is £200,000;
- For financial year 2019/20 for transactions completing up to 31<sup>st</sup> March 2020, the threshold price is £200,000;
- For financial year 2020/21 for transactions completing up to 31<sup>st</sup> March 2021, the threshold price is £200,000;

12. Any homes sold for a price above the maximum threshold which applies in that financial year (per the terms of paragraph 11 above) will **not** be eligible for assistance under the scheme.

13. Buyers will be required to contribute a minimum 85% of the purchase price of a home through a combination of a mortgage and deposit. A minimum of a 25% mortgage is required to participate. Buyers will be able to obtain assistance from the Scottish Government of up to a maximum of 15% of the purchase price (subject to the maximum permitted threshold price for the year in which the transaction will complete). The Scottish Government will hold its equity stake by way of a shared equity agreement that it will enter into with the buyer, secured by way of a second-ranking standard security over the buyer's title to the property.

14. We have removed the requirement to take out a mortgage for buyers aged 60 and over who demonstrate a housing need to move. Mortgages of less than 25% are also permitted for this group. Applicants must maximise their stake by using their full house sale proceeds and savings (minus reasonable expenses e.g removal costs, legal fees etc). Anyone in this group who can raise the purchase price of the property through the sale of their existing home and savings is not eligible.

15. Applicants aged 60 and over must demonstrate a housing need to move which should include at least one of the following

- Under occupation – living in property which is too large and need to downsize
- The property no longer suitable to meet their needs – can no longer manage the stairs etc

- Support – need to move closer to family or friends that provide care and support

16. Home builders will receive the sale price for purchased homes through a combination of the buyer's mortgage finance, the buyer's deposit, and the assistance provided by the Scottish Government to the buyer. The Scottish Government's contribution will be made available to the buyer's solicitor at legal completion of the purchase.

17. The scheme is managed and administered by administering agents on behalf of the Scottish Government. Further details on these organisations can be found in **Annex B**.

### **Registration Details for House Builders and Developers**

18. All home builders are eligible to register to participate in the Help to Buy (Scotland) Affordable New Build and Small Developer schemes. There are no separate registration processes for the main scheme and the Smaller Developers scheme.

19. Scottish Ministers wish to ensure that a range of home builders – both large and small - benefit from the scheme. Where a larger builder is eligible to be registered for the purposes of the main Help to Buy (Scotland) Affordable New Build Scheme (i.e. the home builders is listed in Annex A), no subsidiary company or joint venture or other company or entity which is closely linked to that larger builder will be permitted by Scottish Ministers to register to participate in the Help to Buy (Scotland) Small Developers scheme. Decisions on such matters will be at the sole discretion of Scottish Ministers, who also reserve to themselves the right to review from time to time the eligibility criteria in relation to the main scheme and the Small Developers scheme, and allocation of resources to both.

20. Home builders should send an email request for a Registration Form from [housingmarkets@gov.scot](mailto:housingmarkets@gov.scot). You will receive a copy Registration Form and once you return a completed copy of this you will then be sent a Participation Agreement which you are **strongly advised** to read and to take your own advice on in the first instance before signing a copy and returning an electronic copy along with your Registration Form. You should retain a signed copy of the Participation Agreement for your own records.

21. The name and designation of the home builder which will be entering into the Participation Agreement with Scottish Government should be the same as the entity which contracts with purchasers in relation to the reservation, application and sale of eligible properties.

22. Please be aware that you cannot participate in the scheme or advertise the scheme until we have received the signed copy of the Participation Agreement. Once we have received a signed copy we will add your company to the list of participating home builders on our website ([www.gov.scot/htb](http://www.gov.scot/htb)).

## Other Key Information for House Builders and Developers

23. As a general rule, all properties must be covered by an industry-recognised warranty, such as NHBC and home builders are expected to have adopted the Consumer Code for Homes Builders (<http://www.consumercodeforhomebuilders.com/>).

24. On a case by case basis Scottish Government may agree that particular homes may be covered by a suitable professional consultant's warranty, but only where a purchaser's primary lender has confirmed its acceptance of such a warranty and where the benefit of the warranty is also extended to Scottish Ministers.

25. Homes which have been previously occupied either by an owner occupier or a tenant before sale may **not** be purchased with assistance under the scheme.

26. Homes built to fulfil affordable housing obligations pursuant to Section 75 Agreements (under the Town and Country Planning (Scotland) Act 1997) are **not eligible** for assistance under the scheme. Homes sold under the scheme must be market sale homes that are advertised on the open market.

27. Home builders may have their own independent financial advisors although they must inform prospective buyers that they may seek independent financial advice from any other source.

28. If there are any expected delays or if any transactions are withdrawn, the home builder must inform the relevant administering agent immediately. Failure to do so could result in assistance not being provided or the home builder being removed from the list of participating home builders.

## Reservation Fees

29. If a person has paid a deposit/reservation fee to a home builder and they are not eligible to receive funding from the scheme any deposit/and or reservation fee that they have paid **should be** returned to them by the home builder. Home builders must comply with Section 4.4 of the Participation Agreement that they have entered into with Scottish Ministers. It reads as follows:-

### *Contracts with purchaser*

*The Provider hereby agrees that in the event it enters into any contract with an Eligible Purchaser for the purchase of a Dwelling using the Help to Buy (Scotland) Affordable New Build Scheme and, prior to completion of such transaction Equity Funding in relation to such transaction is withdrawn from the Eligible Purchaser by the Scottish Ministers then the Provider shall unconditionally release the Eligible Purchaser from such contract and return to them any deposit and/or reservation fee paid by that Eligible Purchaser.*

## General Information on Scottish Government Equity Stake

30. The sale price of homes sold under the scheme **must be no greater than the main mortgage lender's independent valuation**. If in the case of an applicant aged 60 or over the applicant is not taking out a mortgage, a mortgage valuation will still be required. It is a requirement of the scheme that buyers, with the exception of

those aged 60 and over take out and maintain a mortgage with a qualifying lender. A list of lenders is available on the Help to Buy (Scotland) website ([www.gov.scot/htb](http://www.gov.scot/htb)).

31. Home builders should be aware that any incentives offered to purchasers will need to comply with UK Finance Guidance and not exceed 5% of the open market purchase price. Home builders will be required to use the UK Finance 'Disclosure form' which can be downloaded at <https://www.ukfinance.org.uk/disclosure-form/>

32. If an owner decides to sell their property and for example has an 85% stake in their property, the Scottish Government will receive 15% of the value at the time of the sale. Owners may choose to 'tranche up' and purchase additional equity in their home and the minimum amount they are expected to 'tranche up' by is 5%.

### **Role of Agents administering the scheme**

33. There are currently four Administering Agents who will administer the scheme on behalf of the Scottish Government. Contact details are provided in **Annex B**.

34. Home builders are strongly encouraged to work closely with the agent administering the scheme in their area.

35. Administering Agents will assess applications to the scheme from prospective buyers to determine whether they meet certain criteria. They will inform prospective buyers if their application is eligible, also notifying the developer and buyer's solicitor, within five working days.

### **Registration Process Queries**

36. If a home builder has any registration process, enquiries or general questions about the scheme, please email [housingmarkets@gov.scot](mailto:housingmarkets@gov.scot) and we will respond to you as soon as possible.

Housing Supply and Innovation Division  
April 2018

**The Home Builders listed below can participate in the main Help to Buy (Scotland) Affordable New Build Scheme**

**All other registered builders can participate in the Help to Buy (Scotland) Smaller Developers**

**Please note that there is not separate registration form for each of the scheme. The Scottish Government will inform the administering agents which scheme registered home builders can participate in.**

Avant Homes (Scotland) Limited (formally Bett Homes Limited)  
BDW Trading Limited [Trading as Barratt Homes & David Wilson Homes]  
Bellway Homes Limited  
CALA Management Limited [Trading as CALA Homes]  
Charles Church Developments Limited  
Cruden Homes Group [Trading as Cruden Homes (East) Limited and Cruden Estates Limited]  
Dawn Homes Limited  
Dundas Estates & Development Co Limited  
Kier Homes (Caledonia) Limited  
MacTaggart & Mickel Homes Limited  
Miller Homes Limited  
Muir Homes Limited  
O'Brien Properties Limited  
Persimmon Homes Limited  
Robertson Homes Limited  
Springfield Properties PLC  
Stewart Milne Group Limited  
Taylor Wimpey UK Limited  
Tulloch Homes Limited  
Walker Group (Scotland) Limited

## Contact Details of Administering Agents

AGENT	Local Authority Areas Covered
<p><b>Highland Residential (Part of Albyn Enterprises Limited)</b> 68 MacLennan Crescent INVERNESS IV3 8DN</p> <p>Telephone: 01463 701 271</p>	<p>Highland</p> <p>Shetland Islands</p>
<p><b>Grampian Housing Association Limited</b> Huntly House 74 Huntly Street ABERDEEN AB10 1TD</p> <p>Freephone: 0800 1214496</p> <p><a href="mailto:ownership@grampianhousing.co.uk">ownership@grampianhousing.co.uk</a></p>	<p>Aberdeen City</p> <p>Aberdeenshire</p> <p>Moray</p>
<p><b>Link Homes</b> Watling House Callendar Business Park FALKIRK FK1 1XR</p> <p>Telephone: 0330 303 0023</p> <p><a href="mailto:helptobuy@linkhaltd.co.uk">helptobuy@linkhaltd.co.uk</a></p>	<p>Edinburgh, East Lothian, Midlothian, West Lothian, Scottish Borders and Fife</p> <p>Angus, Clackmannanshire, Dundee, Falkirk, Perth &amp; Kinross and Stirling</p> <p>Glasgow, East Renfrewshire, Renfrewshire, East and West Dunbartonshire, Inverclyde, North and South Lanarkshire, North, South and East Ayrshire, Argyll &amp; Bute and Dumfries &amp; Galloway</p> <p>Orkney Islands</p> <p>Eilean Siar (Western Isles)</p>