

First Home Fund – Scheme Overview

Item	Detail
Scheme type	Shared Equity with a monetary amount expressed as a % equity stake
Scheme name	First Home Fund
Launch	18 December 2019
Open to	All first time buyers
FTB definition	For the purpose of this scheme, a first-time buyer is a person who does not own nor has previously owned a dwelling in Scotland, the rest of the UK or the rest of the world. All forms of ownership in the applicable legal system which are equivalent to ownership in Scotland are treated as ownership for this purpose.
Main residence	All applicants must reside in the property as their main residence. There will be a corresponding prohibition on letting, lodgers, sharing occupation etc.
Property	Newbuild and existing properties.
Price cap	None
Valuation	Home Report Value used to calculate equity stake. Properties can be bought above valuation but Home Report Value is used to calculate equity stake if property is purchased above the valuation figure. If purchase is below valuation then the purchase price is used.
Property standard	Above tolerable standard
Property alterations	Permission is not required for alterations assuming all planning requirements are satisfied and the Scottish Government will benefit from the resulting uplift in value. If an owner wishes to borrow in excess of their original mortgage to pay for home improvements, either with their existing or a new lender, then Scottish Ministers consent is required.
Builder incentives	No restrictions on builder incentives for newbuild purchases and assisted purchase is permitted but part exchange is not permitted.
Maximum Scottish Government equity stake	Scottish Government equity stake cannot be more than 49% of the property value or purchase price, whichever is the lower.
Interest on equity loan	No interest will be charged on the Scottish Government stake at any point.
Sustainability check	Yes. Sustainability Calculator will test and ensure home ownership is affordable and sustainable for buyers in the long term
Cash buyers	Not allowed
Minimum mortgage	25% of purchase price - same as Help to Buy (HTB)
Deposit	Deposit of around 5%, subject to lender requirements and any amount over valuation must be cash funded..
Mortgage type	Capital repayment
Award of assistance	One award per property purchase, not per first-time buyer

Transaction sequence and timing	<p>Applicants to identify and make an offer on a property before applying to the scheme. Scheme approval will be given for a 3-month period, within which missives should be concluded. A further 6-month period will be available for settlement after missives conclude. This allows for the longer period needed to complete new build purchases.</p> <p>The 3 month period starts from when an Approval Letter (similar to an Authority To Proceed) is issued. Missives must be concluded within 3 months of the date the letter is issued and settlement must occur within 6 months of missives being concluded (similar to HTB)</p>
IFA	No requirement for applications to be submitted via an IFA
ISA savings/ contributions	Applicants will be able to combine contributions from the UK Government's Help to Buy ISA or the Lifetime ISA with support from this scheme.
Grant/Section 75	No prohibition on purchase of properties which have been built with public funding/ grant or through section 75 agreements.
Administration fee	All applicants will be charged a reasonable administration fee upon application to the scheme. This will be refunded if the application is unsuccessful. This would be exclusive from the ESIS/ mortgage offer and would be a separate payment to the agent and is a standalone charge.
Older applicants	Applicants aged 60+ <u>who own or have ever owned a home previously</u> , as they would not be first-time buyers, will not be eligible. This is different from Help to Buy and LIFT.
Managing eligibility	Scottish Government or their Agents to continue to manage eligibility for the equity loan as they currently do for HTB. Lenders would only provide advice and determine eligibility for their mortgage products.
Minimum Scottish Government equity stake	This would be subject to individual lender requirements if they require to have a minimum stake identified.
Loan repayable "at any time"	The customer can repay equity loan at any time during its term, on sale of property, on death, or if in breach of contract (i.e. same as HTB).
Duration and volume	This is a pilot scheme and will run from December until March 2021, with a budget of £150m. If every applicant receives £25,000 then the anticipated volume would be 6,000 applications.
Evaluation	The scheme will be evaluated, including market impact.