

REACHING FOR THE FIRST RUNG

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The First Time Buyers' Initiative (FTBI)

The First Time Buyers' Initiative (FTBI) is a Government initiative created with the intention of assisting first-time buyers to get on to the property ladder and aimed at people whose finances are not sufficient to qualify them for a mortgage.

FTBI applies only to 'new-build' homes on designated developments, where the Government has an agreement with the developer/house builder to offer FTBI homes for sale. Typically these will be smaller homes with 1-2 bedrooms. FTBI homes are administered through regional Home Buy agents, who will determine an applicant's eligibility.

Around half of all available FTBI homes are specifically designated for "key workers" such as civil servants, nurses, teachers and police officers whose annual income is less than £60,000. The other half of FTBI homes are available to other first-time buyers who cannot otherwise afford to buy a home and different income limits apply to such persons.

The way FTBI works is that the Government provides the first-time buyers with a "top-up" loan sufficient to cover the shortfall between the amount they can secure by way of a mortgage and the purchase price. The maximum the Government can loan is 50% of the full purchase price.

There is a monthly fee payable to the Government for the benefit of the top-up loan. This is charged after the first three years have elapsed and then continues until the loan is repaid.

The Government's loan is secured on the property by way of a second mortgage and is repayable upon the sale of the property. The amount repayable to the Government under the second charge is the proportion of the sale proceeds equivalent to the proportion of the original purchase price that represented the initial loan. In other words if the top-up loan represents 40% of the purchase price at the time of purchase, the amount repayable under the second charge on a sale would be 40% of the sale price.

The Government does not acquire ownership of the property, merely a right to share in its sale proceeds. The first-time buyers will retain 100% ownership of the property.

FTBI provides to owners the opportunity to reduce the Government's proportion of future sale proceeds, by allowing owners at any time to 'buy' some or all the Government's share. The proportion to be bought will be valued by an independent RICS surveyor at the relevant time.

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