

# NewBuy

## A game changing partnership

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# Presentation Outline

- The problem
- A brief history
- A unique partnership
- Objectives
- The scheme
- Steps

# The Problem

## **The deposit gap**

House prices rising faster than incomes

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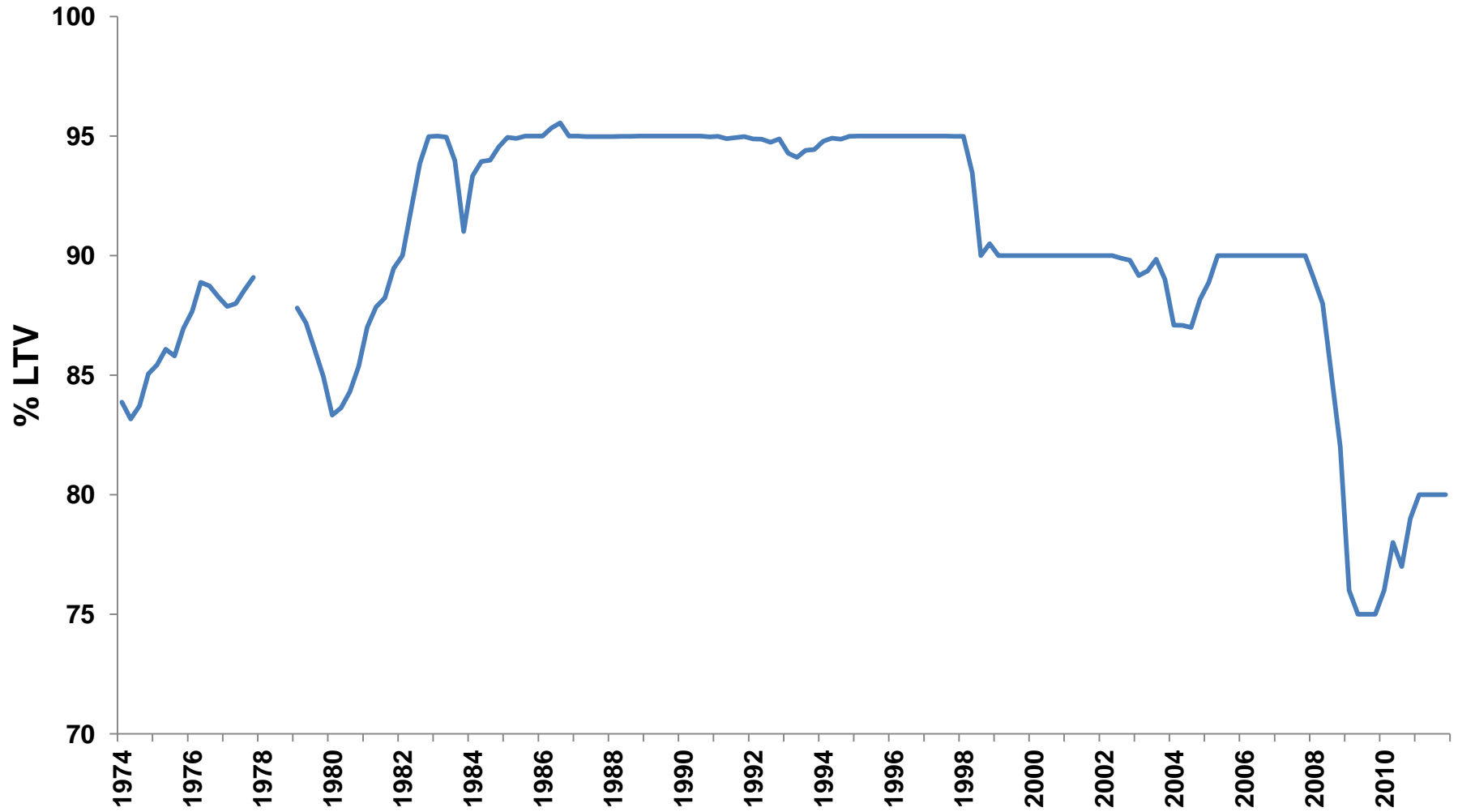
LTVs reduced since 1998, and especially since end 2007

## **Result**

First-time buyers access denied

Mortgage prisoners

# First-time Buyer Median LTV (UK): Quarterly



# A Brief History

- HBF talking to CML, lenders, insurers, BoE since late 2007: seeking MIG solution; end discriminatory new build lending & valuation policies
- JLT approaches home builders – one take up
- HBF proposal to lenders, April 2011
- HBF negotiations with CML and lenders reach impasse
- HBF and CML approach Government, Sept 2011
- Government Housing Strategy, Nov 2011
- NewBuy launch, 12 March 2012

# A Unique Partnership

Private sector led initiative:

- HBF and members
- CML and members
- Government (DCLG, HM Treasury)
- JLT

Compare HomeBuy Direct, FirstBuy

# A Unique Partnership

## Government support means available to:

- all new home buyers (subject to meeting lenders' criteria)
- all home builders (EU State Aid rules)
  - HBF members and non-members
  - Home builders of all sizes
- all lenders (EU State Aid rules)

Limited range of eligibility criteria for dwellings and buyers

# Objectives

## Immediate objective

- Bridge the deposit gap
- Remove lender risk on high LTV new home loans and allow affordable rates (capital relief)

## Bigger picture

- Boost economic recovery: creating economic activity and jobs (2.4 direct and supply-chain jobs per home) – Chancellor and PM support critical



# The Scheme

- Guernsey based – design not possible in UK
- HBF insurance company (HBF Insurance PCC)
- Lender/builder ring-fenced “cells” (lenders control)
  - Single-user cells, or
  - Multi-user cells
- Lenders indemnified against losses: house builders 3.5% + HM Government 5.5%, for 7 years

# The Scheme

## Financial Requirements

- 3.5% indemnity 'deposit' for 7 years
- JLT administration fees + IPT
- Guernsey approval fee
- Up-front & ongoing regulatory, legal, audit, tax – HBF levy
  
- Interest on deposit paid to builder
- Return of 'deposit' less losses from 7 years

# The Scheme

## Legal Requirements

- Framework Agreement – over obligations all parties
- Insurance Policy – cell-lender
- Services Agreement – JLT per builder
- Cell User Agreement – PCC insurance co/builder
- HBF Cost Recovery Agreement
- Tax Election Letter

# Steps

- Notify HBF – receive Guidance Note
- Complete simple HBF pro forma
- Obtain lender approval
- Obtain Guernsey regulatory approval (GFSC)
- Sign legal documents
- Pay HBF levy

***And go live...***

Web sites: [www.hbf.co.uk](http://www.hbf.co.uk) and [www.newbuy.org.uk](http://www.newbuy.org.uk)

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