TITLE (H1): How Can You Rent Out a Help-to-Buy Property Legally in 2023?

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Meta description (140/160): Can you rent out a Help-to-Buy property? Most mortgage terms and conditions say no, but there are some unique exceptions you might consider.

Intro to CTA: Discover how Flex Living can help you get more for less when renting your property

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Core Keyword: Can You Rent Out a Help-to-Buy Property

Secondary Keywords & Variations	UK Volume	KD
can you rent a help to buy property	90	7
can i rent out my help to buy home	90	2
help to buy renting out	150	15
renting out help to buy property	100	7
how to pay back help to buy	250	23

Intro:

Are you wondering about renting out your Help-to-Buy property? From a legal standpoint, the UK Government does not allow renting out Help-to-Buy properties unless you have a unique personal circumstance change or have fully repaid your loan. Our property management experts at Flex Living have put together this brief guide to help you understand the details of your Help-to-Buy loan, and alert you to any exceptions that could allow you to rent out your Help-to-Buy property.

In this article, we discuss:

What is a Help-to-Buy Scheme?

Can I Rent Out My Help-to-Buy Home?

The Help-to-Buy Equity Loan (For New Builds)

The Help-to-Buy ISA

Help-to-Buy Shared Ownership

Government Mortgage Guarantee Scheme

H2: What is a Help-to-Buy Scheme?

Help-to-Buy schemes are Government-backed financial assistance schemes aimed at helping first-time buyers purchase their first property. There are several affordable home ownership schemes, including:

- The Help-to-Buy Equity Loan (for new builds)
- The Help-to-Buy ISA
- Shared ownership
- Government mortgage guarantee scheme

H2: Can I Rent Out My Help-to-Buy Home?

Generally, the mortgage terms of Help-to-Buy properties will prevent you from leasing your house. This is because any property purchased through most schemes must be your only residence, and you cannot use the Help-to-Buy scheme as a substitute for a buy-to-let mortgage.

However, some exceptions may allow you to rent out your Help-to-Buy property:

- Renting out a room while still living there (i.e., having a lodger)
- Changing personal circumstances that would make it difficult to live in your Help-to-Buy property

1. Having a Lodger

The first exception is that you can rent out a room in your property if you still live there as your only residence. According to the UK Government, you can have a lodger without asking for permission as long as you:

a. live in your home at the same time as your lodger and;

b. do not give the lodger a formal lease or tenancy which would give them a legal interest in your property

2. Personal Circumstances Change

The second exception relates to the Government's recognition that personal circumstances change. The treasury takes a common-sense approach on a case-by-case basis, recognising that individuals' personal circumstances can change unexpectedly in the future, causing them to require renting out their property. Potential 'unforeseeable' circumstances that may allow you to rent out your Help-to-Buy property include:

- Ill health
- Needing to care for a family member
- Work arrangements
- Losing your job
- Unable to pay mortgage payments

In short, you must have had no intention to rent out the property at the point of purchase. However, the Government understands that personal and professional circumstances can change. Check the details of your specific Help-to-Buy scheme to confirm when you might be able to rent out your help-to-buy property.

H2: The Help-to-Buy Equity Loan (For New Builds)

[Note: you can no longer apply for an equity loan. This information is relevant for those who already have a Help-to-Buy Property].

The Help-to-Buy equity loan is a government scheme initiated to help first-time buyers purchase a new build property with only a 5% deposit. First-time buyers can borrow an equity loan of 20% of the purchase price (or 40% in London) for five years with no interest.

H3: Can I Rent Out My Help-to-Buy Equity Loan Property?

In most cases, the Government restricts Help-to-Buy house owners from letting out their property – the property must be your only residence. However, there are exceptions, including:

1. Taking in a lodger

2. Showing that you had a change in personal circumstances that require you to rent out your property
3. Paying off the equity loan and switching to a buy-to-let mortgage

For more information on these exceptions, please see the 'Can You Rent Out a Help-to-Buy Property' section.

CTA: Simplify your job by becoming a Flex Living Landlord. Get a Valuation.

H2: The Help-to-Buy ISA

[Note: you can no longer open an ISA. This information is only relevant for those who already have an ISA and can continue saving into their account until November 2029].

The Help-to-Buy ISA is designed to help you save for a mortgage deposit to buy your first home. With an ISA (or Individual Savings Account), your savings are tax-free, and you can get an additional government bonus as you save. For any contribution you make to your ISA account, the Government 'tops up' the contribution by 25%. For every £200 you save, the Government will contribute £50 (until they've contributed £3,000 at which point the contributions stop).

H3: Can I Rent Out My Help-to-Buy ISA Property?

Similar to the Help-to-Buy equity loan scheme, you cannot rent out your Help-to-Buy ISA property unless you can prove that you've had a change of personal circumstances that necessitate renting out the home. At the time of buying the property under this scheme and in order to receive your Government bonus, you would have made a declaration that you intend to live in the property as your sole residence. However, the Government recognises that personal circumstances can change, causing unforeseeable property rearrangements. In these cases, the Government will not try to reclaim Help-to-Buy ISA bonuses. For more information on changing personal circumstances, please see the 'Can You Rent Out a Help-to-Buy Property' section.

H2: Help-to-Buy Shared Ownership

The Help-to-Buy shared ownership scheme allows you to buy a share of the property (25%-75%), and pay rent to the Government on the other portion of the share. Rental payments are initially capped at 3%, and the share you own can be funded by your savings or a mortgage. This scheme is open to both first-time buyers and those who own a property but cannot afford deposit and mortgage payments for a home that meets their needs.

H3: Can I Rent Out My Help-to-Buy Shared Ownership Property?

You can rent out your room to a lodger, but be sure to check if you need to:

a. Get your housing association's permission
b. Inform your home insurance provider

Remember that you may not be able to rent out your entire home; this might cause you to breach your mortgage contract. It's important to check your contract for more details on what you can or can't do with your shared ownership property.

If you want to rent out your whole home, consider the 'personal circumstances change' exception (such as moving for work or becoming a full-time carer for a parent). Even in these cases, you will still need to obtain written permission from your housing association.

You can rent out your property once you reach 100% ownership. Buying additional shares of the property is known as 'Interim Staircasing'. The share that puts you at 100% ownership is called 'Final Staircasing'; when this happens, you own the property fully and no longer have shared ownership. Remember that you will need to pay for any valuation and solicitors fees throughout this process, as well as costs such as service charges and potentially ground rent. For more information on property costs, visit our Costs for Landlords Blog (LINK TO BLOG).

H2: Government Mortgage Guarantee Scheme

[Note: This scheme ends in December 2022]

The mortgage guarantee scheme offers lenders a guarantee to encourage them to lend again post-pandemic. The Government partially compensates the lender if a homeowner fails to pay their mortgage. The scheme applies to new build and older properties that cost less than £600,000. Both first-time buyers and existing homeowners can apply (provided you have a steady income and a good credit rating) and can choose a fixed initial rate for the first five years.

H3: Can I Rent Out My Government Mortgage Guarantee Scheme Property?

Like all Help-to-Buy schemes, the Mortgage Guarantee Scheme is intended to help first-time buyers, who might otherwise be unable to afford it, jump on the property ladder. So, in short, you should not be renting out your Help-to-Buy property. The scheme is available for those wanting to buy a property that will be their only home. However, the same exceptions that apply to other Help-to-Buy schemes (please see the 'Can You Rent Out a Help-to-Buy Property' section), may apply here as well.Be sure to let your lender and Help-to-Buy agent know your intentions with your Help-to-Buy loan; they will be able to help you as best they can.

H3: How to Pay Back Help-to-Buy Loans

Once you've fully repaid your loan, you can then switch to a buy-to-let mortgage and start renting out your property. So how do you pay back Help-to-Buy loans? We recommend seeking professional financial advice from a qualified mortgage broker to discuss your options before paying back your loan.

1. **Equity Loan**

You must repay an equity loan in full either:

- 25 years after you first take out the loan
- When your mortgage term ends or;
- When you sell your home

The loan is a percentage of the property price (not a set cash value), so you have to repay the market value of the loan at the time of repayment (not the amount you initially borrowed). So, depending on if your home has risen or fallen in value, the amount you pay back will vary.

For example, let's say you live in a new build in London and took out a 40% equity loan to buy a property worth £400,000 (£160,000). If your property rose in value to £450,000 when you come to sell it, you'll have to repay £180,000

You can choose to repay part of the loan early in instalments of either 10%, 20% or the total property value.

Once you've owned the property for 5 years, your monthly bills will rise because you'll need to start paying interest on the 20% (or 40% for London) Government loan. By remortgaging, you can pay off the loan completely or move the loan onto your mortgage. However, this can be a difficult process and many lenders have strict rules in place. We recommend contacting a mortgage broker to help you access suitable mortgage options.

2. **ISA**

You do not have to repay the 25% Government bonuses. You can use the ISA scheme with the equity loan scheme.

3. **Shared Ownership**

You can increase your monthly mortgage payments and increase your owned shares in the property ('staircasing'). Over time, you can keep doing this until you own 100% of the property, and no longer have to pay rent. Your remaining costs include your regular mortgage payments and any services charges or ground rent.

Remortgaging could help you pay back your Help-to-Buy loan. You might be able to apply for a larger loan if you switch to a new lender. So, you can repay your current lender and have additional funds to buy more shares in the property. Make sure you double-check the terms of conditions of your scheme and tell your housing provider that you are thinking about remortgaging.

4. **Mortgage Guarantee**

The Mortgage Guarantee is only a guarantee for the mortgage lender (not for you, the borrower.) Your lender arranges everything on your behalf and will pay the Government a commercial fee for each mortgage in the scheme. Besides this, the mortgage works like a regular mortgage requiring you to make routine payments per the mortgage terms set with your lender.

H3: Start Planning for Your Buy-to-Let

If you have a help-to-buy property and are close to switching to a buy-to-let mortgage, you may want to start considering how you will rent out your property. Our property management experts at Flex Living know how confusing landlording can be, from new rules and regulations seemingly every month to endless paperwork and finding the right tenants. So, let our property

team help you out! With zero management fees, free maintenance callouts and guaranteed rent, our corporate let model makes landlording easy.

Read next:

- Guaranteed Rent (How Do I Let Out My Property for Guaranteed Rent Each Month?)
- Stamp Duty on Second Home (Stamp Duty on Second Home – Recent Updates 2022 and Legal Ways to Avoid It)
- Section 24 of Income Tax Act (Section 24 of the Income Tax Act: Can Landlords Avoid it?)
- Costs for Landlords (LINK TO BLOG) (What Are the Costs for Landlords on a Buy-to-Let Property?)