



**Policy Note:
Developer-Funded,
Government-Backed
Loan-to-Own Scheme
For First Time Buyers**





About TYI

Let's Get Britain Growing, Building and Prospering Together

TYI's expertise and services reflect our mission as a pro-growth, pro-abundance, research-focused political consultancy dedicated to creating a secure and prosperous United Kingdom.

Across our team, we work to develop and influence policy using research, data and expertise in planning, development, local government, quantum technologies, defence, energy, and advanced manufacturing.

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About Weston Homes

Weston Homes was formed in 1987 by Bob Weston and it is now one of the major property developers in the South East of England.

Weston Homes has established a reputation for high quality design and build standards, delivered with a passionate desire to make a genuine difference to the lives of our customers and to leave a legacy of which we are justly proud.

www.weston-homes.com

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Foreword from the Industry



Bob Weston
Chairman, Weston Homes

Supporting First Time Buyers is the Key to Getting Britain Building: Proposing a Developer-Funded, Government-Backed 'Loan To Own' Scheme

As a leading SME housebuilder building in London and the South East, Weston Homes is proud to be supporting the government and TYI Group in their mission to build homes and create opportunities across the UK.

For the housing market to succeed, we need a planning system that unlocks growth and permissions, a regulatory environment that enables construction and a population with sufficient access to mortgage credit alongside the ability to save a sufficient mortgage deposit to buy a home.

The Labour government, driven by its passionate mission to Get Britain Building, has made enormous strides forward on the first two of these three key factors, committing to drive out barriers from the planning system and investing in construction skills. However, the 1.5m housebuilding target remains out-of-reach – unless we do more to help drive access to housing finance for First Time Buyers (FTBs).

Every week, many potential FTBs are visiting our sales offices. There is a strong demand for home ownership rather than paying exorbitant private rental or staying at home with their parents into their thirties. But consistently the primary reason why most cannot afford to buy is due to having insufficient savings for a deposit.

Higher loan-to-value mortgages such as 95% may be more available now but these have interest rates which are considerably higher, while the stress tests mean many FTBs' income is insufficient to cover repayments at the even higher 'test' rate.

Of the buyers who have managed to purchase their first home from us in the last 12 months, 79% of them used the Bank of Mum and Dad to help fund their deposit, creating a market unfairly biased towards those who are lucky enough to have money available in their families. This hinders life changes, opportunities and aspiration for the majority of young people.

For the housing industry, the lack of potential FTB customers also means we cannot build as many homes as we'd like to – or as fast. There needs to be sufficient demand for the industry to deliver. But they can only build, when they can sell. Housebuilders deliver around 1 new affordable tenure home for every 2 private dwellings built. A buoyant housing market is critical to the housebuilding cycle.

In order to get the country's developers housebuilding again, Weston Homes believes the key missing link is that we need to take action to help FTBs secure access to housing credit and deposits. That's why we're calling for the creation of a new form of home purchase assistance initiative – funded by the developers but backed by the government – which we're calling "Loan To Own".

Provide FTBs with the control and consumer assurance of a government-run scheme – but with the loan interest costs for the first 5 years effectively borne by the housebuilder who sold them the home. Plus, as with the previous Help to Buy scheme, the potential revenue from the new homeowner's interest payments after 5 years is payable to the Treasury, as well as the equity value increases – so the scheme is at nil cost or indeed profitable to the taxpayer.

This proposal is about giving the opportunities to young working people in our country who cannot currently hope to own a home of their own, who are looking for proof that economic growth can benefit them and improve their lives.

A new 'Loan to Own' scheme will help unlock the market to get Britain building and will be of value to the individual and help the housing industry deliver the homes this country desperately needs.



Gemma Gallant

Director of Engagement at Icen Projects
and Non-Executive Director at TYI Group

Recent years have been a rollercoaster for the development industry, with global and domestic challenges from Covid-19 to Trump, and building safety to skills gaps all threatening delivery. When Labour took power in 2024, the mandate to ‘Get Britain Building’ was therefore wholeheartedly welcomed by the development industry.

Fast forward to 2026, and we have already seen considerable action aimed at unlocking housing supply and driving the economy forward through the revised NPPF, a new wave of New Towns and more. However, there is a growing concern within the industry that housing demand is not keeping pace.

Housebuilders share the government’s ambition to get Britain building and to deliver 1.5 million new homes. They want to invest, build at scale and accelerate delivery – but their ability to do so is fundamentally constrained by conditions on the demand side of the market. In particular, First Time Buyers face increasing challenges in raising deposits and accessing mortgages.

The challenge we see is not a lack of appetite for home ownership. Demand from First Time Buyers remains strong. Young people do not want to live at home into their mid to late 30s, nor do they want to rent forever. But the security of home ownership continues to be out of reach for many.

The key issue is affordability. Higher interest rates, tighter mortgage affordability tests and the withdrawal of Help to Buy have reduced the number of people able to join the First Time Buyer market, especially those without family support.

For housebuilders, this has direct consequences. New homes can only be brought forward at pace if there is confidence that they can be sold – and indeed, sold at a viable price. This direct correlation means we are already seeing sites where build rates are being slowed right down, while others are paused altogether.

Without action on the First Time Buyer segment of the market, this situation is set to worsen and supply will inevitably drop in response.

If we are serious about delivering 1.5 million new homes, policy must focus not only on increasing supply, but also on ensuring that the buyers of those homes are able to access the finance they need.

Fiscal reform is needed alongside mortgage reform to respond to the demand-side challenge, and this report sets out a proposal which could offer a key piece of the puzzle, through a Loan-to-Own scheme.



Hanad Darwish

Non-Executive Director at TYI Group

HM government's ambition to increase housing delivery is one of the most pertinent policy priorities of this Parliament. The commitment to unlock growth, expand opportunity and, in the words of the Secretary of State, to "leave no stone unturned" in tackling the housing challenge is both welcome and necessary.

Achieving this ambition requires sustained action across the system. Alongside planning reform, land supply and delivery capacity, it also depends on the effective functioning of the housing market itself, particularly the ability of households to transact. In recent years, following the conclusion of Help to Buy and the tightening of mortgage affordability conditions, first-time buyer transaction volumes have been on shaky ground. Deposit constraints, higher interest rates and stricter lending thresholds have created new barriers to entry for economically active households who would previously have been able to access homeownership more easily.

This matters not only for aspiring homeowners, but for delivery, as housing supply and housing transactions are structurally linked. When demand is constrained and transaction volumes fall, development pipelines slow, schemes are delayed, and build-out rates adjust accordingly. Restoring market liquidity is therefore not simply a social objective, it is a delivery imperative. This policy note makes an important contribution to that challenge. It recognises that increasing housing supply requires a balanced approach, one that combines supply-side reform with targeted demand-side mechanisms that improve access to finance, restore confidence and reactivate market participation.

The developer funded Loan-to-Own proposal set out in this paper reflects that balance. It offers a pragmatic and fiscally responsible model that aligns the interests of government, industry and consumers, while supporting first-time buyers without creating long-term public subsidy burdens. Importantly, it does not seek to replace the government's housing strategy, but to complement it, strengthening the market conditions in which delivery targets can realistically be achieved.

By creating an uptick in transactions, improving affordability and unlocking latent demand, it helps create a stable environment in which long-term housing supply can grow sustainably. It reflects a shared understanding that solving the housing challenge requires coordinated action across finance, delivery and policy.

In that light, meeting national housing ambitions will undoubtedly depend as much on enabling demand as it does on enabling supply and this paper is a constructive contribution to that objective.

Executive Summary

- Many potential First Time Buyers are currently blocked from buying a home by large deposit requirements.
- This is bad for First Time Buyers but also harms attempts to increase housebuilding numbers, potentially imperilling the target to build 1.5 million new homes this parliament.
- Loan-to-Own helps to solve this by providing a loan covering up to 20% of the value of the property.
- This loan is interest free for the first 5 years for the First Time Buyer. The government provides it but developers pay a 5% coupon annually for the first 5 years which covers the cost. It should therefore be fiscally neutral or even generate revenue for the government.
- A First Time Buyer with £70,000 household income and purchasing a £350,000 property, would be unable to buy the house with a standard 95% mortgage as they exceed the incomes multiple banks apply of 4.5, but with Loan-to-Own they are able.
- Our modelling indicates that the same First Time Buyer will be £500 per month better off every month in the first 5 years compared to buying it with a 95% mortgage.
- Our modelling also suggests that an extra 14,003 First Time Buyers would be able to get on the housing ladder each year.
- The government would gain almost £30million in additional revenue annually from the developers' coupon payments. In addition they would also gain from any increase in house prices and receive revenue after the first 5 years from FTBs paying interest on any amount of the 20% equity loan they haven't paid off.

The Problem: Access to Housing Finance

The government's mission to 'Get Britain Building' and deliver 1.5 million new homes is constrained by the current challenges faced by First Time Buyers (FTBs) in accessing housing finance.

Despite strong demand for homeownership, many potential FTBs struggle to:

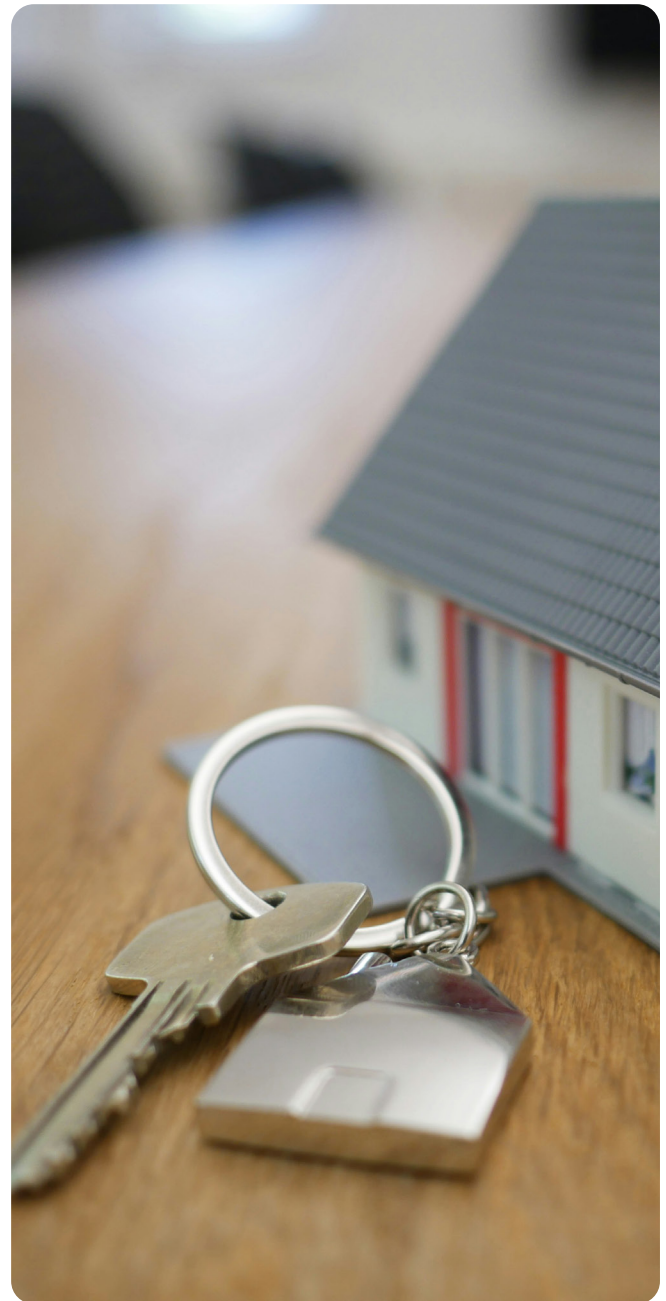
- Accumulate sufficient savings for a deposit.
- Meet the affordability criteria for higher loan-to-value (LTV) mortgages (95%) due to high interest rates and mortgage stress tests.

Data from Weston Homes indicates a significant drop in sales to FTBs since the end of the Help to Buy (HTB) scheme and subsequent interest rate rises, with a high proportion of those still able to buy relying on family assistance for their deposit, creating an unfair market bias.

However, the difficulties FTBs face in getting access to housing finance and getting on the housing ladder contributes to another issue that will undermine the government's ability to meet its 1.5 million new homes target: the level of transactions limits the number of new builds that developers will bring to market as well as current market participants looking to move.

Developers will only bring new units onto the market if they think they can sell them at a price consistent with a reasonable profit margin. Developers do not want to end up either holding onto new units which they cannot sell or having to significantly reduce prices in order to increase demand. Either of those outcomes would ensure their profit margins were significantly eroded and reduce the viability of a site to commence or continue building it out.

In general, over at least the last 40 years there has been a strong correlation between the number of transactions in the housing market and the number of new build units completed, with most studies finding that new build construction is about 10% of total transactions per year.¹ When transactions fall significantly during a recession as in 2008 during the global financial crisis, the number of new build units completed rapidly declined as well in the years that followed. Figure 1 and 2 below illustrates this relationship.²



¹ Savills research finds that roughly 10% of transactions over the last 50 years are for new homes (https://www.savills.co.uk/research_articles/229130/377631-0); The CMA review of the housing market in 2024 found an average rate of 11% of transactions were for new build homes between 2013/14 and 2022/23 (<https://www.gov.uk/government/publications/housebuilding-market-study-final-report/final-report>); The Centre for Policy Studies (CPS) found the ratio of new build construction to total transactions per year between 1986 and 2017 was nearly always between 1:8.5 to 1:12, with an average ratio of 1: 9.7 (i.e. 10.5%) (<https://cps.org.uk/wp-content/uploads/2021/07/191026121449-CPSSDLT.pdf>). When you extend the CPS analysis up to the latest annual data from 2024, you get a figure of 11.2%.

² Because data is only available for England only transactions back to 2006, we have had to splice multiple data series together: Data from 1986 - 2005 is England and Wales for both transaction numbers and new private enterprise completions; data for 2006-2024 is England only. We do not think this will make a substantial difference as the data for Wales is much smaller than that for England and by doing this we are able to see the relationship over a longer time period. Data on 2006 - 2024 transaction numbers here: <https://www.gov.uk/government/statistics/monthly-property-transactions-completed-in-the-uk-with-value-40000-or-above>; data on transaction numbers 1986 - 2005 here: <https://www.ukhousingreview.org.uk/ukhr101/updates/pdf/11-039ab.pdf>; data on house building here (for the 1986-2005 period we simply add the total for Wales to that for England; 2006-2024 data is for England only): <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>.

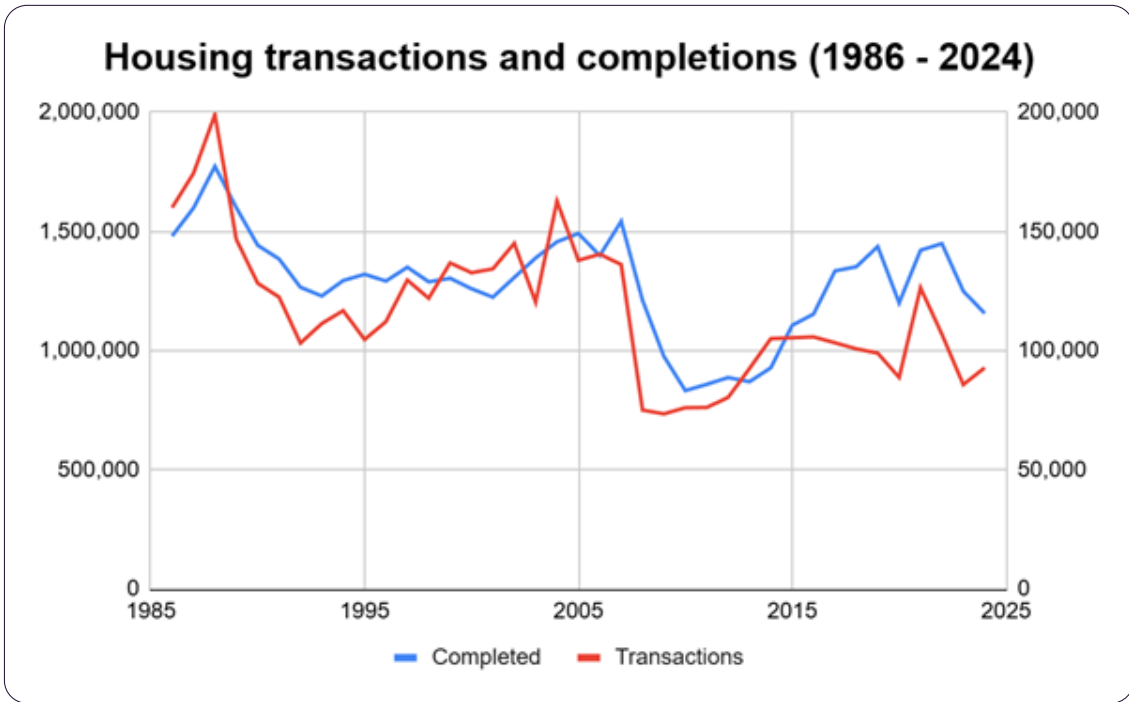


Figure 1.

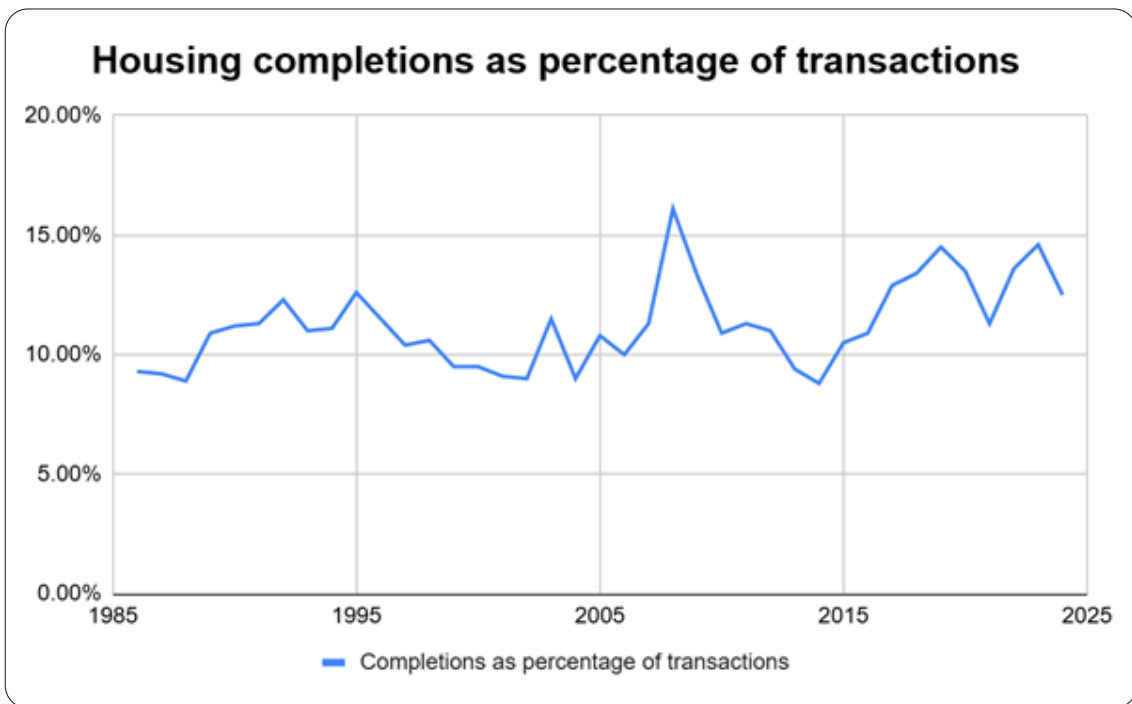


Figure 2.

Therefore, unless the level of transactions in the housing market increases significantly, it is unlikely that the number of new build homes constructed and brought to market will rise in order that the 1.5 million homes target will be met. Supporting FTBs in being able to get access

to housing finance as laid out in this proposal can therefore help not only them, but also the government in reaching its 1.5 million new homes target and developers in delivering those homes.

The Solution: Developer-Funded Loan-to-Own (LTO)

Weston Homes has proposed a new, industry-funded, government-backed home purchase assistance initiative, called "Loan-to-Own" (LTO), designed to address these affordability barriers.

Key Features of the LTO Proposal

- **Government-Backed Equity Loan:** Eligible FTBs can apply for an equity loan of up to 20% of the property's value.
- **Interest-Free Period for FTB:** The loan is interest-free to the buyer for the first five years.
- **Developer Contribution:** During the first five years, the housebuilder is liable for a 5% per annum fee to the Treasury; this covers the interest cost of the equity loan.
- **Revenue for Treasury:** The developer coupons are paid to the Treasury, thus generating a stream of revenue that should exceed the cost to the government of financing the LTO scheme.
- **After 5 years:** The FTB will refinance and likely either fully or partially absorb the 20% equity loan into their existing mortgage (including any increase in the value of the 20% equity that has occurred). Any outstanding amount of the equity loan that they don't absorb they will pay interest on, starting at 3% in year 6, before being uprated by RPI for each subsequent year.

This structure aims to provide FTBs with the assurance of a government scheme while shifting the upfront financing cost to the developer, ensuring the scheme is at nil cost or potentially profitable to the taxpayer. The government will benefit from the stream of additional revenue (from the developer coupon payments) and from any increase in the value of the property which will be reflected in the value of the 20% equity loan, as well as the interest payments FTBs will make on any amount outstanding on the equity loan after the first 5 years.

The LTO scheme has been designed so that the government will be able to improve the access to and affordability of housing finance for FTBs without requiring net expenditure and likely generating net revenue for the government throughout the lifetime of the scheme.

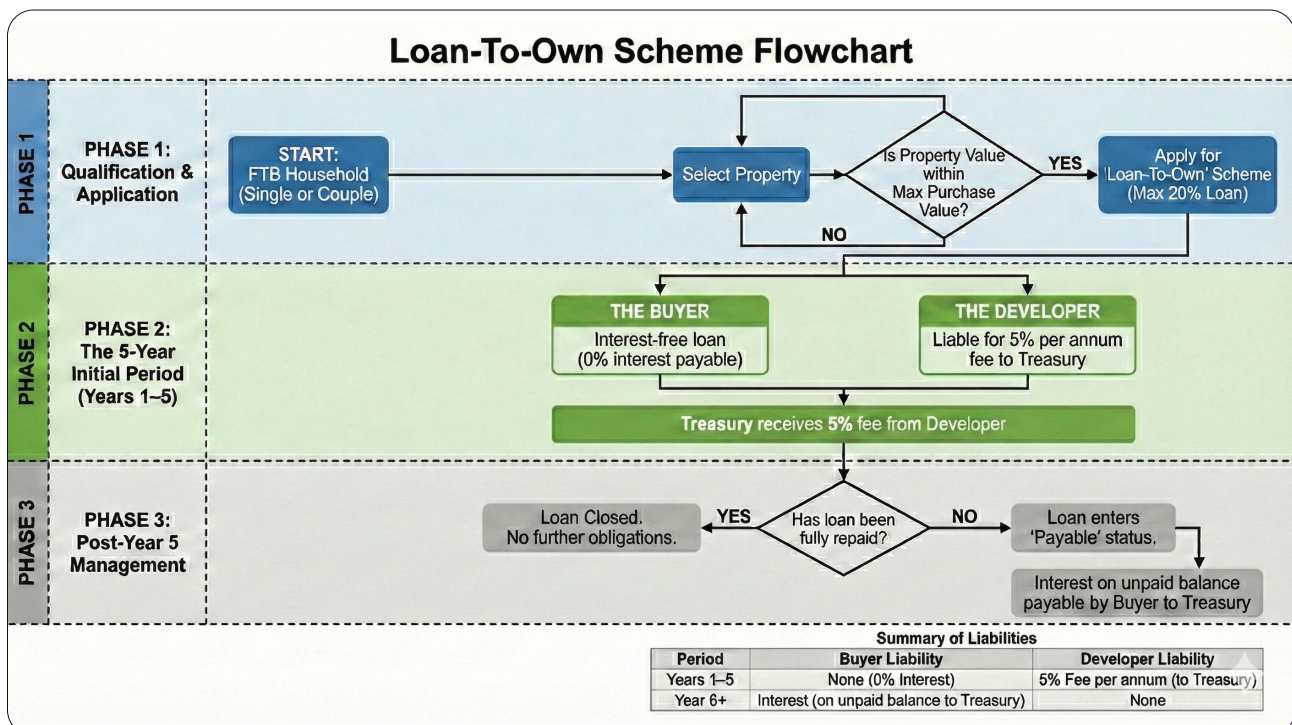


Figure 3: Loan-To-Own Scheme Flowchart

Economic Analysis

Economic modelling has been conducted to examine the impact of the LTO scheme on FTBs and the fiscal situation. Scenario analysis was conducted to test the robustness of the scheme to different conditions. Three different representative FTBs were created (A, B, and C) and the key data inputs for these can be seen in Table 1.

The LTO base case modelled assumes a 30-year 75% mortgage with a 5% deposit and a 20% equity loan covered by the government, with a 5% annual developer coupon paid to the treasury on this equity loan. This is compared to a counterfactual of a 30-year 95% mortgage with a 5% deposit. In both the LTO base case and the counterfactual, we assume a 5-year fixed rate mortgage is taken out.¹

Table 1: Representative FTBs

	A	B	C
House Price	£250,000	£350,000	£450,000
Household Income	£45,000	£70,000	£95,000
5% Deposit	£12,500	£17,500	£22,500
75% Mortgage	£187,500	£262,500	£337,500
95% Mortgage	£237,500	£332,500	£427,500
75% Mortgage Rate ²	3.97%	3.97%	3.97%
95% Mortgage Rate ³	4.82%	4.82%	4.82%
Minimum household income for 75% mortgage	£41,667	£58,333	£75,000
Minimum household income for 95% mortgage	£52,778	£73,889	£95,000
20% LTO equity loan	£50,000	£70,000	£90,000
SDLT paid	£0	£2,500	£7,500

The key representative FTB is B, which has a household income of £70,000 and is purchasing a £350,000 property. We select this as the key representative FTB because data from UK finance shows that the average unsupported FTB in the South East, has a household income of £75,032, and purchased a property valued at £347,481.⁴ Representative B (household income of

£70,000 and property price of £350,000) therefore maps closely onto this and highlights the impact this scheme can have for those FTBs currently earning just under the average (for an unsupported FTB), and who would currently under a standard 95% mortgage be likely denied due to exceeding the 4.5 multiple banks apply.

¹The accompanying technical annex lays out the modelling approach in more detail. All the modelling is available in the accompanying spreadsheet.

²For a 5 year fixed 30 year term mortgage.

³For a 5 year fixed 30 year term mortgage.

⁴Link here: <https://www.ukfinance.org.uk/system/files/2025-05/First-time%20buyers%20-%20keeping%20it%20in%20the%20family.pdf>

The journey of a FTB under the LTO scheme and under a standard 95% mortgage can be seen in figure 4 below, and shows the key advantages the scheme gives for FTBs in terms of accessibility and affordability of housing finance compared to the standard 95% mortgage option.

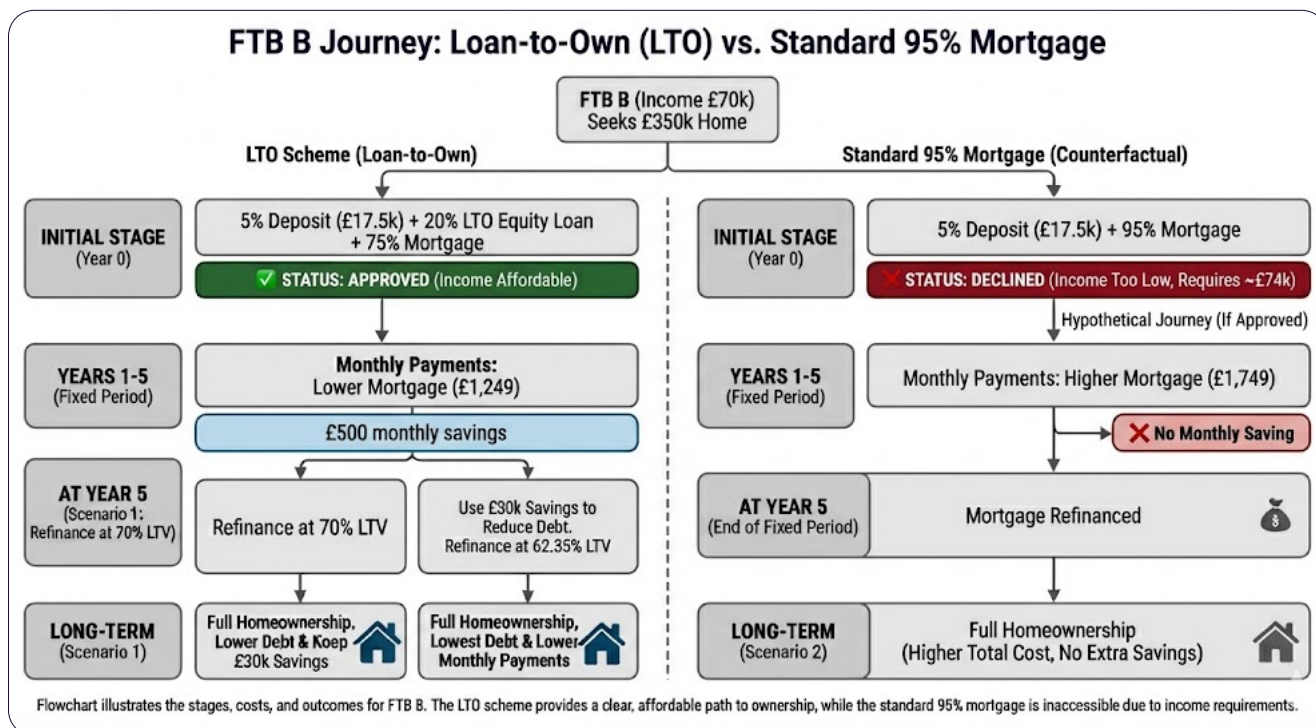


Figure 4: Flowchart of LTO vs 95% mortgage⁵



⁵ In the central scenario we assume FTB B absorbs 50% of the LTO equity loan when they refinance. Were they to absorb 0% then the LTV would be just 60% and if they absorbed the full 100% then the LTV would be 80%.

Table 2 shows the key outputs in terms of the impact of the LTO scheme on the three representative FTBs under the central scenario.⁶

Table 2: Outputs (central scenario)⁷

	A	B	C
Monthly mortgage payment (75%)	£892	£1,249	£1,605
Monthly mortgage payment (95%)	£1,249	£1,749	£2,248
Monthly savings	£357	£500	£643
Total savings (over 5 years)	£21,422	£29,991	£38,560
Months to recoup SDLT paid	0 ⁸	5	12
Property price (after 5 years)	£282,852	£395,993	£509,134
Value of 20% equity loan (after 5 years)	£56,570	£79,199	£110,827
Mortgage total to be refinanced ⁹	£197,792	£276,909	£356,026
Refinance LTV	69.93%	69.93%	69.93%
Refinance LTI	3.8	3.4	3.2
Refinanced Monthly payment (mortgage + interest on LTO equity loan outstanding) ¹⁰	£1,113	£1,559	£2,004
Refinanced Monthly mortgage payment (Standard) ¹¹	£1,159	£1,623	£2,086

⁶ The central scenario assumes that forecasts by the OBR on income growth and house price growth will broadly be correct, and that mortgage rates in 5 years' time at the point of refinancing will be the same as current rates. More detail on this can be found in the accompanying technical annex.

⁷ All figures in this table (excepting the refinance LTV and LTI) are rounded to the nearest whole number.

⁸ For representative FTB A, the property value is £250,000, which is under the £300,000 threshold for FTBs paying stamp duty. They therefore pay no SDLT and it takes 0 months to recoup this cost.

⁹ To simplify we assume three scenarios: Low, where the FTB absorbs 0% of the 20% equity loan into their mortgage at refinancing; Central, where the FTB absorbs 50%; and High, where they absorb 100%. The figures in this table are for the Central scenario.

¹⁰ This is the payment in year 6. Since the FTB in the central scenario chooses to absorb 50% of the 20% equity loan, the other 50% is still outstanding and they must pay 3% interest on that amount in year 6. The interest payment on the outstanding equity loan will be updated every year by RPI. So, for FTB B, that means that by year 10 (assuming they refinanced with a fixed rate 5 year mortgage after year 5) their total monthly payment (mortgage + interest on equity loan) would be £1,580 or about £260 extra per year compared to year 6.

¹¹ This is the payment in year 6 in the counterfactual where the FTB refinances their standard 95% mortgage (by year 6 the LTV will have dropped significantly so it will no longer be a 95% but a 76.91% mortgage). We assume that when refinancing after year 5 the FTB in both the LOT and the 95% mortgage counterfactual will again opt for a 5-year fixed rate.

Getting a Foot on the Ladder

The LTO scheme significantly improves accessibility for FTBs to home ownership:

- **Overcomes Mortgage Barriers:** Makes homeownership possible for First Time Buyers (FTBs) who are currently priced out due to strict income multiples for 95% Loan-to-Value (LTV) mortgages.
- **Accelerates Purchase:** For FTBs who would otherwise wait, the scheme speeds up the purchase timeline by several years compared to saving for a larger deposit.
- **Increases Choice & Flexibility:** Provides FTBs with greater optionality in the timing of their purchase and their choice of property.

The key representative FTB B (household income £70,000, purchasing a £350,000 property) is currently below the required minimum household income (£73,889) to secure a standard 95% mortgage due to the standard lender multiple of 4.5. Under existing arrangements, they would be unlikely to get a mortgage for their selected home and would either have to downsize their prospective home, move to a cheaper area or wait until they had saved up a substantial enough deposit to afford the home, all of which will reduce their welfare.

If they chose to wait and save up for a 10% deposit on the same property, at current values they would require an additional £17,500 of deposit. At their household income level this would likely take several years and if prices continue to rise then they will require even longer to save up a yet larger deposit. Therefore, this scheme should either: a. Make it possible for this representative FTB to get on the housing ladder; or 2. In the counterfactual case where they were able to save up for a larger 10% deposit, accelerate by several years, actually getting on the housing ladder.

In more technical terms, the scheme increases the optionality for the FTB: 1. In terms of timing of purchase (they can buy earlier or put off until later if they want); and 2. Given greater flexibility in timing, they have greater choice in which property to purchase (i.e. they don't miss out on their dream house because it comes on the market before they've saved up for a 10% deposit).

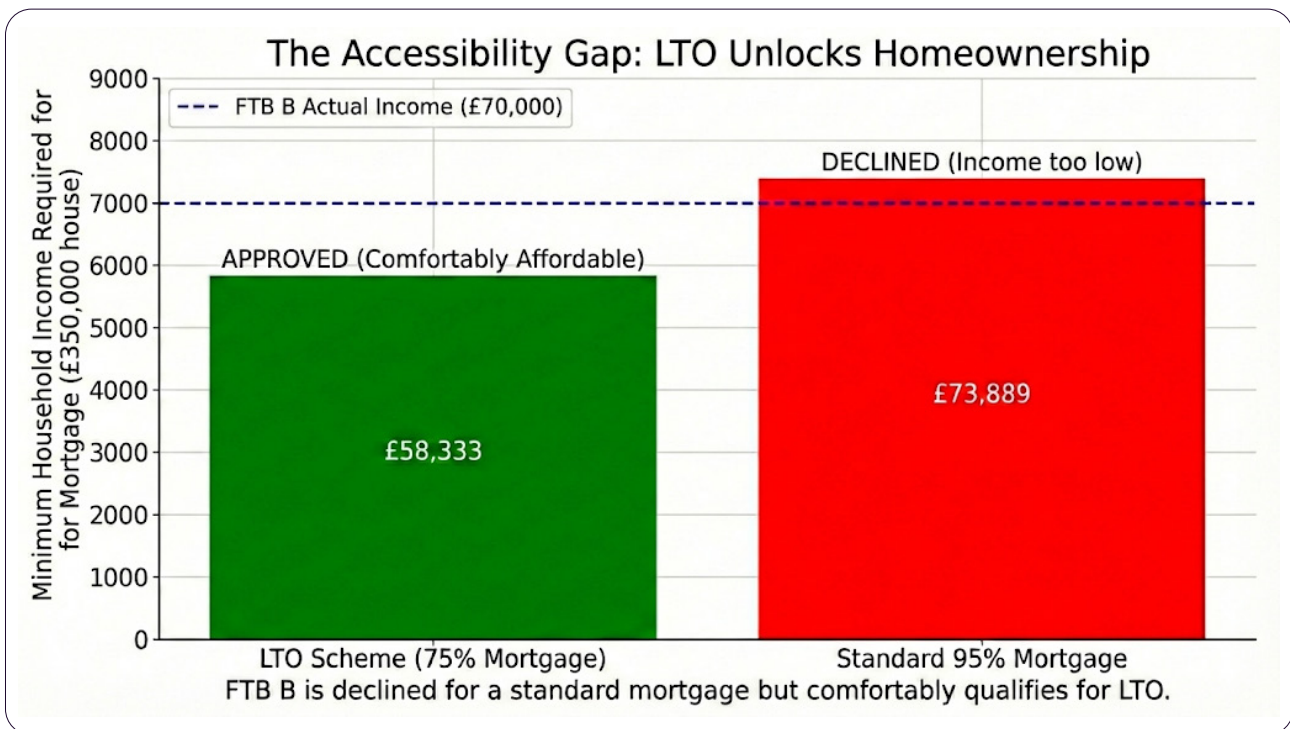


Figure 5: Mortgage accessibility gap

Affordability

The LTO scheme provides substantial monthly savings for the FTB:

- FTBs pay substantially lower monthly mortgage payments. For a £350,000 property, a FTB would pay £500 less per month in mortgage payments.
- This translates to a total saving of just under £30,000 over the five-year period.
- The Stamp Duty paid by FTBs on properties over £300,000 is rapidly recouped via the lower monthly mortgage payments.

The key representative FTB B would be £500 better off per month under the LTO relative to the counterfactual where they had taken out a standard 95% mortgage to buy the house (of course as stated above, with their level of household income they would not likely be able to obtain a 95% mortgage due to exceeding the standard income multiple). This monthly saving translates into a total saving across the 5 years of just under £30,000.¹² This £500 monthly saving also means that the £2,500 stamp duty the FTB would have had to pay on the £350,000 house would be recouped in 5 months.

The Outcomes for FTBs in the scheme could be even better if they use the monthly savings to reduce the mortgage principal so that the total to be refinanced after 5 years is significantly lowered. For example if FTB B uses all of their nearly £30,000 of savings over the 5 years to pay down the principle then they would only need to refinance £246,918 rather than £276,310.¹³ That would reduce the LTV of the refinanced mortgage down to 62.35%, significantly reducing the monthly mortgage payments (both via a reduced principal and from a lower rate due to reduction in the LTV). Where only half the savings over the 5 years was used to pay down the mortgage principal, or just under £15,000, then FTB B would have £261,913 to refinance and the LTV would be 66.14%, and again this would reduce the monthly mortgage payments after refinancing.¹⁴

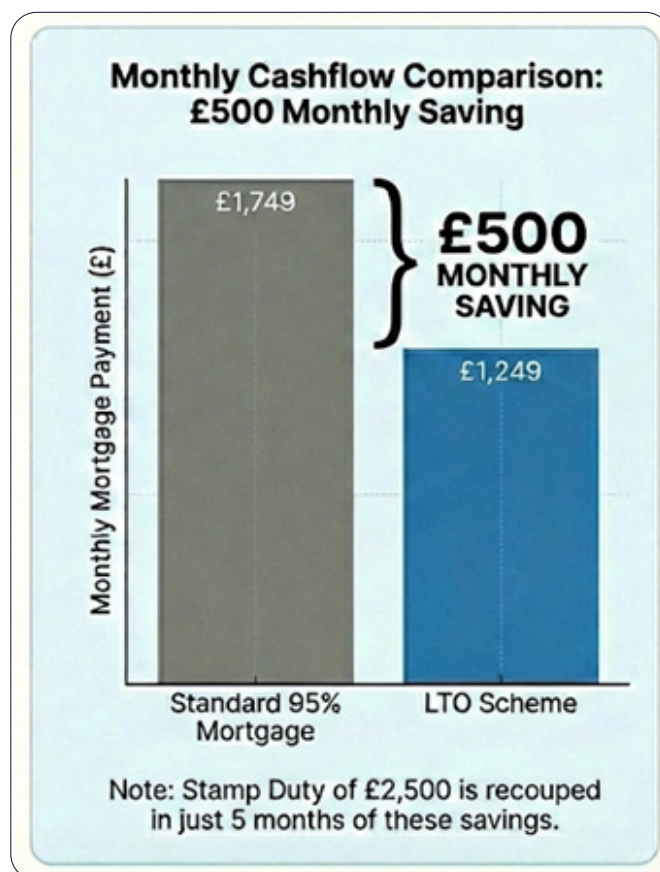


Figure 6: Monthly savings for FTB B

¹² £29,991.29, to be precise

¹³ This is in the central analysis where FTB absorbs 50% of the 20% equity loan into their mortgage.

¹⁴ This analysis is not in the accompanying spreadsheet, but it is straightforward to replicate using the outputs in the 'Outputs' tab, or to calculate the outcomes when a different share of the total savings is used to pay down the mortgage principal.

Additionality

As with HTB not all FTBs who make use of the LTO scheme will be unable to get on the housing ladder without it. When MHCLG commissioned an external review into HTB which was published in 2018,¹⁵ it was found that 37% of FTBs using the scheme were only able to get on the housing ladder because of the scheme, meaning just over 60% of them would have been able to. However, as already discussed, even when a FTB could wait and save up a deposit for a property they want, this scheme will still benefit them by reducing the saving period necessary. As well as increasing the affordability of home ownership, in addition to the wider benefits of boosting transaction numbers leading to greater delivery of new build housing.

For the purposes of simplicity we have assumed that LTO will perform similarly to HTB in this regard. Therefore we assume that the 'additionality' of LTO (i.e. the additional FTBs that it creates) will be 37% of all the FTBs that make use of the scheme. We are able to use this plus recent completion data¹⁶ to estimate that in our central scenario, were LTO currently in place there would be an additional 14,003 FTB new build completions each year.¹⁷

Fiscal Impact

The LTO scheme has a net positive impact on government revenues:

- Under the central scenario where FTB B typifies the average FTB in the LTO scheme, the annual fiscal impact is a **net gain in government revenue of £28 million**.
- Over a five-year period, this translates into a **total fiscal impact of £142 million net revenue** for the Treasury.

The fiscal impact was calculated by subtracting the cost of government financing of the equity loan from the annual developer coupon, then multiplying by the estimated uptake,¹⁸ and finally multiplying by five years.

Table 3 summarises the fiscal impact resulting from the LTO scheme. The modelling shows that in most scenarios, there is a positive fiscal impact from the scheme. This is driven by the developer coupon rate (the rate developers pay to the Treasury on the 20% equity loan for the 5 years) being 1.1% higher than the cost for the government to finance the 20% equity loan (i.e. Gilt yield).¹⁹

In addition to this, as with HTB, over the medium and long term there is likely to be a positive fiscal benefit from the uplift in the value of the 20% equity loan as house prices increase. Our modelling has not accounted

¹⁵ Link here: <https://www.gov.uk/government/publications/evaluation-of-the-help-to-buy-equity-loan-scheme>

¹⁶ We take the average of private home completions for the period 2021-2024. See the technical annex for more details and data links.

¹⁷ For more details on how this number was estimated and the links for the data used, please see the accompanying technical annex and spreadsheet.

¹⁸ Further details about how we estimated uptake can be found in the technical annex that accompanies this note.

¹⁹ However, if the cost of financing for the government rises above the developer coupon rate of 5% (as it does in the high gilt yield scenario where the gilt yield is 6.9% across the 5 years) then the fiscal impact becomes negative. However gilt yields have not been consistently at or above 5% for a 5-year period since the late 90s and early 00's, so while a high gilt yield scenario is a possibility we do not view it as likely.



Table 3: Fiscal impact (central scenario)

	A	B	C
Developer coupon rate	5%	5%	5%
Gilt Yield	3.9%	3.9%	3.9%
Monthly savings	£357	£500	£643
Net fiscal spread ²⁰	1.1%	1.1%	1.1%
Developer Coupon payment	£2,500	£3,500	£4,500
Gilt Yield cost	£1,965	£2,751	£3,537
Net fiscal impact per LTO	£535	£749	£963
Annual fiscal impact ²¹	£20,248,285	£28,347,599	£36,446,914
Total fiscal impact (over 5 years)	£101,241,426	£141,737,997	£182,234,568

Further details on the economic model, including variable inputs, structure, assumptions, and scenario analysis, are provided in the accompanying technical annex and spreadsheet.

²⁰ This is the rate of the developer coupon (5% on the 20% equity loan) minus the rate of government financing cost (Gilt Yield).

²¹ Here we assume each representative FTB (A, B, C) is the average across uptake of the LTO and multiply estimated uptake by each individual result. This allows us to explore how the fiscal impact will vary in different scenarios of uptake (i.e. lower income, lower house price FTBs vs higher income, higher house price FTBs).

Annex 1: Loan-To-Own Technical Annex

Overall approach

An economic model has been constructed to examine the impacts of the Loan-to-Own (LTO) scheme. This allows us to understand the dynamics of the scheme and the impacts it will have on prospective First Time Buyers (FTBs) and the fiscal impact.

In this model the base case is the LTO scheme for a FTB taking out a 75% mortgage, with a 5% deposit and a 20% equity loan. The counterfactual is the same FTB taking out a 95% mortgage with a 5% deposit.

In terms of house price and income many different scenarios can be modelled, but the central scenario is of a FTB with household income of £70,000 and a prospective property of £350,000.

Structure

The structure of the accompanying spreadsheet is broken down into the following tabs:

- **Variable inputs:** this covers most of the data and assumptions that drive the model such as the house price and household income of the prospective FTB as well as the resulting Loan to Value (LTV), Loan to Income (LTI) and developer coupon payment.
- **SDLT:** this covers the data necessary to account for the Stamp Duty Land Tax (Stamp Duty) that will be due on the house purchase. Such as thresholds and tax rates.
- **Completions data:** this covers the data on completions, both total private home completions and Help to Buy (HTB) completions from Q2 2013 to Q2 2023.
- **Monthly mortgage payment:** this covers the data required to estimate the monthly mortgage payments such as the current mortgage rates for different LTV mortgages.
- **Outputs:** this includes the control panel which enables different scenarios to be tested. It also covers most of the key outputs from the model such as monthly mortgage payment for the modelled LTO base case compared to the 95% mortgage counterfactual, as well as the fiscal implications of the scheme in different scenarios.

Representative FTBs

Three representative FTBs have been modelled:

- A, B, and C are illustrative FTBs representing a range of potential FTBs, with different household incomes (£45,000, £70,000, £95,000 respectively) and different prospective property prices (£250,000, £350,000, £450,000 respectively). This gives insight into how the LTO scheme will affect different FTBs across the range of house prices and incomes.

These representative FTBs can be tested (i.e. moving from A to B to C) using the 'control panel' at the top of the 'Outputs' tab. The underlying data inputs for these FTBs can be changed to model different representative FTBs.

Scenarios

A number of scenarios are modelled in the spreadsheet:

- **Income growth:** A central forecast of income growth is based on OBR forecasts. Low and High scenarios are constructed by subtracting or adding on 3% respectively to the central scenario.¹ This allows us to test how the LTI will change after refinancing (after 5 years) depending on income growth.
- **House Price growth:** A central forecast of house price growth is based on OBR forecasts. Low and High scenarios are constructed by subtracting or adding on 3% respectively to the central scenario. This allows us to test how the LTV and LTI at refinancing (after 5 years) will change depending on house price growth.²
- **Gilt Yield:** A central scenario of Gilt yields is based on Bank of England data (5 year Gilt yield was at 3.93% for 06/01/2026).³ Low and High scenarios are constructed by subtracting or adding on 3% respectively to the central scenario. This allows us to test what fiscal impact the scheme will have depending on the cost of government borrowing. We assume the government will finance the equity loan by selling 5 year gilts (or potentially longer maturity), so the cost of financing the loan over at least the first five years will be fixed.

¹ The OBR forecasts incomes to grow at around 2.2% in 2026/27, rising to around 3% by 2030 before converging on a long run rate of 3.8%. Given it is uncertain when this scheme would be introduced, we take a pragmatic approach and assume nominal income growth is 3% annually over the 5 years. Link to OBR data here: <https://obr.uk/download/long-term-economic-determinants-march-2025-economic-and-fiscal-outlook/?tmstv=1767799697>.

² Data on House Price forecasts based on OBR forecasts of House Price growth to average 2.5% annually from 2026-29. Link here: <https://obr.uk/forecasts-in-depth/the-economy-forecast/housing-market/#houseprices>.

³ Link here: <https://www.bankofengland.co.uk/statistics/yield-curves>.

- **Mortgage rates:** Mortgage rates across LTVs at the start of the scheme are assumed to be current fixed 5 year rates for each respective LTV. A central scenario assumes these rates are the same at refinancing after 5 years.⁴ High and low scenarios are created by subtracting or adding on 3% respectively to the central scenario. This allows us to test how refinancing costs vary across different rates and between the LTO base case and the 95% counterfactual.
- **Absorption rates:** What proportion of the 20% equity loan will the FTB absorb into their mortgage when they refinance after 5 years. We assume 3 scenarios:
 - ⊖ **Low:** 0% of the 20% equity loan is absorbed, meaning they get a lower LTV mortgage but must pay the interest on the outstanding 20% equity loan, the value of which will keep rising if the price of the property continues to increase. The interest rate paid on the outstanding equity loan increases by RPI every year, so the longer it takes to pay off the higher the rate of interest becomes.
 - ⊖ **Central:** 50% is absorbed. A higher LTV but half the equity loan is paid off so interest payments on the outstanding are lower.
 - ⊖ **High:** 100% is absorbed. The whole equity loan is absorbed so LTV rises, but no interest payments on the equity loan.
- **Uptake:** How many FTBs will make use of the LTO scheme. This is based on data on uptake from the HTB scheme and data on current private home completion rates.⁵
- **Inflation (RPI):** The interest payment on the equity loan (after the interest-free period ends) will be 3% in year six, and from year 7 will be uprated by RPI every year.⁶

These scenarios can be tested (i.e. moving from high house price growth to low) using the 'control panel' at the top of the 'Outputs' tab. For these scenarios the underlying data inputs can be changed to model different scenarios. The choices of range to construct high and low scenarios ($\pm 3\%$ for many of the scenarios) while arbitrary were selected to illustrate the impact across a reasonably large range of scenarios.

⁴Mortgage rates for 75% and 95% for the central scenario are taken from the table *Rates by LTV: 5 year fixed rate* in here: <https://www.nutsaboutmoney.com/mortgages/current-uk-mortgage-rates>

⁵We derive the estimate of uptake by using data on private home completions (we average the figures from 2021-24 to get a smoothed average of 131,933) which we take as the baseline for completions prior to the introduction of LTO (Live tables on housing supply: indicators of new supply - GOV.UK); HTB completions (FTB only) (<https://www.gov.uk/government/statistics/help-to-buy-equity-loan-scheme-data-to-31-may-2023>); and FTB additionality, i.e. the proportion of FTBs using HTB that would otherwise have been unable to purchase a property. Which was estimated as 37% in an independent review of HTB commissioned by MHCLG and published in 2018 (https://assets.publishing.service.gov.uk/media/5bd1995540f0b604de423c96/Evaluation_of_the_Help_to_Buy_equity_loan_scheme_2017.pdf). To work out uptake we first need to work out what total completions will be once LTO is in place, we do this by:

1. Total completions (T) = Baseline completions (B) + Additional completions (A),
2. $A = \text{all LTO completions } (L) * 0.37$, we use the data on total completions and HTB completions (FTB only) to estimate HTB share of all completions (α) as 25.934% and assume LTO will have the same share, this gives us,
3. $L = T * 0.25934$, we can then substitute equation 3 into 2 to get 4. $A = (T * 0.25934) * 0.37$, and then substitute that into 1 to get 5. $T = B + (T * 0.25934 * 0.37)$, solving for T we get 6. $T - (T * 0.095956) = B$, which we then factor out to get 7. $T * (1 - 0.095956) = B$, which finally becomes 8. $T = B / (1 - 0.095956)$. We've already estimated B as 131,933, so $T = 131,933 / (1 - 0.095956) = 145,936$. This is the central estimate for total completions, we vary this for the low and high scenario by halving and doubling the FTB additionality rate respectively. Uptake of LTO in each of these scenarios is then $L = T * 0.25934$, and the additional completions is $A = L * 0.37$.

⁶This means that if RPI was 4% in year 7 the interest rate the FTB paid on the outstanding amount of the equity loan would be: $3\% * 1.04 = 3.12\%$. If RPI was 4% consistently up to year 16 then the FTB would end up paying an interest rate of 4.44% if they hadn't yet paid off the equity loan.

Assumptions

Several assumptions have been made in this modelling. The most important ones not already discussed in this note are detailed here:

- Data was not available for the average price paid for a New Build purchased by a FTB. However data from HM Land Registry does exist for average price paid for a New Build property by all types of purchasers (£403,000), and the average price paid by FTBs across all types of properties (£245,000).⁷ For the central FTB (B), we therefore assumed that they were buying a property valued at £350,000.
- A lender multiple of 4.5. For some borrowers a higher multiple may be available, but for simplicity here we assume a 4.5 multiple across all FTBs and all scenarios.
- A mortgage term of 30 years from the start, and 25 years at the point of refinancing (i.e. after 5 years). Again for simplicity we do not vary this or introduce heterogeneity.
- The spreadsheet is currently set up to only model stamp duty paid up to the upper FTB threshold of £500,000 above which the standard Stamp duty rates apply on the whole value of the property. We therefore assume that no properties above the £500,000 threshold would be part of this scheme. However the model could be adapted to account for this if needed, for example for the London area.
- When modelling fiscal impact we assume the representative FTB (A, B or C) is effectively representative of the average FTB and we can therefore simply multiply the individual fiscal impact of the LTO scheme for the selected representative FTB by estimated uptake to get total fiscal impact. This allows us to test how the impacts of the scheme will vary as the makeup of the average FTB in the scheme changes.

Modelling fiscal impact

To model the fiscal impact, as in table 5 in the 'Outputs' tab:

1. The cost of government financing of the equity loan (i.e. gilt yield applied to the 20% equity loan) for the representative FTB selected (A, B or C) is subtracted from the annual developer coupon;
2. We select the scenario for uptake that we want to model.⁸
3. We multiply the resulting figure from 1 with the figure from 2, giving us the annual fiscal impact.
4. We then multiply the annual fiscal impact by 5, the number of years the developer coupon will be paid, giving the total fiscal impact.

⁷ The average price of a New Build in England is £403k and the average price paid by a FTB was £245k. Data for average price paid by a FTB for a new build is not available and prices here are therefore illustrative. Data is latest available from HM Land Registry for Aug 2025: <https://landregistry.data.gov.uk/app/ukhpi/browse?from=2024-12-01&location=http%3A%2F%2Flandregistry.data.gov.uk%2Fid%2Fregion%2Fengland&to=2025-12-01&lang=en>

⁸ See 'Uptake' of the scenarios section of this note and footnote 5 for further details about how we estimate uptake.

Annex 2: Rebuttals to Common Objections

1. The “House Price Inflation” Argument

Objection: “Help to Buy didn’t help affordability; it just inflated house prices by pumping more credit into a supply-constrained market.”

Suggested Answer:

Where supply is highly inelastic, boosting effective demand for buying housing could feed through into higher house prices. However, across most of the country where supply is relatively more elastic the evidence does not suggest that prices were inflated by Help to Buy; instead, supply was able to respond to a rise in effective demand (i.e. potential transactions) and delivered additional units which cancelled out any price rise. For example, one study found that on the Welsh-English border, where supply was more flexible, Help to Buy had no discernable impact on house prices but did lead to a significant increase in construction.¹

This demonstrates the need alongside a scheme to boost access to and affordability of housing finance (i.e. LTO), to have a concurrent push to liberalise the regulatory environment around development which currently makes supply highly inelastic such as the policies of the Building Safety Regulator which has put the brakes on high rise development throughout the country.

It is worth noting that in the HTB scheme, a prospective buyer could get a loan up to 20% of the value of an eligible property in England as a whole, but from 2016 to 2023 in London they could get up to 40%. The proposed LTO only allows for 20%, including in London. This will reduce the boost to effective demand in London that the previous HTB scheme provided.

Data from the Land Registry office and the Bank of England demonstrate that HTB was not the key driver of price changes of house prices while it was in place: Between 2017 and 2022, average English house price growth was 31.8% (all property types); in London this was only 12.4% and for London flats it was only 5.6% - this compares to overall UK inflation of 17.7% over the same period.² This period is also during the time when 40% HTB was available in London. In 2021/22 (the last full year during which Help to Buy was available to offer on new sales), only 2.5% of total UK residential property transactions used HTB.

2. The “Developer Windfall” Argument

Objection: “The previous scheme saw FTSE 100 housebuilders record record-breaking profits while the quality of new build homes was often criticised as being ‘shoebox’ sized or poorly built.”

Suggested Answer:

Persimmon’s conduct, paying its directors the well-publicised huge bonuses in 2017/18, has effectively tarnished the reputation of the entire housebuilding industry. There was a poorly structured and uncapped LTIP (Long Term Incentive Plan) bonus scheme which compromised the perceived integrity of the HTB scheme, which was otherwise a well-controlled and effectively managed scheme for helping FTBs buy their first home, and which also drove sales throughout the market, not just at the bottom of the ladder.

The evidence also demonstrates that developers will not be able to use this scheme as an opportunity to put prices up to recoup the costs of the 5% annual coupon. Where supply was relatively elastic, Help to Buy did not inflate prices, instead developers were able to bring more units to market. In addition, every purchase will require an independent valuation survey, arranged by the customer’s chosen mortgage lender. This process ensures that mortgages will only be provided where the lender is reassured that the price being paid is in line with current market conditions, as the surveyors generally use comparable evidence of other new build and second hand property values in the locality.

It is true that HTB worked very effectively, as it drove sales volume and velocity, which in turn made developments financially viable so that developers of all sizes across the country could build and deliver higher volumes of new build homes.

On the quality point: The New Homes Quality Code together with the New Homes Ombudsman Service were introduced in 2022, to replace other previous Consumer Codes. The Code was developed to strengthen protections for buyers, improve construction quality and cover the entire new build home-buying purchasing process for the first two years after legal completion. As of late 2024, roughly 90 of the largest developer groups have already joined, representing over half of all new-build homes sold in the UK.

¹ <https://researchonline.lse.ac.uk/id/eprint/108422/1/dp1681.pdf>

² Data from: <https://www.bankofengland.co.uk/monetary-policy/inflation/inflation-calculator>; and <https://landregistry.data.gov.uk/app/ukhpi/>

3. The “Financial Risk to Taxpayers” Argument

Objection: *“The government shouldn’t be acting as a high-risk lender. If house prices fall, the taxpayer is exposed to losses on the equity loan.”*

Suggested Answer:

Proven Track Record: Historical data from the 2013–2023 HTB scheme shows that the government actually made a *net profit* on its equity loan portfolio from HTB as property values rose over the long term.

The original HTB scheme enabled more than 350,000 people to step onto the property ladder and to date has delivered a £1.38 billion return for the Treasury.

The scheme is currently delivering returns to the Treasury of over £1 million per day, with the total uplift projected to surpass £2 billion from the past 10 years of equity loan provision. We believe that our proposed Loan-to-Own model could have similar levels of success, carefully designed to avoid some of the flaws from the previous Government’s approach, in particular developers paying an annual coupon on any LTO equity loans which should cover the cost to the government of financing the loan.

Market Stability: By supporting FTBs, we provide the “bottom of the chain” stability required for the entire housing market to function, preventing stagnation which is a greater risk to the economy than equity fluctuations.

4. The “Debt Burden” Argument

Objection: *“Buyers are being encouraged to take on too much debt. When the 5-year interest-free period ends, many will face a ‘cliff edge’ of repayments they cannot afford.”*

Suggested Answer:

Graduated Interest: Instead of a sudden jump, the new LTO scheme offers a *stepped interest-rate* from Year 6 onwards, starting at 3% then annually increasing by RPI, to help homeowners adjust their budgets. The LTO equity loan will allow buyers to reduce the size of the mortgage they require and pay nothing on the 20% equity loan in the first five years. This will create substantial monthly savings for them relative to buying the same property with a 95% mortgage (assuming they would be eligible), which they can use to pay down either the LTO equity loan or their mortgage. This means that after the initial 5 years, depending on financial circumstances, someone with a LTO loan could remortgage to roll the entire equity loan into their mortgage, and have used their monthly savings to pay down their mortgage principal – to refinance at a lower LTV than in the counterfactual where they took out a 95% mortgage.

In terms of the original HTB scheme, according to analysis by the Home Builders Federation (HBF) using government data, by 2025 46% of all HTB loans had been repaid, and of those loans issued before 2020 (i.e. loans that interest would now be due on) 62% of them had been repaid. Repayment of the loan tends to jump up in year 5 or 6 as the interest free period ends. At the time of HBF’s analysis, of the HTB loans issued in 2021/22, 8.2% had been repaid. But of those issued in 2019/20 40.5% had and for loans issued in 2013/14, 80.9%.³

5. The “Incentive Overlap” Argument

Objection: *“Why do we need HTB when we already have the Mortgage Guarantee Scheme (5% deposits), Shared Ownership, and Lifetime ISAs (LISAs)?”*

Suggested Answer:

Monthly Costs: 95% mortgages are beyond the affordability of many potential FTBs as they simply do not have the monthly income to qualify for a loan of this amount.

Shared Ownership is only available on selected properties and also incurs additional rent on the share the buyer does not own, alongside their mortgage costs.

Neither 95% mortgages nor Shared Ownership offer the *low monthly outgoings* of an LTO interest-free equity loan. LTO reduces the monthly burden during those critical first five years of career building.

Bridging the Deposit Gap: While LISAs help save, the 25% bonus often can’t keep pace with the massive deposit requirements in high-growth areas. The LTO equity loan bridges that gap instantly.

6. The “Laissez Faire” Argument

Objection: “If there isn’t a demand for new builds and the market is slow, the government shouldn’t step in and prop up the industry.”

Suggested Answer:

Industrial Capacity: Most individuals who argue in favour of laissez faire policy frameworks are usually advocates for more housebuilding. Since 1990, there has been a decline in SME housebuilders by 65%, leading to capacity shortages and ongoing government strategies to rectify skills shortages. If laissez faire policy advocates wish to build homes, they will require capacity to execute, which the LTO scheme provides.

In addition, while there is plenty of demand for additional housing, this can only play a role if it is ‘effective’ demand, i.e. demand with the ability to purchase a property by having access to the requisite finance. Currently, due to the relatively high prices of housing in much of the UK, a large number of prospective FTBs are unable to save a sufficient sum for a deposit and/or do not have high enough income to pass the income to value ratio that banks apply when deciding whether a prospective mortgagee should be given a mortgage. In the absence of a scheme like LTO, effective demand will remain reduced, which in turn will limit the number of transactions that take place in the market. That will limit the number of new builds that are produced by existing developers as they will only bring to market the number of units they think they can rapidly sell without substantially threatening their profit margins, and this will be driven by the total number of transactions.

An additional point of reference would be the defence industry. Given ongoing security pressure in Europe, policymakers from across the political spectrum have urged for additional investment into defence manufacturing capability. Similar arguments should be given to the housebuilding sector, given its crucial economic and social role in the British economy. This is not a bailout; there are not concerns about large housebuilders going into administration. Instead, it is a helpful buffer for maintaining, and even building, a currently suppressed capacity.

7. The “HTB didn’t increase home ownership” Argument

Objection: “Why do we need a new version of HTB when it didn’t increase home ownership last time”

Suggested Answer:

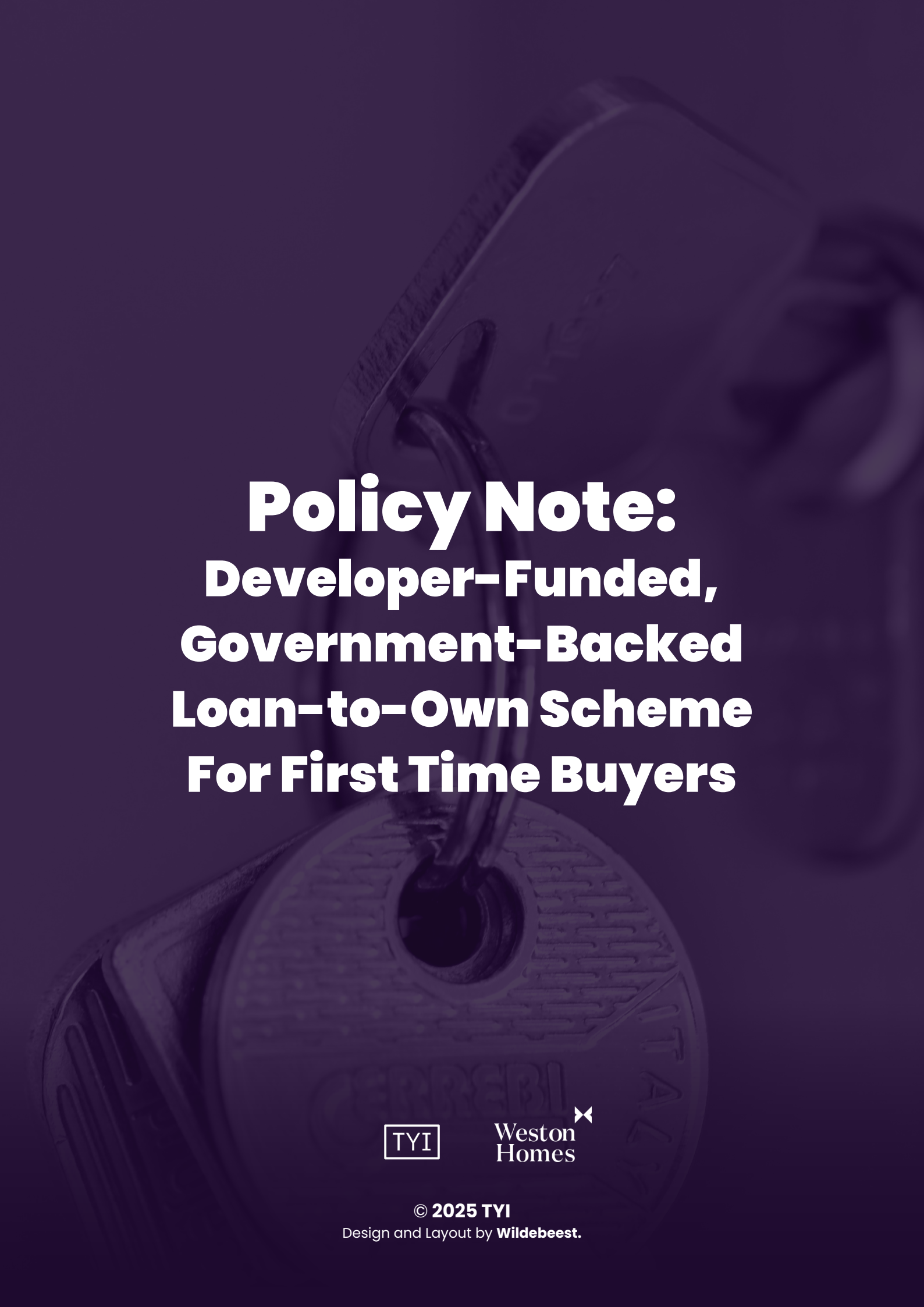
While it is true that not every one of the 328,346 FTBs that made use of HTB would have been unable to buy a home without it, the evidence is clear that HTB did enable a large proportion of them to get onto the housing ladder.

Both of the external reports MHCLG commissioned to review HTB, published in 2016 and 2018 respectively, found the scheme generated a significant number of additional FTBs who otherwise would have been unable to purchase a property. In the 2018 review, it was estimated that of the FTBs using the scheme, 37% were additional.⁴

Furthermore, if the current economic environment in the housebuilding sector continues and transaction numbers do not increase, then even with significant liberalisation of planning regulations, housebuilding numbers will remain depressed for a significant period. This will make it even harder than it already is for prospective FTBs to purchase their first home and driving up home ownership numbers will be even more challenging.

³ https://www.hbf.co.uk/documents/14991/Payback_Time_Report.pdf

⁴ <https://www.gov.uk/government/publications/evaluation-of-the-help-to-buy-equity-loan-scheme>



Policy Note: Developer-Funded, Government-Backed Loan-to-Own Scheme For First Time Buyers



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