



Ministry
of Defence

Defence Internal Brief

SERIAL: 2014 DIB/07

DATE: 11 February 2014

ISSUE: **Forces Help To Buy: Home Purchase Loan Scheme Rules**

AUDIENCE: **All Service Personnel and Service families**

TIMING: **Routine**

ACTION: **To be briefed for Information Only**

KEY POINTS:

- **The eligibility criteria and a summary of the policy rules for the new 'Forces Help To Buy' (FHTB) scheme have been published today. Details can be found at Annex A. This scheme will launch on 1 Apr 14.**
- **Last September the Defence Secretary announced the creation of FHTB, a pilot scheme with funding of more than £200M to be allocated over three years, to help Regular Service personnel with the cost of buying a home.**
- **This allows an application to be made for an interest free loan of up to 50% of salary, (capped at a maximum of £25,000), repayable over 10 years. Those leaving as a result of Tranche 4 redundancy will qualify for a separate scheme, the details of which will be communicated next week.**
- **For the duration of the FHTB pilot, the existing Long Service Advance of Pay (LSAP) scheme will be frozen. Personnel with an existing LSAP arrangement can also apply for a FHTB loan, with the outstanding LSAP amount being consolidated into one arrangement under FHTB.**
- **Joint Service Publication (JSP) 464 containing the full scheme rules will be published before 1 Apr 14. The FHTB scheme will be administered in a similar way to LSAP, with applications submitted via JPA. The application form will be available via JPA from 1 Apr. Mortgage companies are expected to be ready to offer mortgages to those with FHTB loans shortly after the scheme goes live.**
- **FHTB is part of the New Employment Model (NEM) programme. This initiative will be the first NEM component to be implemented. NEM aims to offer more stable home lives for the majority of Service Personnel and their families; a key part of this is helping personnel buy their own home. However discounted Service accommodation will continue to be available to those who are eligible. The scheme rules published today explain the circumstances when those who use the FHTB scheme will be entitled to Service accommodation.**

DETAIL:

BACKGROUND

1. The aim of the 'Forces Help to Buy' (FHTB) scheme is to support first-time buyers and those who have to move home because they are assigned elsewhere. Where personnel have a change in their family circumstances – for instance, they need another bedroom because a child is on the way – or there are medical reasons why their current home is unsuitable, the scheme can also help them move or extend their existing properties. A loan cannot be used for the purchase of a second property.
2. FHTB will run as a three year pilot scheme, during which the MOD has more than £200M of funding to allocate. During the FHTB pilot, the current LSAP scheme will be frozen so as to avoid concurrent running of two schemes. Service Personnel with an existing LSAP arrangement will continue to make their normal monthly payments and have the option to apply to extend their loan to the FHTB limit, should they be moving home and be eligible under the new rules. In these circumstances, their LSAP loan will be consolidated into one loan under the FHTB scheme.
3. It is recognised that Regular Service in particular places a long term mobility requirement on Service Personnel. This new 'Forces Help to Buy' scheme is designed to help address the impact this has on their family lives, in line with the principles of the Armed Forces Covenant, and is therefore open to Regular personnel only.
4. The NEM is the most thorough review of Service personnel terms and conditions of service in a generation. It covers four broad areas of policy: Value and Reward (pay & allowances); Accommodation; Training and Education; and Terms of Service. Further information can be found on the [NEM intranet page](#). Implementation of the first NEM component, the 'Forces Help to Buy' scheme, will take place on 1 Apr 14.

Eligibility and Scheme Rules

5. See Annex A for the 'Forces Help to Buy' eligibility criteria and a summary of the scheme policy rules. This covers the following topics: Eligibility; Loan Value and repayment; Access to Single Living Accommodation (SLA) and Service Families Accommodation (SFA); Letting the property on a posting in the UK or overseas; Tax implications; Support for movers; Death and medical discharge; and Personnel subject to Tranche 4 redundancy. A supporting Question and Answer brief is also provided below.
6. JSP 464 which will detail the full scheme rules will be published in advance of the scheme launch on 1 Apr 14.
7. The eligibility criteria and a summary of scheme policy rules for those Service Personnel leaving through Tranche 4 redundancy will also be

published shortly, and, as is the case with the general FHTB scheme, followed by publication of full scheme rules afterwards.

Home purchase advice

7. To increase understanding amongst Service personnel of the housing options available to them, MOD will be introducing a through-career housing advisory and education programme in 2015. This will help personnel with financial planning and exploring their options – such as the Government's Help to Buy schemes. In the immediate term further advice on options for home purchase can be sought from the [Joint Service Housing Advice Office](#) and from the [Homes and Communities Agency website](#) and www.helptobuy.org.uk.

How to apply

8. The mechanism to apply for a FHTB loan will be very similar to the existing LSAP application process. An application form will be available through JPA when the scheme is launched on 1 April 14. Applications to enter the FHTB scheme will be invited and considered from this date, but not before. Mortgage companies are expected to be ready to accept mortgage applications for those with a FHTB loan shortly after the scheme goes live.

SUBJECT CONTACT:

Please contact the Forces Help to Buy team at perstrg-NEM-Mailbox@mod.uk or on (9)621 80384 / 80971 or contact the SPVA on: (9)4560 3600 or JPACEnquiryCentre@mod.uk

FURTHER INFORMATION:

Further advice on options for home purchase can be sought from:

Joint Service Housing Advice:

<http://defenceintranet.diif.r.mil.uk/ORGANISATIONS/ORGS/TRI SERVICES/JSHAO/Pages/JSHAO.aspx>

Homes and Communities Agency website:

www.homesandcommunities.co.uk (www)

www.Helptobuy.org.uk (www)

New Employment Model:

[http://defenceintranet.diif.r.mil.uk/Organisations/Orgs/HOCS/Organisations/Orgs/CDP/DSPPol/Pages/NewEmploymentModel\(NE M\).aspx](http://defenceintranet.diif.r.mil.uk/Organisations/Orgs/HOCS/Organisations/Orgs/CDP/DSPPol/Pages/NewEmploymentModel(NE M).aspx)

MoneyForce: MoneyForce.org.uk (www)

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**ANNEX A
to DIB2014/07
Dated 11 Feb 14**

**FORCES HELP TO BUY – ELIGIBILITY AND SUMMARY OF SCHEME
RULES**

1. From 1 April 2014, Regular Service personnel will be able to borrow up to 50% of their salary (to a maximum of £25,000). The 'Forces Help To Buy' (FHTB) loan is interest free and will be repaid over a period of 10 years. The loan will be available to married, civil partnered and single Regular personnel.

Eligibility

2. To be eligible for the scheme personnel must fulfill the following criteria:

- Be in Regular service
- Have served for two years and be on the trained strength, whichever is the later. (Army & RAF personnel only. Naval Service personnel become eligible once taken onto trained strength)¹
- Have at least six months left to serve at the time of application
- In the last twelve months, not have owned a property within 50 miles of the proposed house purchase²

Loan Value and repayment

3. Eligible personnel may borrow up to 50% of their annual salary (including specialist pay), capped at £25,000 for higher earners. The loan will normally be repaid over a period of up to 10 years, and the monthly repayment amount will be calculated on this basis. The loan limit has been set to ensure personnel do not borrow beyond their ability to repay. Approval for a FHTB loan is no guarantee that a mortgage lender will advance a mortgage. Depending on each applicant's individual circumstances, mortgage lenders may further limit the level of loan that an individual could receive

¹ This is because RN personnel require a shore base earlier in service.

² There can be exceptions made to this rule, for instance where extenuating family or medical circumstances (for example home adjustments to meet disability needs) may lead an individual back into SFA if a loan was not available.

through the FHTB scheme. Personnel should speak in detail to their mortgage lender at the earliest opportunity. A small insurance premium will also be payable by all borrowers to cover the cost of recovering loans when personnel die in service or are medically discharged.

4. Should an individual in receipt of a FHTB loan leave service within the 10 year repayment period then the balance of the loan will have to be settled on leaving service. Terminal benefits can be used where applicable. Personnel in receipt of a FHTB loan will not normally be granted early termination unless they have made acceptable arrangements to repay the loan in full.

5. Those with less than 10 years to serve will not automatically have their monthly repayments adjusted to take account of a shortened repayment period and will need to ensure that they can settle the balance of the loan on leaving service. Personnel may opt to make a higher monthly repayment to reduce the repayment period or pay off a portion of the loan early should they wish. Acknowledging the costs of buying a home, those who have more than 10 years left to serve can opt to defer initial payment for up to six months.

6. The property to be purchased must be in the UK (or Republic of Ireland for those recruited there or that are of Irish parentage). The FHTB loan can be used in conjunction with the other Government wide schemes such as the Department for Communities and Local Government's (DCLG) Help to Buy Equity Loan, but not the Mortgage Guarantee scheme. Mortgage companies are expected to be ready to offer mortgages to personnel with a FHTB loan shortly after the scheme goes live on 1 Apr.

Access to Single Living Accommodation (SLA) and Service Families Accommodation (SFA)

7. If an individual chooses to purchase a property using a FHTB loan and the property is within 50 miles of the current assignment location (or next assignment, if already confirmed) then they will not be entitled to either SFA or SLA at that location.

8. If the purchased property is located more than 50 miles from their current or next assignment location (for instance in order to base their family in a particular location) then they will be entitled to use SLA but not SFA.

9. If, after purchasing a property, subsequent assignments are more than 50 miles from the purchased home, personnel will again be entitled to SLA and SFA (and their substitute equivalents). However, if any subsequent assignment is within 50 miles of the purchased property, entitlement to SLA and SFA will again be relinquished and the individual will be expected to live in their own property.

Letting the property on a posting in the UK or overseas

10. FHTB loans may not be used to buy a second property in any circumstances, including 'buy-to-lets'. The home purchased must be occupied, in the first instance, by personnel and/or their immediate family. However, in subsequent postings where personnel have their entitlement to SFA reinstated (see above), personnel can apply to their Commanding Officer and mortgage lender to let out the property. In this case, as with LSAP, interest rates will be applied to the loan (the rate is set annually, but is currently 4%). However, if a subsequent assignment is within 50 miles of the property, the individual will be expected to live in it and entitlement to SFA and SLA will be relinquished.

Tax Implications

11. Forces Help to Buy is considered to be a beneficial loan under HMRC regulations and will attract taxation on the 'benefit' of not paying interest on loans over £10,000. An individual who borrows under £10,000 will not be liable for tax and so the FHTB loan is interest free. However, if they borrow more than £10,000, they will be liable for tax on the full FHTB loan amount. In addition, if the Service Person incurred letting charges during the Financial Year, the loan does not remain interest free and HMRC will calculate the tax liability based on all income and issue a tax demand to the Service Person.

The HMRC website gives more information. A link to the loan calculator is provided below:

<http://www.hmrc.gov.uk/manuals/eimanual/eim26221.htm> (www)

Support for movers

12. Existing arrangements for supporting those who are assigned will remain in place. The Refund of Legal Expenses contributes to the cost of buying and selling a home when moving to a property at a new work place. JSP752 sets out the circumstances in which this can be claimed. FHTB loans can be moved to a new home, so long as the rules of the scheme continue to be met.

Death or medical discharge

13. Those who take out a 'Forces Help to Buy' loan will be required to make a modest annual insurance payment, which will be taken directly from salary. This will enable the balance of the loan to be repaid in full should an applicant die or be medically discharged from service. For the LSAP scheme this currently costs 30p for every £100 loaned, but is reassessed annually based on the level of claim in the previous year. As a guide, based on current charges, a loan of £25,000 would incur an insurance premium of around £75 per year (significantly less than equivalent insurance on the commercial market). Payment of this Insurance Premium is mandatory.

Personnel with a Long Service Advance of Pay (LSAP) arrangement

14. Personnel who have an existing LSAP loan are eligible to apply for a new FHTB loan when moving home. Part of the FHTB loan will be used to 'buy out' the remaining LSAP balance, so that you are a member of just one scheme (the total loan cap of £25,000 will still apply). However, those with an LSAP loan cannot apply for a FHTB loan to fund a house purchase which has already been completed, only for a new move of home.

Personnel subject to Tranche 4 redundancy

15. In order to provide those leaving the Armed Forces greater flexibility, the FHTB scheme will also enable personnel leaving as part of the Tranche 4 redundancies to apply for a loan in advance of their redundancy package. As with the main scheme, this can be used by first-time buyers and to assist those who wish to move home. This assistance is intended to allow personnel to buy a home between their date of notification of redundancy and the date on which they leave the Armed Forces. The loan will then be recovered from their lump sum redundancy payment. Personnel will have to highlight the fact that they are being made redundant to their mortgage lender and provide strong evidence to prove their ongoing ability to make mortgage repayments following their redundancy.

16. Personnel leaving service in Tranche 4 either as applicants or non-applicants will not be able to apply until written notification of redundancy is received. They may be eligible for a loan equivalent to as much as 90% of their terminal benefits due to them at the expected date of discharge. However, this is capped at £68,000 and the precise amounts will depend on personal circumstances. More detail of the Tranche 4 FHTB scheme will be available next week.

QUESTIONS & ANSWERS

1. GENERAL

a. (*Ahead of launch in April and freeze of LSAP*). I am considering buying a home. Should I wait for the launch of Forces Help to Buy or take LSAP now?

This is a personal choice that must be taken based on what suits your circumstances best. Whilst Forces Help to Buy will offer a larger sum of money the resulting repayments may be higher and this may not suit your individual circumstances. You should also discuss with your mortgage company whether higher repayments would affect their mortgage offer.

b. When the full scheme rules are published in JSP 464 what else will this cover that has not been highlighted in the information published today?

JSP 464 will explain the rules in more detail, particularly for those in certain situations, for example, how a loan is handled when an individual gets divorced, a property is sold or repossessed or an individual leaves Service.

2. ELIGIBILITY

a. Who can apply for 'Forces Help to Buy'?

'Forces Help to Buy' is available to all Regular Service personnel who wish to buy their first home or to move to a new location (more than 50 miles from their current property), regardless of marital status. Those serving in the Naval Service are eligible to apply for the scheme once taken onto trained strength, and Army and RAF personnel after two years service, or on reaching the trained strength, whichever is later. If you are unsure if you have sufficient service to qualify your local Admin office will be able to advise.

b. How do I apply?

The application form will be available on JPA from 1 April 14. The detailed rules will be published in JSP464 before the scheme launches.

c. Why can Naval Service personnel apply for funds earlier than those in the Army and RAF?

Scheme rules have been harmonised across the three Services as much as possible, however we recognise that the three Services operate very differently. In this instance, Naval Service personnel require a shore base earlier in service due to the sea going nature of duties and therefore Naval Service personnel will be eligible for a loan earlier.

d. I am due to leave my Service in the near future, how late in my career can I apply for funds?

You can generally apply for a Forces Help to Buy loan up to 6 months prior to leaving service, as long as you are able to settle the balance when you leave using your terminal benefits. However, specific rules will apply for those leaving as part of the Tranche 4 redundancies to enable them to apply after they are notified that they will be leaving.

e. Can I apply for the scheme if I already own a home or have owned a home?

If you have owned a home in the last 12 months that is within 50 miles of the property you wish to buy, you will not normally be eligible to apply for funds through this scheme. There are some exceptions if you have extenuating family or medical circumstances (for example you need to make home adjustments to meet disability needs or your current home is no longer big enough for your family). The scheme does not let you buy a second home. If you currently own a property, you will have to sell it before you complete the purchase of the new property.

f. Are Reservists able to apply for a 'Forces Help to Buy' loan?

No. Regular service places a long term mobility requirement on Service personnel. This scheme is designed to address this issue, in line with the principles of the Armed Forces Covenant and is therefore only open to Regular personnel.

g. Can I use this scheme to pay off my existing mortgage?

No. 'Forces Help to Buy' is intended to help Service Personnel buy a home and therefore it cannot be used to pay off an existing mortgage.

h. Can I buy with someone else (outside of the Service) using this scheme?

Yes. The scheme will be open to those entering into joint home ownership.

i. My partner owns their own home (in their name only) – does this affect my application for a FHTB loan?

No. If you are not legally considered the home owner (i.e. your name is not on the deeds of a property) then it will not be considered in your application for a FHTB loan.

j. I already own a house that I don't live in. Can I use FHTB to purchase a house to occupy?

No. 'Forces Help to Buy' cannot be used to fund the purchase of a second home even if you do not live in the first. However, if your current home is unsuitable for family or medical reasons, you may be able to use the FHTB loan to make adjustments to it.

k. If I buy and sell a new home can I transfer the loan to my new property?

Yes, as long as you are selling your current property.

l. Can I have a FHTB loan toward a house extension?

If you need to make adjustments to your property for extenuating family or medical reasons you can. If the extension is for home improvement purposes only then a FHTB loan will not be available to you.

m. I am currently on the LSAP scheme and have started to repay it. Am I able to borrow anything more up to amount I could have received if I had waited for FHTB?

Yes, if you meet all the conditions of the new FHTB scheme you can apply for a loan up to the 50% salary / £25,000 cap. However, this must be used for a

new move of home and cannot be used retrospectively. Any outstanding balance on the LSAP loan will be taken into account (eg if you have a £6000 LSAP loan, you will only be able to borrow a maximum of a further £19,000)

n. My spouse/partner is also serving, can we pool our individual allowances to buy something more suitable for us to live in?

No. Only one FHTB loan can be taken per property

o. Can I take this loan and still use the Government Help to Buy schemes?

The FHTB scheme will be compatible with the DCLG's Help to Buy Equity Loan, where the taxpayer takes a share in the ownership of the property purchased. However, FHTB is not compatible with the Mortgage Guarantee scheme. Further advice on options for home purchase can be sought from the [Joint Service Housing Advice Office](#) and from the [Homes and Communities Agency website](#) (www) and www.helptobuy.org.uk (www).

p. If I get offered a FHTB loan, am I guaranteed a mortgage?

No. You need to speak to your lender and make sure they know you intend to use a FHTB loan. They will then decide whether they will offer you a mortgage and of what value.

q. Can I speak to mortgage companies now about using a FHTB loan?

Mortgage companies will need to see evidence of the FHTB loan offer before they can make any final decisions about giving you a mortgage. But if you do speak to your lender before this, you should make them aware that you are applying for a FHTB loan.

r. When will mortgage companies be ready to finalise my mortgage?

You can apply through JPA from 1 Apr 14, but it will take several weeks after your application before you will have a firm offer of a loan to take to your mortgage company. We expect mortgage companies to be ready to deal with FHTB applicants soon after the scheme launch date.

3. LOAN VALUE AND REPAYMENT FOR REGULAR APPLICANTS

a. How much can I borrow?

You can borrow up to 50% of your current annual salary (including all forms of specialist pay, but not allowances), capped at a maximum loan amount of £25k.

b. Why is the loan amount capped at 50% of my salary?

The level of loan has to be linked to your ability to repay. The 50% cap is assessed to be the appropriate level of loan that an individual could receive through the scheme without it affecting their overall borrowing capacity. The scheme must encourage sensible lending and it would be inappropriate to enable personnel to borrow beyond their capacity to repay.

c. I want to take less than 50% of my salary can I specify a particular amount I wish to borrow?

Yes. You do not have to borrow the full amount for which you are eligible if you do not need it and can specify a smaller amount of loan required on your application. Your mortgage company might also require you to take less than the maximum loan amount if they consider it would affect your ability to repay the mortgage.

d. Do I have to pay the loan back before I leave service?

The normal term of the loan will be ten years which, for some, will end before they leave service. Those who leave during the 10 year repayment period will need to make arrangements for early repayment of the balance upon leaving service.

e. Houses are expensive in my area. Will I be able to borrow more?

No. You cannot borrow more than 50% of your salary (capped at £25k). The level of loan has to be linked to your ability to repay which is why it is set according to salary rather than regional property values. This is assessed to be the appropriate level of loan that an individual could receive through the scheme without it affecting their overall borrowing capacity. A loan equating to more than 50% of salary would mean a reduction on the size of mortgage that would be available. The scheme must also encourage sensible lending and it would be inappropriate to enable personnel to borrow beyond their capacity to repay.

f. Why can I borrow less than more senior personnel? This means buying a home is harder for me.

The level of loan has to be linked to your ability to repay. This is assessed to be the appropriate level of loan that an individual could receive through the scheme without it affecting their overall borrowing capacity. A loan equating to more than 50% of salary is likely to affect how much you can borrow from mortgage lenders. Additionally, the scheme must encourage sensible lending and it would be inappropriate to enable personnel to borrow beyond their capacity to repay.

g. I am considering leaving and joining the Reserve / FTRS. If I take FHTB, will I be able to continue to repay it monthly if I am in Reserve Service, or will I have to repay it all before leaving?

You will be expected to repay the loan on leaving Regular service.

h. Are there tax implications of taking the loan that I should be aware of?

Forces Help to Buy is considered to be a beneficial loan under HMRC regulations and will attract taxation on the 'benefit' of not paying interest on loans over £10,000.

If you borrow less than £10,000, the loan will be not be taxable.

If you borrow more than £10,000, you will be liable for tax on the total loan amount

However, regardless of the amount you borrowed, if you subsequently choose to rent out your property, there will be tax implications. The FHTB will also cease to be interest free; the interest rate applied in these circumstances is currently 4% (see 3d).

The HMRC website gives more information. For ease a link to the loan calculator is provided below:

<http://www.hmrc.gov.uk/manuals/eimanual/eim26221.htm> (www)

i. I have longer than 10 years left to serve on my engagement – can I extend the length of my repayment period beyond 10 years to reflect the time I have left to serve?

No. In order to keep the scheme affordable for the MOD, we need personnel to repay the loans over a shorter period of time than a mortgage. Recovered loans enable more money to be loaned out and will keep the scheme running for the long term. However, you can delay starting repayments for up to six months after you take out the loan.

4. ACCESS TO SERVICE ACCOMMODATION

a. Can I take the loan and still live in Single Living Accommodation/Service Family Accommodation?

If you purchase a property using funds from the 'Forces Help to Buy' scheme and the property is within 50 miles of your current assignment location then you will not be eligible for either SFA or SLA during your current assignment. If you already know your next assignment (starting within 6 months) and you choose to buy a home within 50 miles of there, you will also not be eligible for either SFA or SLA there.

You may choose to purchase a property more than 50 miles from your current assignment location (or next location, if you already know what it is and it starts within 6 months). In this case your family will have to live in that property in the first instance – you will be eligible to use SLA (or SSSA) but not SFA for that assignment.

After purchasing your property if your *next* assignment is more than 50 miles from your purchased home your entitlement to SLA and SFA is reinstated.

If any subsequent assignment takes you to within 50 miles of the location of your purchased property your entitlement to SLA and SFA will be relinquished and you will be required to live in your own property.

b. Is MOD getting rid of SLA and SFA?

No. SLA and SFA will remain available to those who are eligible to occupy them.

c. I am concerned that if I commit to FHTB, I may find myself unable to use SFA / SLA when I would want to/need to if the rules change in the future. Are there any assurances that I won't be caught out in the future?

Those who use the 'Forces Help to Buy' pilot scheme will have access to SLA and SFA as set out in question 3a above. The rules of the scheme may be reviewed at some point in the future, however these will apply only to new applicants. Other elements of the New Employment Model programme are considering wider rules on access to SLA and SFA which could affect all personnel who own a private property. However, you will not be specifically disadvantaged because you have a FHTB loan.

d. Can I let the home I buy with 'Forces Help to Buy'?

If, after purchasing your home, you are reassigned more than 50 miles from where the property is located you can let your property and will be entitled to either SLA or SFA, depending on your needs (as long as this is not for a reassignment you were already aware of and that starts within 6 months of obtaining the loan). If you choose to rent out your property then, as with LSAP, interest (at standard HMRC rates, currently 4%) will be applied to the loan. However, if a subsequent assignment places you within 50 miles of the property you will be required to live in it. You will also need to speak to both your Commanding Officer and your mortgage lender to get their approval to let a property.

5. SUPPORT FOR MOVERS

a. Some external companies contribute towards the costs of buying and selling a property for their employees (i.e. to cover legal fees). Will there be provision for this through the Forces Help to Buy scheme?

This is already in place. The Refund of Legal Expenses contributes to the cost of buying and selling a home when moving to a property at a new work place. JSP752 sets out the circumstances in which this can be claimed.

b. If I use FHTB to buy a house and then get reassigned what happens?

If you are assigned more than 50 miles from your purchased home you are entitled to either SLA or SFA. It is your decision whether to let the property, sell the property and buy near your new duty unit or leave your family in the property and serve unaccompanied at your new duty unit. However, if you choose to let the property, you will need to speak to both your Commanding Officer and your mortgage lender to get their approval to let a property. Interest rates will be applied to the loan and SPVA will be able to provide more information. However if a subsequent assignment places you within 50 miles of the home bought with FHTB you will be expected to live in it.

c. If I have purchased a home in the UK, what will happen if I get sent overseas and wish to go accompanied?

You will be entitled to SFA/SLA on your assignment. If you have purchased a home through the FHTB scheme then the decision whether to rent it out or sell it if you are posted overseas remains a matter of personal choice. However, if the property is let then, as with LSAP, interest (at standard HMRC rates) will be applied to the loan.

6. DEATH OR MEDICAL DISCHARGE / RE-PAYMENT BREAKS / EDUCATION

a. What happens to the outstanding balance of the loan if I am killed or injured in service?

Those who take out a 'Forces Help to Buy' loan will be required to make a modest annual insurance payment, which will be taken directly from salary. This will enable the balance of the loan to be repaid in full should an applicant die or be medically discharged from service. For the LSAP scheme this currently costs 30p for every £100 loaned, but is reassessed annually based on the level of claim in the previous year. As a guide, based on current charges, a loan of £25,000 would incur an insurance premium of around £75 per year (significantly less than equivalent insurance on the commercial market). Payment of this Insurance Premium is mandatory.

b. Can I take a break in my repayments?

Recognising the costs of buying a home, if you have more than 10 years service left you can opt to defer initial payment for up to six months. Rules will be issued before the scheme launches in April 2014, but as a guide should you wish to take a career break you may be able to defer payment, or make a private repayment arrangements with SPVA. If you are considering taking a career break then you should discuss your options with your Administration office and SPVA before making a final decision.

c. What will be done to educate personnel about the options for house purchase?

To raise awareness of housing awareness, MOD will be introducing a through-career housing advisory and education programme. This will help personnel with financial planning and exploring their options, such as the Government's Help to Buy schemes which can considerably reduce the cost of buying a first home.

d. What is being done to help educate personnel about general financial awareness?

The MOD continues to work with the Royal British Legion to further develop the MoneyForce.org.uk (www) financial awareness and support website. This is specifically for the Service community, to help them better manage their finances and plan for their financial future to overcome specific financial challenges that arise in Service life

7. LONG SERVICE ADVANCE OF PAY

a. Will the LSAP scheme continue to be available during the 'Forces Help to Buy' pilot?

No, not for new applicants. Those already on the LSAP scheme will continue to make repayments as normal.

b. I am currently on the LSAP scheme and have started to repay it. Am I able to borrow anything more up to amount I could have received if I had waited for FHTB?

Yes, if you meet all the conditions of the new FHTB scheme you can apply for a loan up to the 50% salary / £25,000 cap. However, this must be used for a new move of home and cannot be used retrospectively. Any outstanding balance on the LSAP loan will be taken into account (e.g. if you have a £6000 LSAP loan, you will only be able to borrow a maximum of a further £19,000)

8. APPLICATIONS DURING PERIODS OF REDUNDANCY

a. If I am made redundant, how do I apply for the scheme?

Guidance on how to apply for funds and full scheme rules will be issued shortly. We will ensure that those leaving their Service through redundancy are informed of the application process.

b. How much can I borrow?

Personnel who have been selected for redundancy in Tranche 4 (either as applicants or non-applicants) may be eligible for a loan equivalent to as much as 90% of their terminal benefits due to them at the expected date of discharge. However, this is capped at £68,000 and the precise amounts will depend on personal circumstances. You should discuss potential use of

FHTB with your mortgage lender and highlight the fact that you are being made redundant. You will have to provide strong evidence to your mortgage lender to prove your ongoing ability to make mortgage repayments following your redundancy.

Further details will be issued next week.

c. When is the loan repayable?

This is a short-term loan which will be recovered from the lump sum which personnel will receive on leaving their Service to help smooth the transition to civilian life.

d. How much will this cost the MOD?

As these are short-term loans that will be recovered from money personnel would be receiving anyway when they are made redundant, the direct costs of this programme are comparatively small.

e. Is it fair that personnel who left in earlier tranches weren't given this opportunity?

Personnel who left in earlier tranches were entitled to apply for an advance under the old Long Service Advance Payment scheme. The new Forces Help to Buy scheme, announced last year, is part of our commitment to strengthen our support for the whole Service community. The creation of this new system has allowed us to offer significantly larger advances to those leaving in Tranche 4.

f. Why are personnel leaving on redundancy able to borrow more than those remaining in Service?

The level of loan has to be linked to the individual's ability to repay. It is assessed that up to 50% of salary represents the appropriate level of a longer term loan that an individual could receive through the scheme without it affecting their overall borrowing capacity. Those applying as a result of redundancy are borrowing against their terminal benefits, resulting in a much shorter term loan. This means there is no long term loan repayment liability that could impinge on their ability to meet mortgage repayments.

g. Why can I not repay it over 10 years in the same way as other personnel?

The extension of the scheme to enable those leaving is intended to support personnel who will leave their Service on redundancy to secure a home prior to their end of Service date. However as loan repayments are made directly from salary meaning there is no mechanism to continue monthly repayments on leaving service. The rules on repaying the funds have to be applied consistently. The loan will therefore need to be repaid on departure from

Service as is the case for all other personnel leaving Service under other circumstances.

h. How do I repay the loan on leaving Service?

For those applying as a result of redundancy the amount outstanding at the date of discharge will automatically be recovered from the terminal benefits due at the date of discharge.

i. Is it wise to offer large loans to personnel who may be leaving the Service without secure employment in place when their service ends?

We are keen to ensure that personnel leaving service as a result of redundancy, either as applicants or non-applicants, are supported in their transition to civilian life. For some, this will include moving from service provided accommodation into home ownership. Recognising the initial cost of purchasing a home, we are keen to offer financial support by allowing personnel to borrow against their terminal benefits to help find the deposit for a home. As with any financial commitment, personnel will need to consider whether this option is right for them and suits their personal circumstances including their ability to maintain mortgage repayments. We already offer advice on home ownership through the Joint Service Housing Advice Office but are also introducing an enhanced package of financial education.

j. Are there tax implications of taking the loan that I should be aware of?

Forces Help to Buy is a beneficial loan under HMRC regulations and will attract taxation on the 'benefit' of not paying interest on loans over £10,000.

If you borrow less than £10,000, the loan will be not be taxable.

If you borrow more than £10,000, you will be liable for tax on the total loan amount; the interest rate applied in these circumstances is currently 4%.

The HMRC website gives more information. For ease a link to the loan calculator is provided below:

<http://www.hmrc.gov.uk/manuals/eimanual/eim26221.htm> (www)

k. I have applied for redundancy. Will I need to wait for confirmation that I have been selected for redundancy to apply for a FHTB loan?

Provided you have six months service remaining you can apply for a FHTB loan of up to 50% of salary at any point. However, if you wish to apply under redundancy terms, which may be greater than 50% of your current salary, then you will not be able to apply until you have received written notification of your redundancy.

l. If I apply for a FHTB loan before receiving formal notice of redundancy, can I apply for an increased amount?

If you have applied for a loan and funds have already been processed and paid to a solicitor as part of your home purchase then you would not be able to request an increased amount. However if you have submitted an application that has not yet been processed in full then you may withdraw it and submit a new application under the redundancy rules. However, you should note that this may delay final completion of your purchase.

m. I have been given formal notice of redundancy but don't yet know if I want to purchase a home. What is the cut off point for applications?

It will not be administratively practical to offer a loan at very short notice prior to leaving the Service. However, we will ensure that those leaving as part of Tranche 4 are given a fair opportunity to apply for the scheme. Specific guidance will be issued to those made redundant to allow them to make an informed decision.