



Llywodraeth Cymru
Welsh Government

GUIDANCE, DOCUMENT

Help to Stay - Wales: guidance for applicants

Guidance on how to apply for the Help to Stay - Wales scheme.

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Overview of the scheme

With rising interest rates, energy costs and general cost of living expenses, increasing numbers of homeowners are facing the real prospect of not being able to meet their mortgage repayments.

The Help to Stay Wales Scheme (the "Scheme") offers Welsh homeowners who are in, or facing, financial difficulty in paying their mortgage commitments to their first charge lender (the "Primary Lender"), a funding support package comprising of a shared equity loan (the "Equity Loan").

The aim of the Equity Loan is to reduce existing monthly mortgage payments to an affordable level, so that homeowners can continue to live in and own their homes. This will then allow a period of time for them to resolve their underlying financial issues, thereby reducing the risk of repossession and homelessness.

Scheme process overview

Step 1: Applicant

Your household is facing financial difficulties in paying your mortgage.

Step 2: Lender

You contact your lender to see what options are available to help.

Step 3: Debt advice

You speak to a free debt advisor on ways to improve your financial situation.

Step 4: Apply to the Scheme

You apply to the Scheme and share a copy of your debt recommendation plan and income assessment.

Step 5: Valuation

If we accept your application, we will arrange a valuation of your property to ensure it meets our loan criteria.

Step 6: Mortgage advice

You choose a mortgage advisor from our panel, who will provide you with independent advice on whether the scheme is right for you.

Step 7: Legal adviser

You instruct a conveyancer to complete the legal work to secure the loan. They will need to seek consent from your lender for our loan, so that it can be secured on your property.

Step 8: Completion

Your conveyancer will complete all legal requirements need to pay the loan to

your first charge mortgage.

Step 9: Equity loan

Our loan is secured against your property as a second charge. No payments are due for the first 5 years.

Step 10: Year 5

In year 5 we will contact you to arrange your direct debit for your interest payments.

Step 11: Year 15

The loan term comes to an end and you will be required to repay the loan in full.

How the scheme works

The equity in your home is the difference between the value of your home and the total of the mortgage and any loans you have secured on it.

We will provide you with an Equity Loan of up to 49% of the value of your property (the "Market Value"). This Equity Loan will be paid directly to your Primary Lender so that your mortgage and ultimately your monthly mortgage payments are reduced to an affordable level.

The Equity Loan will be registered as a second charge against your property, and will remain there, until you sell the property or repay the loan, whichever is the earliest.

We will need permission from your Primary Lender before we can provide you with an Equity Loan. This is because we need their permission to register our Equity Loan against your property as security for the Equity Loan.

If your property is in joint names, both owners will need to give consent and sign the application form. You will not be able to proceed unless all registered owners consent and apply.

What are the terms of the Equity Loan?

The Equity Loan will be provided on the following terms:

- 5 years interest free period after which interest will be charged on the loan at a rate of 2% per annum above the Bank of England Base Rate for a further 10 years, meaning the loan term is 15 years in total (the “Loan Term”).
- An Equity Loan of up to 49% of the Market Value in your property.
- The smallest Equity Loan the scheme will lend is £10,000.

The first charge mortgage on the property must be capital and interest repayments (it may be the case that the mortgage moves from interest only to capital and interest to enable you to be eligible for the Scheme).

You may pay back more than you borrow.

The amount you borrow is based on the market value of our home when

the initial valuation took place. When you repay some or all of your Equity Loan, the amount you pay is worked out using the same Equity Value percentage that was calculated when you took out the Equity Loan.

If the market value of your home increases, so does the amount you have to re-pay. And if the value of your home falls, the amount you must re-pay also falls.

You will need to ensure you have a strategy for repaying the equity loan at the end of the term (such as through investments, savings or refinancing). As part of the application process, you will be able to discuss this with an independent mortgage advisor.

Eligibility for the Scheme

The Scheme intends to work alongside support offered by your Primary Lender for customers who are struggling to afford their mortgage payments. The Scheme may be able to help you if you meet the following eligibility criteria.

Household eligibility

i. Your household is either in or facing mortgage difficulty

This means households who are struggling to afford their mortgage payments, including situations where they have:

- Already missed payments and started to accumulate arrears; or
- Are facing the prospect of missing payments due to a change of

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circumstances (for example, imminent increase in interest rate or a relationship breakup).

ii. Your household income does not exceed £67,000

The total household income of the property must not exceed £67,000.

Property eligibility

i. The property is in Wales and is the applicant's primary/sole home

Eligible households must be based in Wales and must not own/part own any other properties.

ii. The property value does not exceed £300,000

Eligible properties must not be valued at more than £300,000.

iii. The property is clear of any legal actions

Properties must not be subject to any existing legal action that would undermine the suitability of the property as security for the shared Equity Loan.

iv. The property is subject to only one existing legal charge.

This means you cannot have any other existing secured debts on the property (excluding your first charge mortgage).

Financial advice requirements

i. Engagement with your Primary Lender

If you are in or facing mortgage difficulty, you should speak to your Primary Lender immediately. They will work with you to understand your circumstances and look for ways in which they can support you.

All applications will be required to have exhausted these conversations with their Primary Lender. Once an application has passed initial eligibility checks, the Scheme will advise the Primary Lender that an application has been received seeking support from the Scheme.

ii. Engagement with debt advice services

Applicants will be required to engage with a debt advice service and act upon recommendations as to how household expenditure can be reduced (for example, debt consolidation and prioritised debt repayments). This will help to ultimately determine your household's ongoing affordability levels in relation to any potential Equity Loan.

Further guidance about how to deal with debt and where to find free, confidential debt advice can be found on moneyhelper.org.uk.

Examples of the information required to support your discussions with a debt adviser will likely include:

- understanding the amount of money you have coming in and going out;
- who you owe money to;
- details of anything else that is affecting your finances.

As part of your application, you will need to confirm that you have, or are currently acting, on the recommendations provided by the debt adviser. Each individual named on the mortgage will be required to undertake independent debt advice.

Submitting your application

Before completing the **application**, you must ensure that you meet the eligibility criteria as outlined above. In completing the application, you must make sure all the information you provide is as accurate as possible.

You will also be asked to supply the following documents in support of your application:

1. Bank statements from the previous 6 months for all homeowners and for anyone over the age of 18 who resides in the property. Statements must show all income and outgoings.
2. Evidence of income, for example payslips or self-assessment tax returns, for all applicants over the age of 18 that own or reside in the property.
3. Letter confirming debt advice recommendation for all homeowners.
4. Copy of income and expenditure form completed with the debt advice service.

The completion of any part of this application process will not affect your credit score in any way.

Your application can be submitted to the Scheme either via email or by post (contact details are provided in the application form). When your application is received, you will be assigned a case handler who will be your personal point of contact. They will get in touch, advise you of the outcome of your application, and guide you through the next steps.

If you do not qualify for the scheme, you can re-apply if your circumstances change.

Valuation process

If following the review of your application you are deemed eligible for support from the Scheme, we will instruct a qualified RICS Surveyor to undertake an onsite valuation of your home. The cost of this will be covered by the Scheme. The outcome of the valuation will be shared with you and next steps discussed.

If your valuation is not within the Scheme parameters you will be signposted to alternative support.

Referral for mortgage advice

If your valuation is acceptable, the next step in the process will be to speak with a mortgage advisor to obtain independent mortgage advice. The Scheme will cover this cost on your behalf.

We have a panel of approved independent mortgage advisors. We will provide you with their contact details so that you can contact them and instruct them directly for their services. When contacting them, inform them of your application to the Scheme. They will then contact us directly to advise of their instruction and we will confirm that we will pay them for their advice to you.

Once engaged, the advisor will discuss and consider your affordability levels and the various mortgage products that may be available to you on the open market. You will work directly with your mortgage advisor to provide the necessary information such as mortgage redemption statements, any debt payment plans

or other information they may require.

It may be the case that the mortgage advisor finds an alternative financial product on the market that is a better option for you than the Scheme. You are free to follow that advice and we will still pay for the mortgage advisor even if it means that you don't end up proceeding with your application. If this is the case, your mortgage advisor will confirm to us that proceeding with the Scheme is not the best option for you.

Your mortgage advisor will help you with a repayment plan that focuses on managing the interest costs but it's crucial to have a strategy for repaying the Equity Loan at the end of the term (such as through investments, savings or refinancing). It is essential to discuss your long-term financial plan and how you'll address the principal repayment when the Loan Term ends.

Recommendation to proceed with the Scheme

If your mortgage advisor confirms the Scheme is the best option available to you, they will directly notify your case handler at the Scheme. Your case handler will then review the recommendation provided by your mortgage advisor and ensure that it meets all Scheme requirements.

Once your application is approved, we will produce your Equity Loan Offer Letter. This document will contain details of the Equity Loan will be offering you.

Copies of this document will be issued to:

- you
- your mortgage advisor (to help you understand the offer put forward and

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- answer any questions you may have)
- your Conveyancer (to progress with legal completion)

Instructing a conveyancer

A conveyancer is a legal specialist in property transactions. You will need to instruct a conveyancer that will act on your behalf. They will complete various legal checks on your property such as land registry searches and arrange for you to sign any necessary documentation. Your conveyancer will also need to obtain the consent from your Primary Lender before you take out our Equity Loan. This is because they will need to give us permission to register our second charge against your Property. Your conveyancer will explain this in more detail to you at the relevant time. We will also ask your conveyancer to act on our behalf too. This is called a dual instruction and is very common in conveyancing where the transaction is straightforward and our interests are aligned.

Conveyancer costs will be covered by the Scheme up to the value of £1000 + VAT. If the legal fees cost more than this, you will be expected to cover any shortfall.

It is recommended that you get quotes from three different firms for comparison before deciding who to choose. More information and how to source a Conveyancer can be found on [moneyhelper.org.uk](https://www.moneyhelper.org.uk).

Once you have informed us of who your conveyancers are, your case handler will send them a copy of the loan documentation and instructions of what work needs to be done to secure the equity loan.

Completion

If there are no concerns, the conveyancer will contact your case handler to confirm when you would like the loan to start, and the date funds will need to be released to your Primary Lender.

On the requested date, we will send the funds to your conveyancer who will complete the transaction, register the Scheme's Second Charge on the property and make the payment to your Primary Lender.

If you are re-mortgaging your first charge to another Lender, then a Deed of Postponement will be required to allow our charge to be ranked behind your new lender. Your conveyancer will explain this to you in more detail should the need arise.

Repayments

Your loan is interest free for the first 5 years. Following the fifth anniversary of the loan drawdown date interest payments will become due. We will write to you nearer the time of the first payment requesting a direct debit mandate so that payments can be collected from that point.

Your payments will be due monthly and will track the Bank of England Base rate plus 2%.

Your payments may increase and decrease in line with any changes that are made by the Bank of England.

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If this happens, we will notify you and give you at least 14 days' notice before any increase or decrease in payments will take effect and you need to change your direct debit.

We will write to you to confirm any changes to your direct debit.

Example payment schedule

Year	Interest Rate
------	---------------

1	No interest payments - no payment due
---	---------------------------------------

2	No interest payments - no payment due
---	---------------------------------------

3	No interest payments - no payment due
---	---------------------------------------

4	No interest payments - no payment due
---	---------------------------------------

5	No interest payments - no payment due
---	---------------------------------------

6	Bank of England base rate + 2% - collected monthly
---	--

7	Bank of England base rate + 2% - collected monthly
---	--

8	Bank of England base rate + 2% - collected monthly
---	--

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Year	Interest Rate
------	---------------

9	Bank of England base rate + 2% - collected monthly
---	--

10	Bank of England base rate + 2% - collected monthly
----	--

11	Bank of England base rate + 2% - collected monthly
----	--

12	Bank of England base rate + 2% - collected monthly
----	--

13	Bank of England base rate + 2% - collected monthly
----	--

14	Bank of England base rate + 2% - collected monthly
----	--

15	Bank of England base rate + 2% - collected monthly
----	--

16	Loan to be repaid
----	-------------------

Interest is what we charge for lending you the funds. Interest payments do not go towards paying off your Equity Loan itself. You will need to make sure you have sufficient funds to pay off the Equity Loan at the end of the term.

The amount of interest you pay is worked out using the following formula:

Equity loan amount multiplied by the interest rate, divided by 12.

Example of a £50k equity loan

Base rate (5.25% as at 3rd August 2023) + 2% = 7.25%

(This rate will change in line with Bank of England base rate changes).

$£50,000 \times 7.25\% / 12 \text{ months} = £302.08$

Your mortgage advisor will help you with a repayment plan that focuses on managing the interest costs but it's crucial to have a strategy for repaying the equity loan at the end of the term, such as through investments, savings or refinancing. It is essential to discuss your long-term financial plan and how you'll address the principal repayment when the equity term ends.

You home may be repossessed if you do not keep up payments on a mortgage or other debt secured on it.

Repaying your equity loan

When you take out your Equity Loan, you are agreeing to repay it in full by the end of the Loan Term along with any interest charges payable over that Loan Term. You must repay your Equity Loan in full when any one of the following happens:

- the Loan Term ends
- you sell your home (if you plan on selling your home you will need to contact us to seek our agreement and for us to confirm details of the sale process)
- we ask you to repay the loan in full (if you have not kept to the terms and conditions of the Equity Loan).

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Early repayment option

You can pay off the full Equity Loan at any point during the Loan Term. To do this you will need to instruct your own Royal Institution of Chartered Surveyors (RICS) valuer to carry out a valuation to confirm the current Market Value.

Part payment option

You cannot make regular monthly payments to pay off the Equity Loan itself, only the interest payments. However, you may at any time pay off part of the Equity Loan to reduce the outstanding balance.

To make a part payment you will need to give the Scheme a minimum of 4 weeks' notice and self-instruct a valuation to give a current market value. Following receipt of a part payment we will deduct the amount from the current equity loan value and then readjust the remaining equity loan percentage accordingly.

Example:

Original property value: £200,000

Equity Loan: £60,000

% share of equity loan: 30%

New Market Value: £250,000

Increase in equity loan value in line with new market value: £75,000

Borrower repays: £25,000

Remaining equity loan: £50,000

New % share of equity loan: 20%

You may pay back more than you borrow. As demonstrated in the above example, the amount you borrow is based on the market value of your home when the initial valuation took place. When you repay some or all of your Equity Loan, the amount you pay is worked out using the same Market Value percentage that was calculated when you took out the Equity Loan. If the market value of your home increases, so does the amount you have to re-pay. And if the value of your home falls, the amount you must re-pay also falls.

Other information

How long each application process takes

Your application will be processed as quickly as possible. Please note however, each application will vary depending on how complex the circumstances are, and the legal work involved to secure our second charge. Providing all required information upfront to the Scheme, the mortgage advice and conveyancer, will help ensure a faster application turnaround.

If you have already received notice of intended repossession please make this clear to your debt adviser and as part of your application. Your debt adviser will be able to provide interim guidance while the application proceeds.

Making changes to the property

If you are planning to transfer ownership of your home, you will need to contact us first to get our permission and complete any necessary forms

We will only give permission for structural alterations that are needed for medical reasons. If we do give you permission to make any alterations on medical grounds and it increases the value of your home, we will take into account the proportion of increase that is attributed to those alterations and disregard them for valuation and subsequent redemption purposes.

Redecorating or fitting a new kitchen or bathroom is not a structural alteration, and you do not need our permission for this.

Who do I contact for further information?

For information about eligibility, application or the Help to Stay process then you can contact a member of the team at applications@helptostay.wales.

If you would like to discuss your circumstances with a debt adviser further information is available on moneyhelper.org.uk, or alternatively you may wish to contact your current mortgage provider to discuss next steps.

What if I have a complaint?

We always try to give you the best service, but sometimes we can get it wrong. If we've got it wrong enough that you want to make a formal complaint, let us know by contacting us.

Help to Stay scheme

Development Bank of Wales,
1 Capital Quarter,

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Tyndall Street,
Cardiff,
CF10 4BZ

Email: applications@helptostay.wales

Rydym yn croesawu gohebiaeth yn Gymraeg / We welcome correspondence in Welsh.

We try to resolve complaints quickly and to your satisfaction. To help us do this, please give as much information as possible about your concern, along with a contact name, and a phone number or email.

If you don't want to make a formal complaint but would like to give us some feedback, you can tell us about your experience using the [Development Bank for Wales' feedback form](#).

How we deal with your complaint

We always aim to resolve any issues as soon as possible and try to give an answer within five working days of receiving your complaint. However, if further investigation is needed, we'll keep you updated on our progress, next steps and the name of the person handling your complaint. Where further investigation is needed, we may need longer to consider our decision. You'll get written confirmation of our decision within eight weeks.

If after eight weeks you've not received a final response to your complaint, we'll write to you explaining the delay and, where appropriate, details of the process for referral to the Financial Ombudsman Service.

We work with third parties throughout the application process. If your complaint relates to one of these parties, we'll forward your complaint to them. We'll always let you know if your complaint has been forwarded and explain why.

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What can I do if I'm still unhappy?

We're sorry if you're not happy with the decision we've taken, please let us know as soon as possible if the complaint has not been resolved to your satisfaction. Our final response will offer details of whether you may take your complaint to the Financial Ombudsman Service.

The Financial Ombudsman Service can be contacted by:

Website: <https://www.financial-ombudsman.org.uk/>

Email: complaint.info@financial-ombudsman.org.uk

Telephone: **0800 023 4567**

Address: Financial Ombudsman Service, Exchange Tower, London, E14 9SR

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