

First Homes scheme: first-time buyer's guide

1. Overview

If you're a first-time buyer, you may be able to buy a home for 30% to 50% less than its market value. The home must be your only or main residence.

This offer is called the First Homes scheme.

The home can be:

- a new home built by a developer
- a home you buy through an estate agent, which someone else bought before through the scheme

The First Homes scheme is only available in England.

Find out if you're eligible

You must:

- be 18 or older
- be a first-time buyer
- be able to get a mortgage for at least half the price of the home
- not earn more than £80,000 a year before tax (£90,000 if the property is in London). In Herefordshire you must not earn more than £40,000 sole and £80,000 joint income - this is your income from the previous tax year.

If you're buying with others:

- you must all be first-time buyers
- you must apply together, even if you're not all getting a mortgage
- your joint income cannot be more than £80,000 a year before tax (£90,000 if the property is in London)

Your joint income is the total of what you all earned in the previous tax year.

Local eligibility criteria

Councils may set local eligibility criteria. For example, some councils may prioritise giving First Homes discounts to:

- people who already live in the area
- people who already work in the area
- people who have family in the area
- those on lower incomes

If you're buying with others:

- you must all meet any local income criteria
- only one of you needs to meet any other local criteria

These local criteria only apply for the first 3 months that a property is on sale.

Local exemptions for armed forces and their families

You do not have to live in the area if you're:

- a member of the armed forces
- a former spouse or civil partner who's divorced or separated from a member of the armed forces
- a widow or widower of a deceased member of the armed forces (if their death was caused wholly or partly by their service)
- a veteran who left the armed forces in the last 5 years

You still need to meet all other First Homes eligibility criteria.

2. How the scheme works

You can look for new homes in your area that are advertised by developers or estate agents through the First Homes scheme.

Developers offer these homes to first-time buyers with at least 30% of the market value taken off the price.

Unlike [shared ownership](#), there's no rent to pay.

Every home that's sold is valued by an independent surveyor to make sure the discount is based on actual market value.

New build First Homes cannot cost more than £250,000 (or more than £420,000 if the property is in London) after the discount has been applied. The local council can lower this maximum price.

You can decorate or improve your property but if you let or sell your property, you'll need to follow First Home scheme rules.

3. How to apply

Contact the developer or estate agent (if you're buying from a previous First Homes buyer) and tell them you want to buy a property through the First Homes scheme.

They'll check you meet the eligibility criteria and help you to complete the application. They'll submit your application to the local council.

You may have to pay a reservation fee if the property you want to buy is a new build. You'll get the fee back if your application is unsuccessful.

The developer can offer you incentives such as free goods or cash back. These should not be worth more than 5% of the discounted purchase price.

Find a conveyancer

Your application will need to include the name and contact details of your conveyancer. A conveyancer is either a conveyancing solicitor or a licensed conveyancer.

You can:

- find a conveyancing solicitor on the [Law Society website](#)
- find a licensed conveyancer on the [Council for Licensed Conveyancers website](#)

Contact the conveyancer to check they'll be able to work for you and to find out what they'll charge you.

Getting a mortgage

If your application is successful, you'll need to arrange a mortgage. The mortgage must cover at least half of the purchase price.

You can find out about getting a mortgage on the [Money Advice Service's Money Helper website](#).

What happens next

The local council will check your application. They'll tell you whether you're eligible for the scheme. They'll also contact:

- the developer or estate agent
- your mortgage adviser, if you have one
- your conveyancer

If the council agrees you're eligible

Follow these steps:

1. Hire your conveyancer
2. Apply for your mortgage. If you have [a Lifetime ISA](#) or [a Help to Buy ISA](#), you might be able to use it to buy your First Home.
3. Complete any legal documents that your conveyancer sends you.

After you've got a mortgage offer and completed the legal documents, your conveyancer will ask the local council if you can exchange contracts.

The council will tell you when they've decided on your application.

4. If your application is approved

The council will issue a certificate that shows you can be a First Homes owner.

Exchanging contracts

You need to pay your deposit at the same time as you exchange contracts with the developer or seller. After you do this, you are legally committed to buying the home.

Fraudsters sometimes pretend to be conveyancers when deposits are due. You can find advice on how to avoid scams on the [Take Five website](#).

Check with your conveyancer before you agree to exchange contracts. You should tell them if your circumstances have changed and you no longer meet the First Homes eligibility criteria.

When you've exchanged contracts, the developer will set a completion date or your conveyancer will agree one with you and the seller. This is the date when the home will be ready for you to move in.

Completing the purchase

On the completion date, your conveyancer transfers the remaining money to buy the property to the seller's solicitor, you get the keys and can move in.

Paying stamp duty

The amount of [Stamp Duty Land Tax](#) you pay is based on how much you paid for your home after the discount was applied.

5. Owning the property

Once you have bought the home, you no longer have to meet First Homes eligibility criteria. You do not have to sell your home, for example, if your income increases.

If you fail to make mortgage payments

Your mortgage lender may take legal action to get their money. For example, they could repossess the home.

Leaving a property as inheritance

You can leave your home to someone in your will. They will need to follow [First Homes rules on lettings](#) and the home must be their only or main residence. If they cannot follow these rules, they might need to sell the property.

6. Letting the property

You can usually let your entire property for no more than 2 years in total during the time you own it.

Before letting it, you need to:

- tell the local council you want to let it
- check with your mortgage lender

The 2-year limit resets if you sell the home to someone else.

Letting for longer than 2 years

You may be able to let out your entire property for longer than 2 years in some circumstances, including if:

- the location of your job changes
- a marriage or long-term relationship ends
- you're moving to get away from a situation that involves domestic abuse

- you've been made redundant
- you're caring for a relative or friend

You must have permission from the local council. You may also need to ask your mortgage lender.

Letting a room

You can rent a room to someone for as long as you want, so long as:

- the home is still your only or main residence
- you live in the home while they're renting

7. Selling the property

You can usually only sell the property to someone who is eligible to buy a First Home.

You must give them the same percentage discount that you got, based on the home's market value at the time of sale.

How to sell

Follow these steps:

1. Tell your local council that you want to sell.
2. Find an estate agent to sell your property under the First Homes scheme.
3. Get the property valued by a surveyor who's registered with the [Royal Institution of Chartered Surveyors \(RICS\)](#).

The amount the surveyor values it for minus the percentage discount you originally got is what you can sell for. You cannot sell the property for more but you can choose to sell it for less.

Example

You originally got a 30% discount.

A RICS surveyor values your property at £200,000. You must take off a 30% discount (£60,000).

You can sell for up to £140,000.

Your buyer will need to meet First Homes eligibility criteria, including any local criteria. Once your property has been on the market for more than 3 months, your buyer will no longer have to meet local criteria.

Selling your property on the open market

You can ask your local council for permission to sell your property at the full market price to any buyer if either:

- you've tried unsuccessfully to sell your property as a First Home for 6 months or more
- selling it as a First Home will cause you severe difficulties, such as bankruptcy

The council can:

- agree to let you sell it on the open market
- offer to buy your home at the discounted price
- ask you to continue trying to sell for a further 6 months - if you still cannot sell it after this time, the council must let you sell it on the open market

If the council agrees to selling on the open market

You'll need to return the percentage discount to the local council. This means giving the council the same percentage of the sale price as the percentage taken off when you bought your home.

Example

You buy a First Homes property worth £250,000 for £175,000 after getting a 30% discount.

You later sell it on the open market for £300,000.

You must return to the council 30% of the money you sold the home for, which is £90,000.