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empowering lives

# Equity loan guide



When you purchased your home you received a loan from Abri provided by The Swaythling Housing Society Limited.

We want to ensure the products and services we provide continue to meet the needs of our customers. In order to support you to make effective, timely and properly informed decisions we have put this document together to remind you of important aspects of your equity loan.

### Types of equity loan:

- Home Buy
- Starter Home Initiative
- Keyworker
- MyChoice
- Extended Open Market HomeBuy
- Mortgage Rescue Equity Loan

### Remind me, what is an equity loan?

This is a loan that was given to you by The Swaythling Housing Society Limited when you purchased your property. This loan is secured as a Charge on the Title along with the mortgage (if applicable).

### What type of equity loan do I have on my property?

The type of loan is detailed in your Equity Loan Deed that you would have signed when you purchased the property.

### How do I know the percentage of loan or the amount I borrowed?

This is stated in your Equity Loan Deed. Some equity loans will have a fixed amount whilst others will be a percentage of the value of the property.

### For example:

The repayment sum will be 25% of the Disposal Value ("the Repayment Sum").

### How do I get a copy of the Equity Loan Deed?

You received a copy when the Equity Loan Deed was completed. Or, you can obtain a copy from the Land Registry. There is a small fee to pay to download this document. Alternatively, Abri can source a copy of the Equity Loan Deed if requested.

### When do I need to pay off my equity loan?

Each Equity Loan Deed is different and you will need to look at the document itself. The terms of the Equity Loan Deed will set out when the loan should be paid back. Most of the equity loans will need to be paid back either (1) when the property is sold, (2) when the mortgage is paid off or (3) after 25 years from the date on which the equity loan was granted, if your loan deed states this.

### Can I pay off part of my equity loan?

Only if you have a MyChoice Home Buy Loan (MCHB), you pay off part of the loan, known as step redemption. All other loans need to be paid off in full.

### I want to sell my property. Will I need to pay back this equity loan?

Yes, once you sell the property your equity loan will be paid back from the proceeds of the sale. You or your solicitor will need to confirm the sale price to Abri and a redemption statement will be prepared that confirms the amount to be paid back.



## How much will it cost me to pay back my loan?

This is dependent on the terms of the Equity Loan Deed. Some may be a fixed amount whilst others are a percentage of the current market value. The current market value is determined by either the sale price of the property if sold on the open market or by a market valuation report provided by a Royal Institute of Chartered Surveyors (RICS) surveyor.

**For example:** Property valued at £200,000

Original loan percentage 20% - as confirmed in Equity Loan Deed

Redemption amount (amount to be paid back) is  $£200,000 \times 20\% = £40,000$

## Are my monthly interest payments reducing my equity loan amount when I come to pay off my loan?

The monthly payments only pay interest on your equity loan. The amount to redeem your loan will be based on the terms of the Equity Loan Deed.

## Can I make home improvements?

Under the terms of the Equity Loan Deed you are responsible for all the repairs and maintenance for your property. You can also make minor home improvements. But significant home improvements will need Abri's prior permission, along with any other approvals such as local authority planning consents.

**For example:** Extensions and loft conversions

We recommend you keep a written record of any consents.

## Will I benefit financially from the impact of home improvements?

If consent is granted for the home improvements then any increase in property value as a result may be reflected when you come to pay back the loan.

Home improvements approved by Abri can be considered. A RICS valuation will need to be completed which shows two figures: the current value and the value if the home improvements had not taken place. The difference in value is then removed from the redemption amount.

**For example:** Property sold for or valued at £200,000

Original loan percentage 20% - as confirmed in Equity Loan Deed

RICS valuation taking out improvements (Lower figure) - £197,000

Redemption amount (amount to be paid back) is  $£197,000 \times 20\% = £39,400$

## What are the benefits of redeeming my Equity Loan?

- No monthly interest to pay (if applicable)
- loan restrictions (such as approvals for home improvements, subletting or re-mortgage) no longer apply
- no loan to clear when you sell (if redeemed before selling).



## What if I am close to the 25 year term of the loan?

Some equity loans were granted on the basis they were to be paid back within 25 years. If you are close to approaching the 25 year period we recommend you consider the implications this may have for you and you may wish to consider redeeming your loan.

## Who can I talk to about my financial situation?

We recommend you approach an independent financial adviser in the first instance. Abri has details of recommended independent mortgage advisers if needed. If you need to contact us:

**Call: 0800 145 6663**

**Email: [postsales@abri.co.uk](mailto:postsales@abri.co.uk)**

### Useful Links

Abri Equity Loan fees – [www.abrihomes.co.uk/help-advice/current-equity-loan-holders](http://www.abrihomes.co.uk/help-advice/current-equity-loan-holders)

Citizens Advice Bureau – [www.citizensadvice.org.uk/](http://www.citizensadvice.org.uk/)



## Get in touch

**0800 145 6663**

**[abrihomes.co.uk](https://abrihomes.co.uk)**

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