



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

29 September 2016

Mark Carney  
Governor  
Bank of England  
Threadneedle Street  
London  
EC2R 8AH

Dear Mark

#### HELP TO BUY: MORTGAGE GUARANTEE SCHEME

Thank you for your letter setting out the Financial Policy Committee's (FPC) annual assessment of the Help to Buy: mortgage guarantee scheme. I was pleased to note the Committee's conclusion that the scheme has not posed material risks to financial stability in the UK and has not been a material driver of house price growth.

The scheme was introduced in 2013 to increase the availability of high loan to value mortgages, following a drop off in the years after the financial crisis. It has been successful in kick-starting this market and official statistics published today show that it continues to support responsible lending. Over 86,000 households have been supported by the scheme, with an average property price of £157,000, compared to the national average of £216,000.

Moreover, the high LTV mortgage market has become less reliant on the scheme as confidence has returned. There are now over 30 lenders offering 90-95% loans outside the scheme. This reflects the fact that the scheme was introduced with a specific purpose that has now been successfully achieved and, as such, I can confirm that it will close to new loans at the end of 2016 as planned. I will inform participating lenders.

I welcome the FPC's judgement that this decision will be unlikely, in current market conditions, to affect significantly the provision of finance to prospective mortgagors, including high LTV borrowers. It is important to note that the end of this particular scheme does not diminish in any way the government's commitment to supporting those looking to get on the housing ladder, including through the Help to Buy: ISA and Help to Buy: Equity Loan schemes.

A handwritten signature in blue ink, appearing to read 'Philip Hammond'.

PHILIP HAMMOND