



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

30 September 2015

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

A handwritten signature in black ink, appearing to read 'Jen Matthews'.

HELP TO BUY: MORTGAGE GUARANTEE SCHEME

Thank you for your letter setting out the conclusions of the Financial Policy Committee's (FPC) annual assessment of the Help to Buy: mortgage guarantee scheme, I was pleased to see the Committee's conclusions that, under current market conditions, the scheme does not pose material risks to financial stability and has not been a material driver of strong house price growth in some regions.

I asked the FPC to assess on an annual basis the impacts of the scheme and whether its key parameters (the house price cap and commercial fee charged to lenders) remain appropriate. I have always been clear that this assessment is an important safeguard to ensure that the scheme does not pose a material risk to financial stability whilst delivering a necessary product for the UK housing market. As you note, this annual review does not in any way constrain the ability of the FPC to make recommendations about the Help to Buy scheme at any time, if it felt that the scheme posed a growing risk to financial stability.

I was pleased to see the Official Statistics on the use of the scheme published on 9 September confirm that the scheme continues to support responsible lending to home-buyers across all regions of the UK on properties well below the average UK house price. Against this background, I welcome the FPC's assessment of the scheme's impacts.

I can also confirm that participating lenders have today been informed that the commercial fees charged for use of the scheme in 2016 will be 30 basis points for loans in the 80-85% LTV band, 48 basis points in the 85-90% band and 92 basis points in the 90-95% band.

A handwritten signature in black ink, appearing to read 'George Osborne'.

GEORGE OSBORNE