



THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST

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Scottish Government
Riaghaltas na h-Alba
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FACT SHEET - SELF-BUILD LOAN FUND (SBLF): SCOTLAND

The purpose of this fact sheet is to outline the process involved in seeking a loan agreement with the Scottish Government via the Agent, The Highlands Small Communities Housing Trust.

Key Points

- What is the Self-Build Loan Fund?
- Who can apply?
- How do you apply?
- What are the risks?
- Further information

What is the Self-Build Loan Fund (SBLF or The Fund)?

The SBLF has been established by the Scottish Government to provide finance to Self and Custom Builders who have been unable to source a mainstream self-build mortgage to undertake their project, but who will be able to obtain a mainstream mortgage upon completion.

The Scottish Government acts as lender of last resort, where the applicant can demonstrate that they have been unable to obtain mainstream self-build mortgage finance. The Fund can loan up to £175,000 to support a project, secured via a Standard Security over the applicants house plot/future house. The purpose of the fund is to provide bridging finance covering the period of the build, with a mainstream mortgage obtained upon completion of the project in order to repay the loan amount. Drawdowns are released in stages in line with the agreed build programme and accompanied by the Professional Advisors Certificate. The Fund is not available to purchase house plots, as the plot needs to be in the ownership of the applicant in order to provide security for the loan.

Who can apply?

A key purpose of the fund is to create additional, new homes for permanent residency, and in this regard the fund is targeted towards a select group rather than mainstream self and custom builders. To apply you need to meet the following criteria:

- ✓ Demonstrate that you been unable to obtain mainstream self-build mortgage finance for a new home (not a conversion or extension); and
- ✓ Intend to occupy the property as your sole and only residence; and
- ✓ Own a house plot which is unburdened (i.e. no mortgage finance or ranking agreement); and
- ✓ Have Full Planning Permission in place and be ready to apply for a Building Warrant; and
- ✓ Have a defined elemental build cost and construction programme; and
- ✓ Be able to demonstrate that you will be able to obtain a mainstream mortgage upon completion of your build (please note that not all lenders will provide a mortgage on self-built properties).





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How do you apply?

A two stage application process is in place, with the Stage 1 application establishing the applicants' financial status; landownership status; planning status and post completion mortgage status.

Should the applicant meet the requirements of stage 1 they will be invited to submit a stage 2 application which will assess the applicants build programme, cash-flow, building warrant and construction approach.

Upon successful completion of both stages the applicant may be offered a loan.

The SBLF is a discretionary scheme, with no guarantee of assistance.

What are the risks?

Depending on the approach taken, the risks associated with a self and custom build project vary, however they can be managed if identified at the outset of any project.

In terms of the SBLF the key risk is exceeding your agreed programme and not being able to repay the loan at the agreed time. If you do so a default rate of interest will be applied to your loan, which stands at 9% per annum, charged daily for the period until the loan is repaid. It is critical that you speak to our staff should you feel that this is likely to occur in order to explore the options available to you.

You will also need to engage a solicitor to act on your behalf, in order to prepare the necessary legal work associated with your loan agreement. If your situation is more complicated than the norm, your legal costs will increase accordingly and you will be responsible for any increase in the Scottish Government's standard fee, you must also meet your own legal costs in taking forward a loan agreement.

In addition to the risks associated with the construction process, post completion mortgage finance can be challenging as some mortgage lenders **WILL NOT** lend on self-built properties, or will only lend six months after completion. It is essential that you confirm with your potential mortgage lender that they will finance a self or custom built property. In this regard we strongly advise that you seek independent financial advice, to ensure that your personal circumstances are accurately reflected in any mortgage application otherwise your home may be at risk.

Please note that if your property deviates from the mortgage norm in terms of construction type i.e. cavity block or timber frame/block your choice of lender/building insurer may be restricted.

Further information?

Further details can be obtained from The Highlands Small Communities Housing Trust;

- o e-mail: selfbuild@hscht.co.uk
- o tel: 01463 572 030
- o post: 7 Ardross Terrace, Inverness, IV3 5NQ

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