

## Self-Build Loan Fund: Briefing paper for MSPs

22 Feb 2021

The Self-Build Loan Fund was conceptualised by the Communities Housing Trust (CHT) in response to a Scottish Government tender in 2018. After running a 2-year pilot project in Highland from 2016, CHT now administers the fund Scotland-wide on behalf of the Scottish Government. The Fund supports people who have otherwise been unable to secure finance to build their own primary home, with loans of up to £175K in both urban and rural areas. The Fund is due to close to applications in August 2021, with loans repaid by August 2022.

The Fund totals £4 million, and is currently (Feb 2021) oversubscribed. Repaid loans are being recycled to support additional self-builds. Homes are complete or under construction in 10 Local Authority Areas: Aberdeen-shire, Argyll & Bute, Highland, Perth & Kinross, Lanarkshire, Western Isles, Orkney, Ayrshire, Falkirk, and Stirling.

### Need and demand

The Loan Fund was established to support people who were struggling to obtain mainstream mortgage finance for building their own permanent, primary residence. CHT's pilot project in Highland, 2016-2018, proved not only that the need existed, but also that demand from areas outwith Highland was great.

Since 2018, we've seen growing demand for the Self-Build Loan Fund. As the housing situation nationally has become more challenging due to Brexit and Covid, and banks are still not lending widely for self-builds, we've seen an increasing trend in interest in the Fund over 2020, rising by 153%.<sup>1</sup> The Fund is currently oversubscribed.

### Key statistics

- £4 million total Fund
- £5.1 million expected total amount to be offered in loans to applications received by August 2021 (includes 'recycled' loans for additional builds):
  - £2.8 million offered in loans since September 2018, for 19 homes constructed in 10 LEAs
  - 10 further homes expected to complete by August 2022 with a requirement of £1.4 million
  - 6 further homes in the process of applying with an anticipated requirement of £900,000.
- £7 million added to the Scottish economy through the construction of the 35 homes<sup>2</sup>
- 245 FTE jobs supported through the construction of the 35 homes<sup>3</sup>, which are primary residences
- Over 2020, interest in the Self Build Loan Fund has risen by 153% from February 2020 to January 2021<sup>1</sup>

### Key benefits of the loan fund

- Supports those who are struggling to obtain mainstream mortgage finance, without which they would have been unable to build a home.
- Supports rural communities whose only option is to self-build to retain their families, support local services (schools etc.) and encourage economic activity, without which we would see further 'community death.'
- Supports older people to downsize, which frees up family-size housing. The Fund also supports older people to stay in the current home during the build process, and avoid the upheaval of moving to temporary accommodation and storage costs. This is also true for those who require adapted or accessible homes.
- Supports crofters, who are also able to access funding from the Croft House Grant Scheme to build homes on their croft, and therefore provides vital support to these remote communities.
- Fund gives confidence to communities to include self-build plots in their development plans, knowing there is support when the mainstream lenders are unable to provide the necessary funding.
- Has added to fragile rural economies and supported jobs throughout a very challenging period.

<sup>1</sup> Based on trends in Loan brochure downloads on the CHT website since beginning of 2020.

<sup>2</sup> Based on average construction cost (Feb 2021) of £199,000 x 35 anticipated homes.

<sup>3</sup> Based on 7 FTE jobs per construction project.

### **Our recommendations**

We strongly recommend this Loan Fund is continued beyond August 2021, as the need and demand is growing. This has become even more crucial in the changed landscape since Brexit and Covid lockdowns, and subsequent impacts on housing options in communities, both urban and rural. Banks are still not lending on self-build projects as we believe they should be.

As we've seen a higher number of applicants than we can support, we would also recommend increasing the total fund amount.