

Self- Build Loan Fund

Frequently Asked Questions

Can I apply to the Self Build Loan Fund to purchase a house plot?

No, as the loan is secured against the house plot. You need to own the house plot outright (or de-crofted) prior to a loan being granted.

Is the Self Build Loan Fund a mortgage?

Not in the traditional sense; the fund acts as bridging finance for the duration of the construction period of your home only. It has similarities to a mortgage in that the loan is secured against your house plot/new home and discharged when you repay the loan.

How do I repay the loan?

You can repay the loan using mortgage finance or through the equity released from the sale of your existing home. As your solicitor will be managing the repayment of the loan on your behalf, they will guide you through the process.

Can a tenant crofter and owner-occupier crofter apply for a Self Build Loan?

Yes. However, you will need to be in the process of de-crofting your house site, as the Scottish Government will take out a standard security against the de-crofted house site as security for the loan. For further information on de-crofting please contact the Crofting Commission <http://www.crofting.scotland.gov.uk/>

Can I apply for the Self Build Loan Fund if I also apply for the Croft House Grant?

Yes. Both sources of finance can be used for the same project. For further information on the Croft House Grant please contact the Scottish Governments Rural Payments and Inspections Division: <https://www.ruralpayments.org/publicsite/futures/topics/all-schemes/croft-house-grant-/>

Is the Self Build Loan Fund a grant?

No, it is a loan that you would repay together with the accrued interest, arrangement fee, registration fees and legal fees within a fixed period, typically within 12 months. You can, however, repay the loan at any time before the end date stated within the loan agreement.

How much interest is charged?

Interest is currently charged at 5.5% per annum and calculated daily during the duration of the loan agreement. However if you default on repaying the loan, an interest rate of 9% per annum, calculated daily, is charged until such time as the loan is repaid. Please note that your house plot/new home may be at risk if your default on repaying the loan.

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I own my own home, but I want to build another, can I apply?

Yes, but your new home must be your sole and only home upon completion. We would expect that you will have sold your existing home on or around the completion date of your new home.

I live in rented accommodation, but I own a flat which I rent out, because I am unable to sell it?

Unfortunately you would be unable to apply as you already own a home. The fund cannot support what would be seen as second homes.

I have been offered a self-build mortgage, but the interest rate is more expensive than the Self-Build Loan Fund, can I apply to the Self-Build Loan Fund?

No. The fund exists for those who cannot obtain mainstream self-build mortgage finance.

I own a farm/croft and my children want to build a home on my land, can they apply for a loan?

Provided the house site has its own title, in their name, completely separate from the rest of the farm/croft then a loan could be considered, subject to meeting all of the other relevant criteria. However, risk exists in relation to house sites surrounded by land in the ownership of family members/relatives or which has been gifted. You should seek independent financial/mortgage advice as this can affect any post completion finance. You may require a title indemnity policy. Please discuss this with your solicitor.

I want to build a log cabin, straw bale, alternative construction home can I apply for a loan?

No, whilst the fund does not require the loan to be repaid solely by mortgage finance, any house built using the fund must be mortgageable. Given the specialist nature of the above types of construction, it is unlikely that they would attract mortgage finance other than through specialist lenders.

I want to build a house on the site of my camp site, caravan park, farm or business can I apply for a loan?

Yes, but only if the title to the house site has its own title separate from the main site and it is to be your sole and only home, i.e. you will sell your existing home and you meet all the remaining criteria of the Self-Build Loan Fund. If this is not the case, then you would need to seek commercial finance as opposed to a domestic mortgage.

I want to build a house on the site of my camp site, caravan park, farm or other business for a caretaker/manager, can I apply for a loan?

No. The loan fund is only available to domestic residential owners, not to support commercial purposes.

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I want to build a house in order to run bed and breakfast accommodation?

No. The loan fund is only available to domestic residential owners, not to support commercial purposes. You may find that you require a commercial mortgage to operate bed & breakfast accommodation.

I am retired, can I apply?

Yes, provided that you meet all of the other relevant criteria and can repay the loan upon completion of your new house.

Is there a maximum build cost?

At the present time there no maximum build cost, however we will require details on your construction costs in order to gauge the final equity in your property post completion. If you are undertaking some of the work, we will need to understand the value of this time as well as the duration i.e. number of hours of your time as this may have a significant bearing on the delivery of your project.

I have started building, but I have run out of money to complete my home, can I apply?

Yes. Provided you meet all of the criteria and supply satisfactory supporting information in relation to the inspection and certification of your build to date.

What is the minimum amount of money I can borrow?

There is no minimum sum, however if you are seeking mortgage finance to repay the loan then the minimum sum that a mortgage provider will consider is £30,000.

If I have a poor credit report, will I be able to obtain a loan from the Self Build Loan Fund?

The fund is structured to provide bridging finance for the construction period, and then be repaid upon completion of the new home. If you have a poor credit report it is unlikely that you will be able to obtain mainstream mortgage finance. However if you have sufficient equity in your existing home, which you intend to use to repay the loan then we may be able to consider an application. Please note that if you are in mortgage arrears we will not be able to consider an application. You can obtain a copy of your statutory credit report from:

Equifax: <https://www.equifax.co.uk/Products/credit/statutory-report.html>

Experian: <https://www.experian.co.uk/consumer/statutory-report.html>

Transunion: <https://www.transunion.co.uk/consumer/consumer-credit>