

Self-Build Loan Fund

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August 2023



What is the Self-Build Loan Fund?

The Self Build Loan Fund (SBLF) is a Scottish Government initiative, providing a time limited fund (to August 2025) to assist self-builders where they have been unable to obtain mainstream self-build mortgage finance. The fund is available Scotland wide to support additional housing provision across both rural and urban areas. The Fund cannot be used to purchase house plots, as the plot must be in the ownership of the applicant to provide the Scottish Government with security for the loan.

Eligible individuals can borrow up to £175,000, which they can draw down in staged payments similar to a traditional self build mortgage. Borrowers must provide a Professional Advisors Certificate at each stage of drawdown. The SBLF is designed to fund the construction phase of a new home, and once this is completed, the borrower will repay the loan either via a mainstream mortgage or by using the equity from the sale of their existing home.

Communities Housing Trust (CHT) have been appointed to administer the SBLF on behalf The Scottish Government.



How does the SBLF work in practice?

CHT will assess applications to the SBLF in two stages:

- 1) We consider the applicant's financial circumstances and ability to proceed.
- 2) Consideration of applicant's construction approach and the viability of the project.

CHT do expect borrowers to follow standard industry practice, with an architect, surveyor or engineer monitoring the project. We also recommend that borrowers take out a new home warranty to further increase the availability of mortgage products, should you seek mortgage finance to repay the loan.

Once the completion certificate from Building Control has been issued, the borrower begins the process of re-financing, either using the sale proceeds from their existing home or seeking mortgage finance to repay the loan to the Scottish Government.

If you choose to repay the loan with mortgage finance, your mortgage provider will then register their own Standard Security over your home.

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Who can apply?

A key purpose of the fund is to create additional, new homes for permanent residency. To apply you need to meet the following criteria:

- Demonstrate that you have 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; 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 repay the loan upon completion of your build.



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. The key risk for people with a loan from the SBLF is exceeding your agreed programme and not being able to repay the loan at the agreed time. If you do so, we will apply a default rate of interest to your loan.

You will also need to engage a solicitor 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. It is essential that you confirm with your potential mortgage lender that they will finance a self or custom built property.

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.

