



# THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST

MAKING  
AFFORDABLE  
RURAL HOMES  
A REALITY



Scottish Government  
Riaghaltas na h-Alba  
gov.scot

## FACT SHEET - SELF-BUILD LOAN FUND (SBLF): SCOTLAND

### What is the Self-Build Loan Fund?

The Self Build Loan Fund (SBLF) is a Scottish Government initiative, providing a time limited fund (September 2018 to August 2021) 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.

The Scottish Government has appointed the Highlands Small Communities Housing Trust (HSCHT) to administer the SBLF on its behalf.

### How does the SBLF work in practice?

The HSCHT will assess applications to the SBLF through a two stage process. In the first stage, we will consider the applicants financial circumstances and ability to proceed, with the second considering applicants' construction approach and the viability of the project. Only if both stages are satisfactory, will we consider offering applicants a loan. This process ensures that there is sufficient equity in the completed build and that the applicant can repay the loan. The loan from the SBLF is to make up any shortfall in the applicants contribution to the build cost of the property.

We will 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.

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Upon receiving the completion certificate from Building Control, 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. The Scottish Government then discharges its Standard Security over the site. If you choose to repay the loan with mortgage finance, your mortgage provider will then register their own Standard Security over your home.

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

## 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.

## Not ready to apply?

If you don't presently meet all of the criteria, or have any concerns please get in touch to discuss your case.



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## 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. This currently stands at 9% per annum, charged daily for the period until you repay the loan. It is critical that you speak to our staff should you feel that this is likely to happen so we can explore the options available to you.

You will also need to engage a solicitor to act on your behalf 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 Governments 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. We strongly advise that you seek independent financial advice, to ensure that your personal circumstances are accurately reflected in any mortgage application otherwise your new 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?

For further information, please contact the Highlands Small Communities Housing Trust;

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