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## A Guide to the Help to Build Equity Loan Scheme

# BUILDLOAN

**EXPERT ADVICE AND EXCLUSIVE SOLUTIONS**  
FOR MORTGAGE INTERMEDIARIES

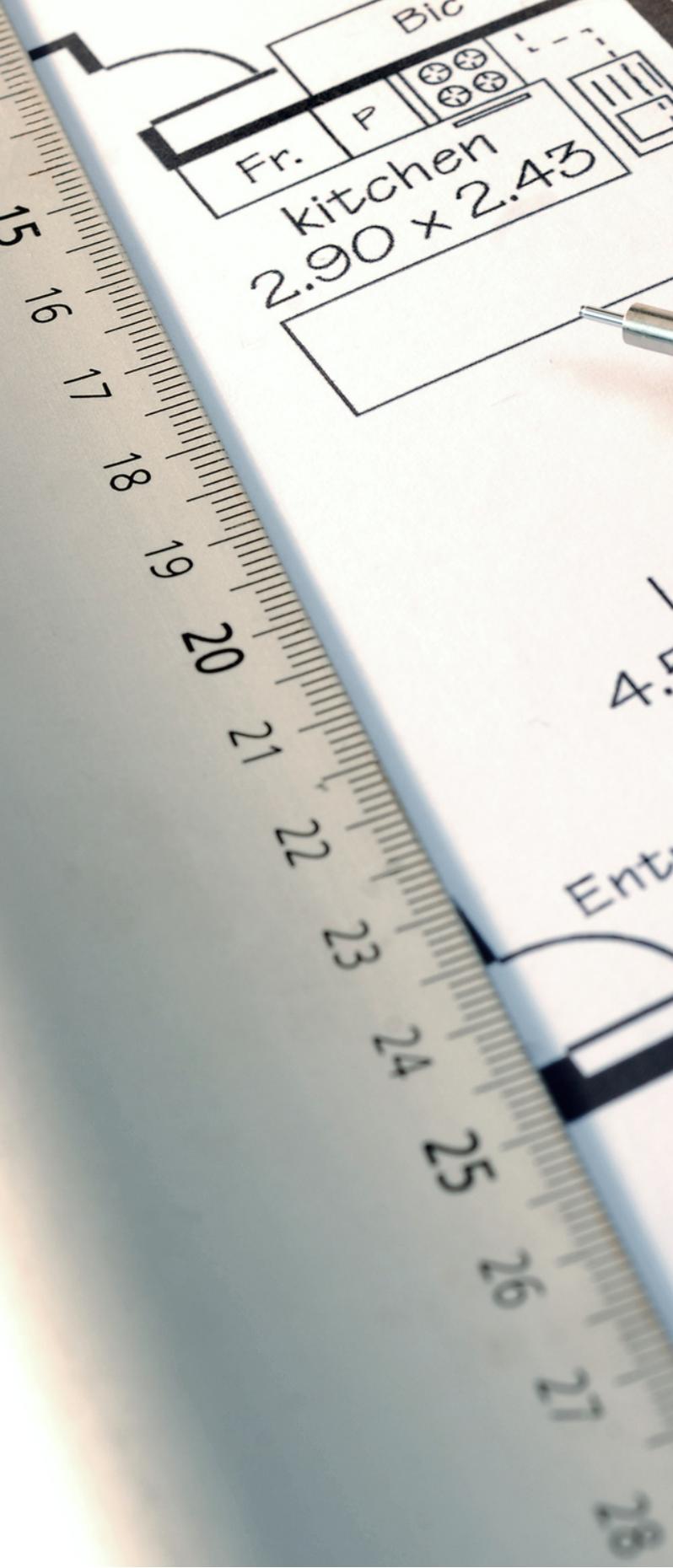
Bedroom 1  
 $4.70 \times 3.17$



Living  
 $4.50 \times 3.97$

Entry

A/C



# HELP TO BUILD – A MORE AFFORDABLE WAY TO SELF OR CUSTOM BUILD



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The government wants more people to build or commission their own homes and has launched the Help to Build Equity Loan Scheme in England to make this a more realistic option for people with less cash of their own to put into their project and to make the mortgage payments more affordable.

## Build with only 5% of the project costs

Help to Build provides the self or custom builder with a mortgage of up to 95% of their land and build costs - **meaning they only need to find 5% of their project costs themselves.**

## Reduced monthly payments through the Equity Loan

The Help to Build Equity Loan of up to 20% of their approved land and build costs (increased to 40% in London) reduces the mortgage balance and monthly payments. **The equity loan is interest-free for the first 5 years, making the monthly payments much more affordable.**

If your client's homebuilding dreams are on hold because they don't believe they have enough cash of their own or are worried about the monthly costs, the Help to Build Equity Loan scheme may be the solution they need.

### How does Help to Build Work?

Your client can apply to an approved lender for a mortgage of up to 95% of their land and build costs - released in stages as the build progresses - this makes building their own home a realistic option for many more people.

Once they've completed their home and the warranty certificate has been issued, a government equity loan of up to 20% of their previously approved costs (up to 40% for projects in London) is paid to the lender to reduce the mortgage balance and monthly payments and this is interest free for the first five years, making the overall cost much more affordable.

### Does my client qualify for the Help to Build scheme?

Your client can apply for Help to Build if:

- They are at least 18 years of age, have a right to live in England and are building a home in England
- They will live in the newly built home as their only home. They can own other property at the time of application, but they and anyone else who will live in the property must relinquish any interest in any other property (anywhere in the world) within 12 months of the build being completed.
- They can secure a self build mortgage with a lender registered for Help to Build and pass Homes England's own affordability tests
- Construction hasn't started on the project
- The project costs (including the land cost) are no more than £600,000.

**\*T&CS apply. Funding for professional fees such as the costs of design, planning, warranty and building control may be included under the scheme subject to agreement with the principal lender, however, it should be noted that there may be some other costs that are excluded and these will need to be paid for separately.**

## Help to Build supports custom build and developers

**Buying a plot on a custom build site where the developer can also build your client's home for them at an agreed price can be a great solution for clients with minimal cash of their own to put into the project.**

By building in this way and funding through Help to Build, your clients have input into the final design of their home and include the planning, design and architect fees into the agreed price. This means that building with a 5% deposit is a much more realistic option.

## Great opportunities for developers

Help to Build opens the market for custom build to many people who previously wouldn't have considered it a realistic route to owning a home specifically designed for them. The scheme provides great opportunities for developers to bring custom build plots to market, with the reassurance that affordable finance is now much more readily available for prospective plot purchasers.

## What about individual self builders?

If your client is buying their own plot and arranging their build themselves, they can still benefit from reduced monthly payments when the equity loan reduces their mortgage balance when they've completed their build. **The equity loan is interest-free for the first five years which can mean a significant saving each month.**

Individual self builders will of course have to pay for their own design, planning and architect costs - some of which are likely to be payable before they've organised their mortgage, but financing their mortgage through Help to Build means they can build with significantly less cash of their own than most other self build mortgage schemes.



## ABOUT THE EQUITY LOAN

The Help to Build Equity Loan is paid to the mortgage lender when the build is complete and will reduce the mortgage balance and monthly payments. Your clients have three years to complete their build. The Equity Loan is then interest-free for the first five years and it can be up to 20% of land and build costs outside London and increased to 40% within London. Interest payments will only start after year five of the loan.

Annual interest charges (paid monthly and based on the original equity loan amount) are as follows:

- Years 1 - 5: 0%
- Year 6: fixed rate 1.75%
- Year 7 onwards: previous years interest rate will increase by 2% plus consumer price index (CPI) or 2% if CPI increase is 0% or less.

A £1 monthly administration fee is payable to Homes England for the life of the Equity Loan.

Your clients must repay the equity loan at the end of the mortgage term or when they sell their home.

Clients can redeem their equity loan at any point once their build is finished.

**The amount repayable is based on the property's value at the time of redemption, not the amount they initially borrowed.**

**Help to Build does not provide a discount on the price of the home - the land and build cost of the home will be the same without an equity loan.**



## HELP TO BUILD QUICK FACTS

- Your clients will need a deposit of at least 5%, and need to meet other eligibility criteria to use the Help to Build Equity Loan Scheme
- Help to Build does not provide a discount on the price of the home - the land and build cost of the home will be the same without an equity loan.
- The equity loan is not interest-free. Interest is not charged for the first five years, but clients will start to pay interest from year six.
- The total amount your clients will repay is linked to the value of their home at the point of redemption, and not the amount initially borrowed.
- Your clients must repay their equity loan at the end of the term, when they sell their home, pay off their mortgage, or any time before.
- There is a £1 monthly management fee for the life of the equity loan.
- The self build mortgage must be provided by a lender registered with Homes England who administer the Help to Build Scheme.
- Once the house is complete and the warranty is issued, the mortgage lender will switch the self build mortgage to a repayment basis which must be in place for the duration of the equity loan.
- Your clients will need to arrange a 10 year structural warranty with their Help to Build mortgage. Architects certificates are not accepted.

**Like all of BuildLoan's exclusive products, funds are released as the build progresses and are linked to the cost of the work.**

**The payments are agreed at application stage and are guaranteed, without any requirement for valuations during the build.**



### **I THINK HELP TO BUILD MAY BE A GOOD OPTION FOR MY CLIENT - WHAT DO I DO NEXT?**

Our expert Broker Desk Team will be able to help you understand if your client qualifies for Help to Build and explain the products available.

You can contact them on **0345 223 4447**, by email on **enquiries@buildloan.co.uk** or by asking for a call back through our website **buildloan.co.uk**

## FREQUENTLY ASKED QUESTIONS



### **Are there any restrictions on what my clients can build?**

Specific construction types, materials and acceptable design will be in accordance with individual lender criteria. Our lenders will consider most modern methods of construction and you will receive a lender match listing all of the products suitable for your client's build and circumstances. Total build costs should not exceed £400,000.

There are some property eligibility requirements laid out by Homes England which our dedicated broker desk will be able to advise you on.

### **Do my clients need to sell their current home first?**

No, with BuildLoan it's possible for your clients to stay in their current home as they build their new one - so they can avoid the upheaval and costs of moving into temporary accommodation.

### **Are Help to Build Mortgage stage payments paid in advance or arrears?**

Our Help to Build Mortgages offer advance stage payments which means your clients will receive funds before each stage of their project. They will also benefit from their stage payments being linked to the project costs at each stage with no risk of receiving less than expected due to a down valuation.

### **Why do my clients need a warranty?**

A structural warranty insures your clients against any latent defects in their property and lenders insist on this insurance on properties that are less than 10 years old. If your clients decide to sell the property in the future, buyers won't be able to get a mortgage on the property without a structural warranty in place.

### **Do my clients have to draw down the Equity Loan once their build is finished?**

This will be a condition of the mortgage offer by the lender; however, if when your clients have completed their home their mortgage is less than 80% of its value and they can afford the mortgage on an ongoing basis, the lender may not require them to draw down the equity loan.

### **Is there any minimum/maximum age with this scheme?**

There is a minimum age of 18 to join the scheme. Lenders may have higher minimum ages which apply. There is no maximum age for the scheme but the lender's own age policy will apply.

### **How long do my clients have to complete the build and draw down the Equity Loan?**

Your clients will have 36 months from the date of the equity loan agreement to draw down the equity loan.

## ARRANGING ADEQUATE PROTECTION

Any lender providing your clients with finance for their project will insist they have adequate insurance in place before releasing any funds. BuildLoan can arrange competitive site insurance and structural warranty for your clients.

### BUILDCARE SITE INSURANCE

Site insurance is essential during the build and protects your client's investment against major problems. Normal house insurance won't cover either their building works or an unoccupied property.

Flood, fire or theft could seriously impact their build schedule and projected costs. Our highly competitive BuildCare Site Insurance will provide financial recompense should the worst happen, and peace of mind that the project will continue as planned.

BuildCare Site Insurance also covers your clients for any unfortunate incidents that might happen on site in advance of the work starting or when their main contractor is not on-site.

### BUILDCARE STRUCTURAL WARRANTY

Many self builders assume that an architect's certificate will cover any future defects in the structure or materials of their home. This simply isn't the case, and lenders won't accept them for Help to Build.

Lenders are unwilling to provide funds on new properties less than 10 years old, unless covered by a structural warranty. If your clients decide to sell the property in the future, they could find that buyers are unable to secure a mortgage on the property.

With a BuildCare structural warranty, your clients will know exactly where they stand from the outset as the cover and exclusions are clearly set out in the policy.

**To obtain a quotation for site insurance or structural warranty  
call our specialist BuildCare team on 0345 223 4949**





**BuildLoan Limited**

8 Houstoun Interchange Business Park  
Livingston, EH54 5DW

T 0345 223 4447

E [enquiries@buildloan.co.uk](mailto:enquiries@buildloan.co.uk)

W [buildloan.co.uk](http://buildloan.co.uk)

# **BUILD**LOAN

EXPERT ADVICE AND EXCLUSIVE SOLUTIONS FOR MORTGAGE INTERMEDIARIES

BuildLoan does not provide clients with advice and the activities of BuildLoan are not regulated by the Financial Conduct Authority. All mortgages are provided by lenders that are authorised and regulated by the Financial Conduct Authority. BuildLoan does not provide any advice in connection with the project. You are responsible for recommending the product best suited to your client's individual project requirements.

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