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

# BUILDLOAN

**EXPERT ADVICE AND EXCLUSIVE SOLUTIONS**  
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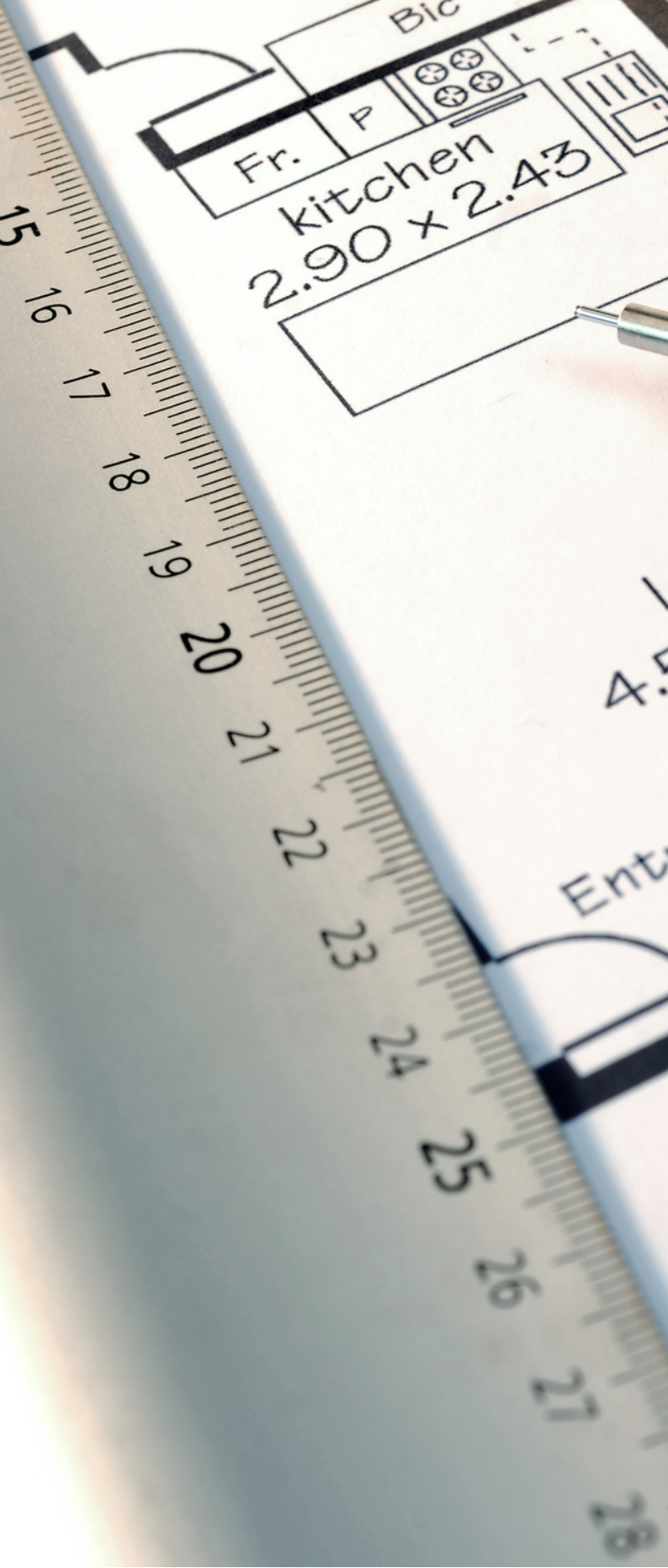
Bedroom 1  
4.70 x 3.17



Living  
4.50 x 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 you only need to find 5% of your project costs yourself.**

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

### How does Help to Build Work?

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

Once you've completed your home and the warranty certificate has been issued, a government equity loan of up to 20% of your 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.

### Do I qualify for the Help to Build scheme?

You can apply for Help to Build if:

- You are at least 18 years of age, have a right to live in England and are building a home in England
- You will live in the newly built home as your only home. You can own other property at the time of application, but you 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.
- You 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.**



## Thinking about a custom build?

**Buying a plot on a custom build site where the developer can build your home for an agreed price can be a great solution if you have minimal cash of your own to put into the project.**

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

The good news is that developers are likely to bring more custom build plots to market in the future, with the reassurance that affordable finance is readily available to prospective plot purchasers.

## Planning an individual self build?

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

As a self builder, you will of course have to pay for your own design, planning and architect costs - some of which are likely to be payable before you've organised your mortgage, but financing the mortgage through Help to Build means you can build with significantly less cash of your 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. You will have three years to complete your 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 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.

**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.**

You must repay the equity loan at the end of the mortgage term or when you sell your home.

You can redeem your equity loan at any point once the build is finished.

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





## HELP TO BUILD QUICK FACTS

- You 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 is not 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 you will start to pay interest from year six.
- The total amount you will repay is linked to the value of your home at the point of redemption, and not the amount initially borrowed.
- You must repay the equity loan at the end of the term, when you sell your home, pay off your 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.
- You will need to arrange a 10-year structural warranty with their Help to Build mortgage. Architect's 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 ME - WHAT DO I DO NEXT?**

Speak to your mortgage adviser who will be able to submit an enquiry via BuildLoan to check if you are eligible.

Due to their specialist nature, this type of mortgage can only be accessed via a mortgage broker and is not available directly from lenders.

# FREQUENTLY ASKED QUESTIONS



## **Are there any restrictions on what I can build?**

Specific construction types, materials and acceptable design will be in accordance with individual lender criteria. BuildStore's panel of lenders consider most modern methods of construction. Total build costs should not exceed £400,000.

There are some property eligibility requirements laid out by Homes England which our expert mortgage advisers will be able to advise you on.

## **Do I need to sell my current home first?**

No, with BuildLoan it's possible to stay in your current home as you build your new one - so you 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 you will receive funds before each stage of your project. You will also benefit from your 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 I need a warranty?**

A structural warranty insures you against any latent defects in the property and lenders insist on this insurance on properties that are less than 10 years old. If you 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 I have to draw down the Equity Loan once my build is finished?**

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

## **Is there a 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 I have to complete my build and draw down the Equity Loan?**

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

## **Are there any other low deposit mortgage options available for self and custom build?**

There may be other options available to you depending on your individual circumstances and BuildLoan will provide your mortgage broker with all options, that are suitable for you.





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BuildLoan does not provide clients with advice and the activities of BuildLoan are not regulated by the Financial Conduct Authority. Our specialist mortgages can only be accessed via qualified mortgage intermediaries. Your mortgage adviser is responsible for recommending the product best suited to your individual project requirements. 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.

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