

Homes England: Home Building Fund- FAQ

As a country we need more homes to be built in order to tackle the housing crisis. The government acknowledges that finance is one of the key barriers to small builders and landowners. The role of small and medium builders is key in providing new homes in the Staffordshire Moorlands.

To help landowners and developers the government is working with Homes England, former known as the Homes and Communities Agency (HCA) to provide a flexible source of funding known as the **Home Building Fund**. The fund is open to small builders, community builders, custom builders, regeneration specialist and larger house builders.

The fund is aimed at helping developers and landowners who are struggling to obtain finance which is preventing them from commencing work on site. The fund provides development finance as a **loan** to meet the development costs of building the rent which can be for sale or rent.

We understand that the development process can be complex especially where finance is concerned.

The scheme has funded over 500 sites nationwide in 2017/18 with several of these being in the Staffordshire Moorlands area including Cheddleton and Tean.

How does the Home Building Fund Work?

- Minimum loan amount is £250,000.
- Maximum loan term of 5 years.
- Each development project must build a minimum of 5 homes.
- Interest is payable at transparent, pre agreed variables rates. A margin of 5% to 6% above EC Reference rate is typical. In addition to the interest rate, an arrangement fee of 0.5% will apply.
- On larger sites sales income can be recycled to minimise the loan request. For example, the loan could fund the costs of a first phase, and when these properties are sold the proceeds could be invested back into the project to fund future phases rather than repaying the loan, thus keeping borrowing costs down.

Who can apply?

- Applicants will need to demonstrate that without this funding the scheme would not progress as quickly, or at all. Borrowers will need to demonstrate that they have approached high street banks and explored other possible funding solutions.
- The borrower must be a UK registered corporate entity. It is very easy to set up a private limited company. You will need to register with Companies House who charge £12 to complete this process. This process is known as 'incorporation'. Full guidance on how to register can be found at <https://www.gov.uk/limited-company-formation> <https://www.gov.uk/government/organisations/companies-house>

*Dependent on Borrower's financial standing, development experience and the risk profile/complexity of the project.

- Borrowers will need to demonstrate previous experience of development/ building. Appropriate experience will depend on the amount of loan sought but even development of 1 or 2 units built elsewhere would be sufficient. Where borrowers are not able to demonstrate this experience, one option could be to form a joint venture with a local builder. Homes England will be able to provide comprehensive guidance on this.
- Applicants must be a private sector entity which has majority control of the site. Borrowers must be able to demonstrate they have 20% of the total development costs as equity. Equity doesn't necessarily have to be in the form of capital. Land value can also be included and Homes England will arrange a valuation to confirm if sufficient value is held. As the project progresses Home England will carry out regular valuations and cover the cost of these as well as any legal fees which on incurred.
- Applicants will need to demonstrate they have a controlling interest in the land and that planning approval agreed or provide evidence that planning approval is imminent.

Repayment terms

- Borrowers will be expected to repay the loan amount within 5 years.
- Borrowers will not restart to repay the loan until completed properties are sold.
- Homes England will take first legal charge over the development site. A Debenture (a fixed and floating charge over all assets of the company) is also expected.
- Homes England will undertake site viability and appraisal work to ensure each site is financially viable. As part of the appraisal process a market-standard developer profit margin is required.

Application process

To help you with the application process we will be arranging drop in sessions with Homes England at Moorlands House in Leek. If you would like to attend one of these sessions, please contact Kate Hall 0345 129 7777 ext 4619

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