

Custom Build loan fund Q&A

Detailed information about the Custom Build Homes Fund can be found in the prospectus.

Q: The Custom Build loan fund has a £250,000 eligible cost limit per home. This means the fund would prevent Custom Build development being funded in higher value areas such as south east England, where the plot purchase alone may be close to this limit. Will the HCA apply the eligible cost limit flexibly?

It is not the intention to prevent Custom Build projects being funded in higher value areas of the country. The eligible cost limit of £250,000 per home applies to the total scheme development cost, including land. There is no ceiling on the market value. This means that Custom Build loan applications are possible even in higher value areas because: -

- The cost limit is always averaged across a project, so a development could include a range of types of homes, some with an individual plot cost in excess of the limit. The project could still be considered for a loan if the average cost of all the plots in the project did not exceed the £250,000 limit.
- The cost limit will be applied to all the types of plot possible in a Custom Build loan application: serviced plot, self-finish home or commissioned home. This means a loan application could be considered if the construction of just serviced plots averages £250,000 per plot cost.
- Some loan applicants may have already purchased the site before seeking a Custom Build loan. In these circumstances the cost to be supported by a loan would exclude land cost but the overall cost limit of £250,000 per plot (in this case excluding land cost) would still apply.

The use of the average cost limit and its flexible application in relation to the type of project, irrespective of the plot type, means Custom Build loans can support projects in high and low cost areas.

Q: What is the difference between ‘self-build’ and ‘custom build?’

Self-build projects are where an individual directly organises and commissions the design and construction of their new home. Custom build is when someone works closely with a developer to build a new home. This could include a fully commissioned home or fitting out a previously constructed shell.

The Custom Build Homes Fund provides development finance for developers or community groups to facilitate implementation of schemes comprising of a minimum of 5 plots or units. The fund covers development of serviced plots, partially completed homes requiring final fit-out or fully commissioned homes.

Q: Will any weight be given to applicants whose schemes provide affordable housing?

Proposals to provide a mix of home types that address a range of individual and family needs are encouraged.

These may include affordable housing but Custom Build loans are not grants to support the provision of affordable housing (this always comes from the 2011-15 Affordable Homes Programme). The prospectus (paragraph 43) gives more detail about the delivery of affordable homes on a Custom Build site.

The inclusion of an affordable element in a loan application is not mandatory and the HCA envisages that proposals will be able to satisfy the assessment criteria without the provision of affordable housing. Applicants should note that an agreed Custom Build loan does not alter the local authority planning obligations on a site. Loan applicants must always meet these.

Q: How will projects which include homes for rent be considered?

The fund is not designed for speculative development or buy-to-let. Paragraph 58 of the prospectus confirms that potential purchasers should always be owner occupiers and sale to investors are not permitted.

Q: What are the timescales for approval of applications?

Assuming all necessary information is provided, the HCA should be able to make a shortlisting decision in 4-6 weeks. Due diligence should be over a similar time frame. The speed of turn around will depend on full application information being available and the applicant being willing to sign up to the standard loan agreement contract.

Q: Will applications qualify if a proposal involves the refurbishment of homes?

Refurbishments are not specifically considered at this time.

Q: Do projects require planning permission in order to apply?

Planning permission is not required on application for the fund. However, obtaining full planning permission is a requirement for drawing down the loan.

Applications that have outline or full planning permission in line with the custom build development proposal will be prioritised over those that have no planning permission.

Q: What information will be required as part of the application process?

Please refer to the **validation checklist and process chart** ([link](#)) for an overview of the information requirements and application process. These should be read in conjunction with the **Custom Build Homes Fund Prospectus** ([Link](#)).

Q: If your bid for funding is successful, can you repay the loan early?

Yes. Every Custom Build loan will commence with an agreed cash flow setting out all project expenditure and receipts. Earlier, or better than forecast receipts from plot sales, could enable earlier repayment of the loan.

Q: Can the loan be used as development finance to support affordable housing?

Custom Build loans can be accessed as development finance by projects with allocations already in the 2011-15 Affordable Homes Programme.

Applications will have to provide sufficient evidence as to how the Custom Build loan will be repaid.

Q: Will 100% affordable schemes be considered?

The Custom Build Homes prospectus (paragraph 43) gives more detail about the delivery of affordable homes on a Custom Build site.

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Q: Evidence of previous development experience is a requirement for loan funding. How will this process work for community groups such as Community Land Trusts?

The HCA welcomes applications from CLTs and similar organisations. The prospectus (paragraph 60) sets out the Agency's approach to assessing track record.

For newly created legal entities that cannot demonstrate previous experience in custom home building, the HCA's focus will be on understanding the sources of funding and its proposed arrangements for procurement of construction. Legal entities created specifically for a Custom Build loan application can effectively demonstrate a "track record", for example, in their selection of development partners with previous experience in this area.

Q: How will you ensure that the fund is spread across the sector, including applications from non-developers such as community groups?

The HCA will respond to each application on its own merit. We will take account of scheme size, mix, total scheme costs and estimated market values as well as how schemes are designed, procured and constructed. Proposals to provide a mix of home types that address a range of individual and family needs are encouraged.