

A man and a woman are standing in a construction site, looking at a large set of blueprints. The man is wearing a blue and white plaid shirt and dark pants, and the woman is wearing a white sleeveless top. They are both looking upwards and to the right. The background shows the wooden truss system of a building under construction, with white cinder blocks visible below.

# Property Development Finance

# Funding Process

## 1. Enquiry

Our Development Finance Managers will guide you through the process to assess your development project. The more information you can provide upfront, the more quickly we'll be able to review your enquiry and provide a decision in principle.

### **We'll need the following information:**

- Applicant/company name
- Site address
- Purchase price and current land value (if the site is already owned)
- How much debt is secured against the land (est redemption value)
- Summary of the development
- Development appraisal to include all build costs, professional fees, contingency and associated development costs
- Build timescales
- GDV
- Exit route (will the development units be sold, rented or refinanced)
- Brief summary of previous development experience
- Outline plans, elevations, and planning permission
- Information on supporting professional team involved in the scheme.



## 2. Application process

Once we've issued indicative Heads of Terms, our Development Finance Manager will conduct a site visit and a review of previous sites. To help formally assess, we'll need the following information to complete the credit approval process:

- Completed and signed application form
- Project cashflow and development programme
- Copies of approved plans and detailed planning consents
- Full copy of section 106 agreement (if applicable)
- Last 3 months' bank statements, (business and personal if applicable)
- Asset and liability statement
- Last 3 years' financial accounts
- Proof of income for directors/all parties (if applicable)
- Detailed CV of the applicants to include all previous completed development projects
- 2 local estate agent opinions of end value (including commentary on local demand)
- Contractor details, including relevant experience and last 3 years' trading accounts
- Details of proposed professional team to be appointed for the development project
- If any scheme related reports are available (e.g. valuation, site investigation, right of light, environmental), these are welcome.





### 3. Formal credit approval

Once we've got all the key information, our Development Finance Manager will review and submit the application. Once approved, we'll issue formal, credit-backed Heads of Terms, detailing required conditions and fees.

#### The main areas our underwriters look at are:

- A clean credit history
- Existing mortgages and bank accounts (to show no sign of financial stress)
- No company failures
- No IVA or CVA
- Relevant development experience (in the UK and appropriate to the area), including evidence that developments were completed on time and to budget
- Any key risks have been highlighted and appropriate mitigations proposed.

Following sanction, and subject to all of the above, we'll issue formal terms of funding. We'll then instruct a valuation and Project Monitoring Surveyor (PMS) initial report. Appropriate KYC/AML needs to be satisfied, including legal due diligence and documentation. Once the facility agreement is accepted, the valuation and PMS initial report is satisfactory, and all legal requirements are completed, we can move to the draw-down process.



#### 4. Draw down process

We'll expect work to start on site within three months from legal completion, unless agreed in advance.

Once work starts, our appointed Project Monitoring Surveyor (PMS) will visit each month to certify works completed, and recommend a drawdown amount for payment. They'll confirm, via evidence, that the appropriate invoices have been paid by the Borrower and contractor. Once we receive the draw down report and utilisation request, we'll pay the recommended amount to the borrower. Monitoring of the site will be on-going until practical completion of all units, with appropriate visits from the Development Finance Manager to monitor the general progress of work on site, and ensure the development remains within our facility agreement and terms and conditions.



# Property Development Loans

<b>Min. &amp; max. loan advance</b>	£500,000 to £10m (principal target range of £1m-£5m)
<b>Max. loan to GDV and loan to cost</b>	65% of GDV or 80% of cost, whichever is lower
<b>Interest rates</b>	By negotiation
<b>Fees</b>	Typically 2% - 3% Fees are calculated on facility amount
<b>Land loan</b>	If applicable within facility guidelines Day 1 loan won't exceed 60% of current land value. For refurbishment or renovation projects, we can increase this 70%, if the land value exceeds development costs
<b>Maximum loan term</b>	24 months
<b>Security</b>	Commercial or Residential property located in England, Wales and mainland Scotland. Mixed use schemes are acceptable. First charge on freehold and leasehold (leaseholds to have a minimum of 125 years remaining at completion)
<b>Planning permission</b>	We require detailed planning permission to be in place before releasing any funds
<b>Project type</b>	We lend on refurbishments, conversions, and new build developments. We typically lend on projects using standard construction methods, but will consider alternatives
<b>Customer</b>	UK Individuals, sole trader, partnerships, LLP, limited company, PLC. Registered companies within the Channel Isles and Isle of Man are permissible Ultimate Beneficial Owner must be either a UK, Channel Island or IoM resident/national with simple ownership structures

<b>Guarantees</b>	Guarantees will be required normally for Cost Overrun and Interest Cover
<b>Experience</b>	Proven development experience is required, with a minimum of two completed schemes similar in nature to that which is being funded
<b>Valuations/Solicitors</b>	Bank panel surveyors/solicitors will be appointed
<b>Project monitoring surveyor</b>	We'll appoint a project management surveyor (PMS) to produce an initial feasibility report which will include an assessment of build costs, the professional team, and project viability. The PMS will also monitor the site and provide certification for stage payment drawdowns
<b>Development monitoring / development loan drawdown</b>	The development loan will be drawn down in arrears and upon certification of work being completed. Proof of payment will be sought at next drawdown
<b>Fixed price contract</b>	Where a developer uses a third-party contractor, we prefer you to use a fixed price contract, with an experienced contractor. We'll consider other forms of contract for smaller developments
<b>Collateral warranties</b>	Where appropriate, we may take collateral warranties (including step in rights) to enable us to become part of the contract, in the event of failure of the developer Appropriate appointments and PII will be required alongside the warranty
<b>Building warranty</b>	The developer/contractor should be registered with a suitable New Homes Warranty provider. A 10 year Build Warranty will need to be in place
<b>Surveys</b>	A Structural and Environmental Survey may be required to assess any construction risks associated with the development site
<b>Underwriting</b>	Our Commercial Lending credit team reviews and sanctions all facilities at our HQ in Cardiff We can sanction loans under £5m without formal credit committee presentation



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