DEVELOPMENT FINANCE

BROCHURE

Your guide to choosing Development Finance with Positive Lending

Welcome to Positive Lending

Founded in 2008, we are a professional mortgage packager and broker based in Ringwood, Hampshire.

We are directly authorised by the Financial Conduct Authority and have won more than 25 industry awards in specialist finance.

Every year we arrange thousands of specialist loans for our customers, either directly or via 9000 mortgage brokers who recommend our services, so rest assured that you are in safe hands.

We have an unrivaled and extensive panel of lenders giving us the power to search the whole of the market and help you find the perfect need for your financial needs.

We have an exceptional team, all of whom are dedicated to supporting you in making your property dreams a reality.

How Does Your Development Finance work?

Development finance is a specialized type of funding provided to real estate developers for the construction or conversion of property development projects. Most development loans work where monthly interest is rolled up and added to the loan. The loan in addition to any interest is then repaid in full at the end of the term. This is done once the properties are sold or refinanced.

The loan will typically be funded as an initial Day 1 loan, followed by stage releases as works progress on the site. The day 1 loan along with your deposit funds will need to be enough to complete on the purchase and start works on the site.

Here's how Development Finance typically works:

Project Assessment: The developer presents their project proposal to Positive Lending. This includes details such as the location, project scope, estimated costs, timeline, and potential profitability. We will then assess the viability of the project, including factors such as market conditions, demand, and the developer's experience. We will then provide you with indicative terms for the loan that we will look to apply for.

Loan Application: Once we have sourced an appropriate lender and have discussed this with the developer, we will look to submit a loan application. The application will typically include financial information, development plans, project feasibility studies, and supporting documentation such as planning permission, and details of the professional teams you will be working with. The lender will carry out their due diligence process to evaluate the project's financial viability, market conditions, risks, and the developer's track record.

Loan Offer: When the lender approves the loan application, they provide a loan offer detailing the terms and conditions of the development finance facility. This includes the loan amount, interest rate, repayment terms, fees, and any additional requirements or covenants.

Valuation Process: A valuation will be instructed to be carried out on the site. Alongside this a Monitoring Surveyor (MS) will also be instructed. The MS will provide regular monitoring and inspections may be conducted by the lender to ensure that the project is progressing as planned and confirm that the additional funds can be released to progress with the development works.

Legal Works: The developer will engage solicitors to handle the legal aspects of the loan agreement, including property valuation, title searches, and drafting loan documentation. Typically, there are 2 solicitors involved in the transaction. One who will act for you and the other to act for the lender. It would be the developers responsibility to meet both legal costs. On completion of the legal work the initial loan will be available to be drawn and the purchase to complete.

Drawdowns: After the purchase is complete, the developer can request drawdowns from the development finance facility. Drawdowns are typically provided in stages or installments as the project progresses, subject to the lender's approval and fulfillment of predetermined conditions.

Completion and Exit: Once the project is completed, the developer implements their exit strategy to repay the development finance loan. This may involve selling the completed development, refinancing with long-term financing, or other means, as agreed upon with the lender.

It's important to note that the specific process and requirements for development finance can vary among lenders and jurisdictions. Developers should work closely with us, and legal professionals to navigate the complexities of development finance and ensure successful project execution.

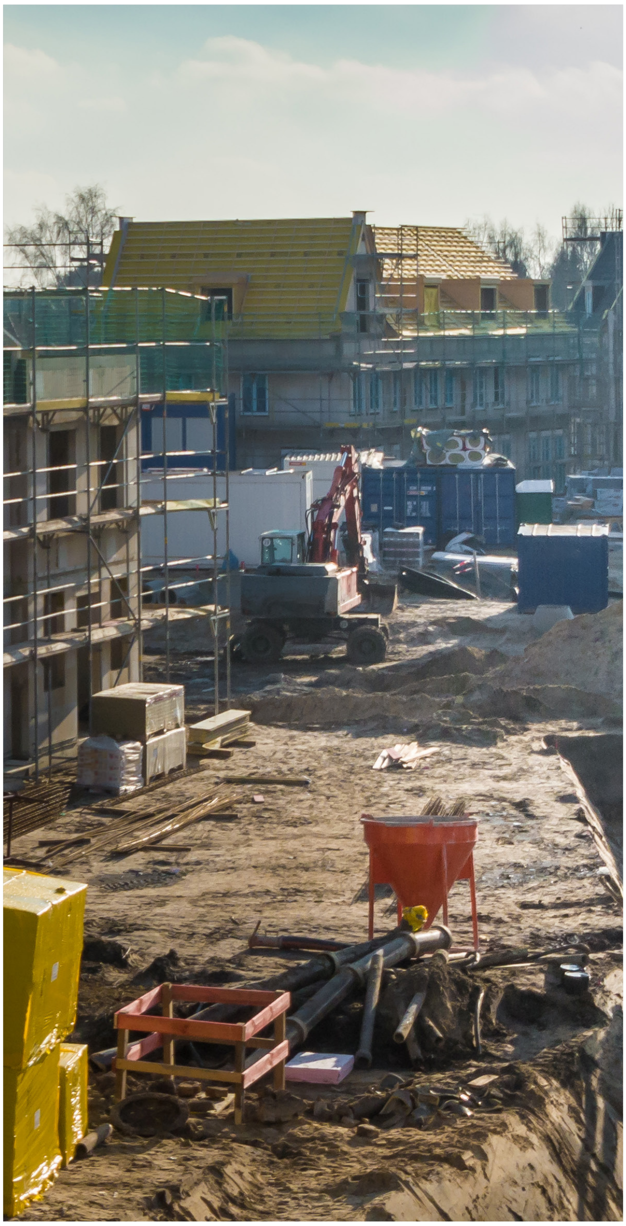
What happens next?

After you speak with one of our team:

1 After discussing your requirements with you, we will speak to various lenders on your behalf and make an appropriate recommendation to you. We aim to ensure you have written terms from a lender within 48 hours.

2 If you wish to proceed we will ensure the valuation survey is booked. We may need some documentation from you whilst this is taking place but the advisor will tell you more about that at the time.

3 Once the valuation survey is complete, we will contact you when we have seen the report or had confirmation from the lender that they have reviewed the report.



4 Depending on the size of the project, the lender may require a quantity surveyor or asset manager to inspect the property as well. They can take place concurrently with the valuation survey or afterwards.

5 If the surveys are ok and all outstanding items are received for the lender an offer will be provided to you. At this stage, the solicitors will be instructed to satisfy the legal enquiries. They will receive a copy of the mortgage offer too, along with the security documents to be signed .

6 If all enquiries are satisfied the funds are released to you.

7 If you are applying for a staged facility where funds are released to you as the work progresses, you will generally need to contact the lender directly to request further funds. They may require the property to be reinspected by their surveyor or asset manager before releasing further funds to you. .

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- ✓ Newbuilds and conversions
- ✓ Single Unit or multi-unit schemes
- ✓ Houses, flats, property with a commercial element
- ✓ Change of use
- ✓ Acquisition and completion of part-built developments

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Development Finance Highlights

- ✓ Loans to 90% loan to cost / 75% loan to GDV
- ✓ Borrowing from £50,000 to £50,000,000
- ✓ Properties and land across the UK
- ✓ Funding from traditional and boutique banks
- ✓ Senior funding, stretch senior, mezzanine finance, private equity and joint ventures
- ✓ Discounted finance for green projects

Positive LENDING

Did you know...

We are a multi-award winning packager, regularly recognised for providing first class service to intermediaries and borrowers.

Our team have over 400 years' combined experience, working for financial services and blue chip companies.

We also offer:
- ✓ Second charge mortgages (Residential and BTL)
- ✓ Bridging finance
- ✓ Commercial Mortgages
- ✓ Specialist Residential and BTL mortgages
- ✓ Equity release

"Together has a long standing and successful relationship with Positive lending, who are a key Gold Status packaging partner. The team at Positive Lending are second to none, expertly distributing the entire range of Together's specialist commercial and residential products. Their attention to detail, and quality of cases received, ensures customers receive a smooth and fast journey to completion."

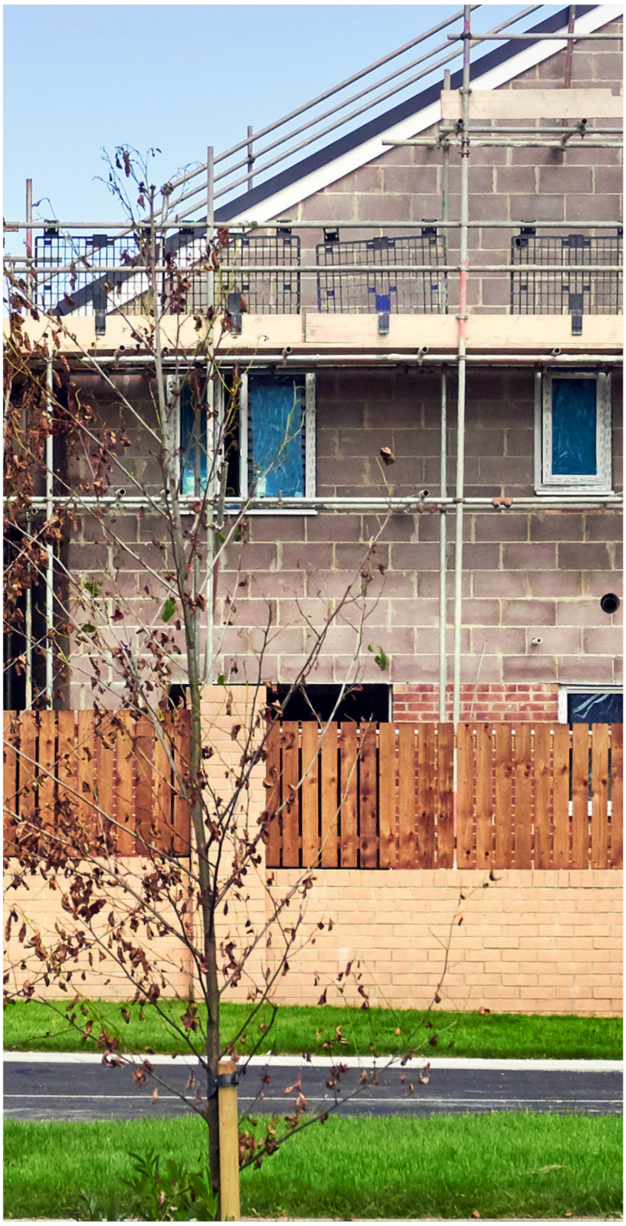
Marc Goldberg
Director
Together

Top Tips

1 Prove your experience. Make a CV of previous experience on development and property projects

2 Consider a Project Manager. Although they're an additional expense, a project manager could actually be a saving overall

3 Be prepared and know your project, ensuring you have all financial records, including business accounts and bank statements, readily accessible for your application. Lenders will go through everything and will ask a range of questions.



4 Be aware of any risks involved in the project. Explain how you will mitigate these risks

5 Engage with experienced professionals like architects, contractors, and project managers to strengthen your development team and boost your project's credibility. Get the right team for your development. Look at their previous works and get references.

6 Ensure your development project aligns with local planning regulations and environmental standards to avoid delays or complications in securing financing.

7 Plan for unexpected costs and contingencies in your project budget to demonstrate financial prudence to potential lenders or investors.

Understanding Terminology

Here are some common jargon terms related to Development Finance and their meanings

Development Finance: Development finance refers to funding provided for the construction or renovation of a property development project. It is specifically designed to support real estate developers in funding the costs associated with development, including land acquisition, construction, and related expenses.

Loan-to-Value (LTV) Ratio: The LTV ratio represents the percentage of the property's value that a lender is willing to finance. It is calculated by dividing the loan amount by the appraised value of the property. For example, if a lender offers a loan of £1,000,000 on a property valued at £1,500,000, the LTV ratio would be 66.67% (£1,000,000 / £1,500,000 x 100).

Gross Development Value (GDV): The GDV is the estimated end value of a development project upon completion. It represents the projected selling price or market value of the development, taking into account factors such as location, market conditions, and potential rental income. The GDV is an essential factor for lenders in assessing the viability and potential profitability of a development project.

Mezzanine Finance: Mezzanine finance is a type of financing that sits between senior debt and equity in the capital stack. It is a form of subordinated debt, typically provided by specialized lenders or investors, and it has a higher cost and carries more risk compared to senior debt. Mezzanine finance helps bridge the gap between the developer's equity

contribution and the senior debt amount, providing additional funding for the development project.

Drawdown: Drawdown refers to the process of accessing funds from the development finance facility in stages or instalments as the project progresses. Instead of receiving the entire loan amount upfront, the developer can request drawdowns at different milestones or predetermined stages of the construction or development process. Drawdowns are typically subject to the lender's approval and may require certain conditions to be met.

Exit Strategy: An exit strategy is the planned method by which the developer intends to repay the development finance loan. It can involve selling the completed development, refinancing with long-term financing, or other means. A robust and viable exit strategy is important to lenders as it demonstrates how the loan will be repaid, reducing their risk.

Loan to Cost (LTC): The LTC ratio is used to determine the amount or percentage of a loan that the lender will issue for project financing, based on the construction costs.

Planning Permission: Planning permission is the official authorization granted by the local planning authority for a proposed development project. It confirms that the development plans comply with local planning regulations and can proceed. Lenders often require evidence of planning permission before providing development finance.

Remember - It’s important to ensure that you fully understand the terms and conditions of any financial obligations you may take on, so please don’t hesitate to ask if you have any questions.

Further info

Positivelending.co.uk

You will have a dedicated advisor and support staff to assist you with your Development Finance application.
You can always call us directly on 01202 850 830 (Option 3) or email us on SpecialistSales@positivelending.co.uk and one of our team of experts will be happy to help you.

DEVELOPMENT FINANCE BROCHURE

THINK CAREFULLY BEFORE SECURING ANY DEBTS AGAINST YOUR HOME OR PROPERTY. YOUR HOME OR PROPERTY MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE.

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