

# Blackfinch's Borrower Guide

For Property Development and Bridging Loans



# Welcome to **Blackfinch Property**

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Since 2014, Blackfinch Property has been helping to support the UK housing and commercial real estate sector by offering financing for residential and commercial property development. We work with like-minded, forward-thinking property developers who believe in using sustainable materials and building practices.

Our Environmental, Social and Governance (ESG) principles are core to our lending processes, and integral to how we work. We apply them to every loan in which we participate, and we work hard to identify borrowers and lending opportunities that align with our principles.

Our ambition is to put our loans to good use, helping to revive local areas and encouraging the development of innovative and imaginatively constructed properties such as eco-homes, social housing and supported living.

**This guide will take you through our steps for each stage of the loan.**

# Loan Lifecycle

The life cycle of a loan can be split into four distinct stages:



# Loan Application



To start the application process we require a high-level summary of the proposed development or bridge for appraisal. Links to our application forms can be found on this page.



If the deal meets our requirements, the team will create a financial model, and in conjunction with the borrower's requirements, devise a suitable funding package.



Please send your completed application form to [propertyenquiries@blackfinch.com](mailto:propertyenquiries@blackfinch.com). One of our Investment Analysts will review and aim to respond within 48 hours.



This requires a full assessment of development costs, setting appropriate covenants and reviewing property and counter party details.

[Bridging Loan Application Form: Download here](#)

[Development Loan Application Form: Download here](#)

# Loan Application

Key information to include



A detailed description of the deal including planning information and exit strategy



Details of the proposed main contractor and if a Joint Contracts Tribunal (JCT) will be in place



Development appraisal showing build costs, current incurred costs and valuations



Loan term including how this will be split into build and sales phases



Details of the borrower, including net worth



When you anticipate needing the funds



Developer CV and financial history



Projected EPC of build

# Loan Due Diligence

## Heads of Terms

If Blackfinch is satisfied with the relevant information provided, we will discuss some indicative terms. If you would like to proceed, we will then issue official 'Heads of Terms'.

At this stage, we also allocate a deal team consisting of a Manager, Analyst, and at least one Legal Support, so there will always be someone on hand to discuss any aspects of the deal.

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Please note: The terms do not constitute or imply a commitment to provide funding by the lender, nor a representation that such funding will be made available. Any such commitment is subject to contract, credit committee approval and satisfactory due diligence and documentation.

### The terms may include the proposed:

- Loan term
- Cash equity requirements
- Loan-to-values
- Drawdown timing expectations
- Any special conditions and bespoke requirements
- Summary of key legal terms

(this is not an exhaustive list and other key points may be included)

# Loan Due Diligence

## Immediate Next Steps

- Provided you are happy with these terms, you will need to sign and return them within 15 days.
- Blackfinch will then conduct Anti-Money Laundering and Know Your Customer checks. If these are satisfactory, you will then be invited to make an advance payment.
- This ensures that you are committed to Blackfinch and allows us to start the due diligence process.
- We will request quotes from 3rd party professionals such as the valuer and monitoring surveyor, and with the borrower's approval, instruct them.



## Valuation

At Blackfinch we have a number of companies to select from. The firm should possess a required minimum level of professional indemnity insurance cover. Our chosen valuer will have expertise in your developments geographic area, sector and size.

The valuer will confirm Market Value (MV), Gross Development Value (GDV) and Market Rent where applicable.

# Loan Due Diligence



## Borrower

Some of the key steps include:

### **Sanctions, Politically Exposed Person (PEP) searches & Creditworthiness checks**

The legal team will carry out Sanctions and PEP checks for each Director and Shareholder.

### **Borrower experience and financial history checks**

Blackfinch will check Companies House to confirm details of the Special Purpose Vehicle (SPV). You should also provide details of previous developments.

### **Asset and liability statement for personal guarantees**

The statement is to be completed by the borrower. The team can then assess the details for the asset and determine whether the proposed personal guarantee is likely to be covered by the assessment of net assets.

### **Meeting on site with the borrower**

It is important to Blackfinch that we build a good relationship with our borrowers; your deal manager will meet you on site to begin this.



## Property

### **We will also conduct checks on the property itself. This will include:**

- Property searches and other relevant property reports (such as asbestos) performed and assessed
- Status of title
- Onerous lease clauses identified and assess their impact upon valuation
- Planning status checks

The planning application reference will be checked on the relevant Local Authority portal. This includes any s106 and Community Infrastructure Levy (CIL) notices.

We also ask that you complete our ESG questionnaire to ensure the development meets our requirements.

Please note, these lists are not exhaustive and we may require further searches where necessary, i.e. environmental surveys and fire safety checks.



# Loan Due Diligence



## Finance Documentation

Our in-house legal team will prepare the following documents:

- The Loan agreement, setting out all commercial terms, special conditions, T&Cs and all conditions precedent.
- Debenture and Share charge taken over SPV. These are taken as part of our security package.
- Deeds of priority if necessary (e.g. second charge holder)
- Director's resolution and certificate
- Deed of release from outgoing lender if necessary

Please discuss with our team which solicitors you intend to instruct to ensure they have the legal expertise required for your development.



## Construction (development loan)

If your site requires development, Blackfinch will instruct a Monitoring Surveyor from our panel. The Surveyor will visit the site and produce an initial report. Based on the Surveyor's advice we will assess:

- Development costs and build programme
- The team and procurement method
- Collateral warranties
- Insurance policies
- The building contract and consultants' appointments
- Onerous planning conditions
- Impact upon valuation / risk considered

We will work with you and offer guidance to ensure the necessary development documentation is in place.

Please note, should any of the due diligence checks flag any points of interest, Blackfinch may alter the terms accordingly subject to the risk.

# Drawdown (Development Loan)

Once the due diligence has been completed, you will be ready to begin drawing down from your build facility. This process includes:

1

You arranging a time with the Monitoring Surveyor to visit the site. We recommend diarising all drawdowns upfront.

2

Following this, the Monitoring Surveyor will send their initial report to Blackfinch, who will review this and come back to you with any further questions.

3

Should the report be satisfactory, the Investment Manager will confirm to you that they are happy to release the funds for the first draw down.

4

If you require any advance payments, please alert us of this before the loan starts, so your requirements can be assessed by Blackfinch and the Monitoring Surveyor.

**Please note that the Facility will be split into Facilities A (Land or Refinance) and B (Development).**

**You will need to satisfy each set of Conditions Precedent (CP's) to unlock each.**

The Monitoring Surveyor will then visit the site on a monthly basis and provide Blackfinch with progress reports, which along with the other drawdown conditions (such as satisfactory review of your bank statements) will in turn signal the release of monthly drawdowns. Your Investment Manager will also aim to visit the site every 3 months to ensure the process runs smoothly. Any changes to the specification of the build such as planning amendments should be communicated to Blackfinch and the Monitoring Surveyor for approval.

# Loan Redemption

Throughout the loan term, we encourage you to keep an open dialogue with your Investment Manager, so when the loan is in its final months, both parties are mindful of the exit strategy. The official redemption process includes:



Blackfinch will send you a letter when the loan term is one month from redemption



Please keep in close contact with your Investment Manager and keep them informed should your exit plan alter in any way



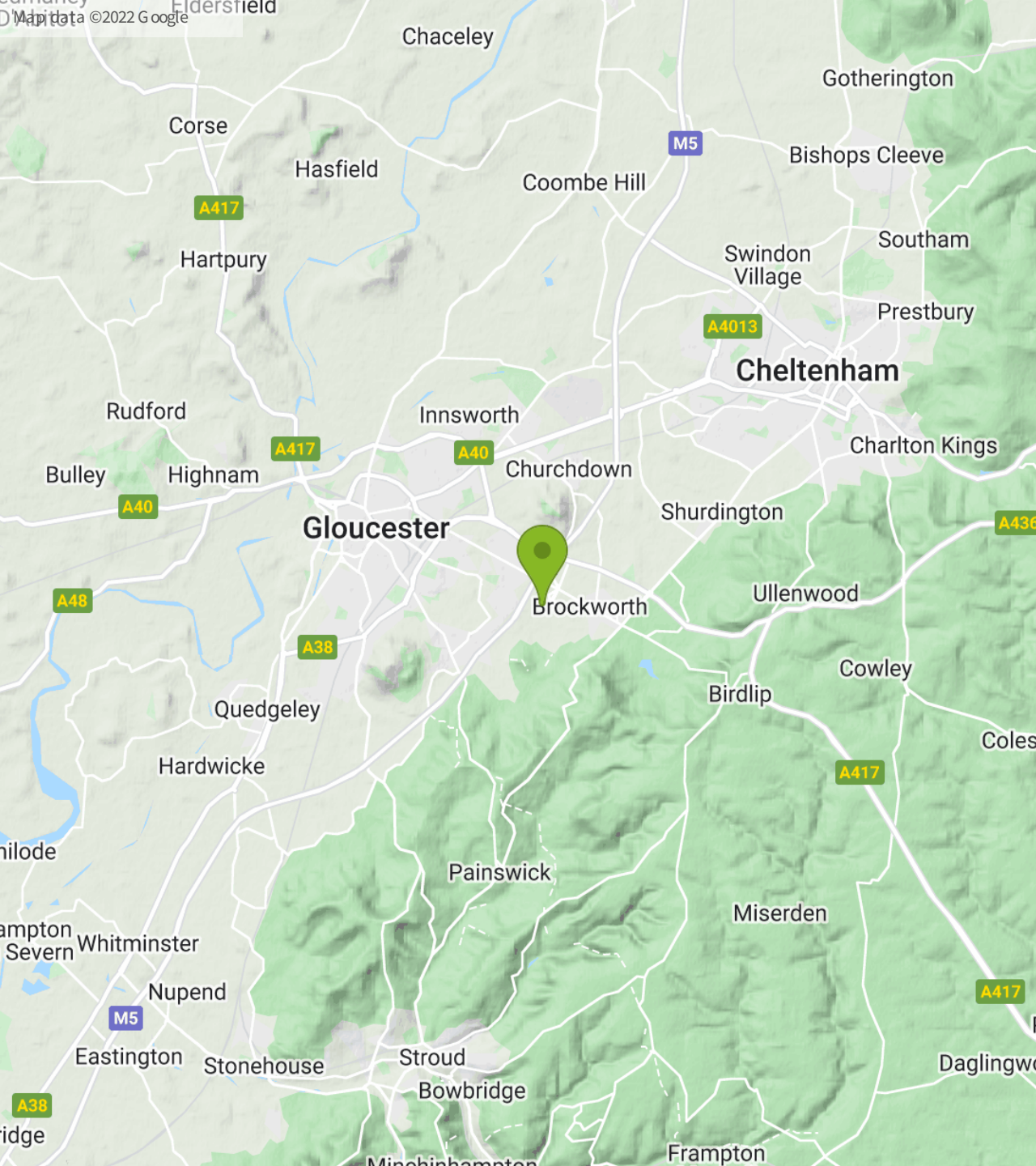
You can then request a redemption statement



We can discuss any future developments you may have in the pipeline and begin this process again




If you need any assistance in arranging re-finance, we can help with this by introducing you to brokers we work closely with



# Contact Us

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