

Lending on Modern Methods of Construction

While lenders have no intrinsic preference for any particular mode of construction, they do have one overriding requirement: that properties considered in relation to a mortgage must be capable of standing as security for a loan of up to 35 years.

Background

Some caution in lending on Modern Methods of Construction (MMC) has been, in part, fuelled by the relatively poor track record of past generations of non-traditional construction. Lenders providing individual mortgages for home-ownership and lenders providing private finance for new-build in the social rented sector have had similar concerns.

Lenders need to protect their existing and new book of loans. Therefore, past poor experiences may well affect lenders' willingness to lend on new construction types which are unfamiliar and which may appear to exhibit some of the same characteristics as those they have had problems with in the past.

Key points

It is critical that any dwelling holds its value in the medium to long-term to offer security for a mortgage loan. In practice, this means that the property must be saleable and maintain, or increase, its value over the term of a mortgage loan. In relation to MMC (which can include offsite manufacture), in recent times lenders have been concerned about the ability of some designs to meet certain key aspects:

- Durability: achieve a life span of at least 60 years.
- Warrant-ability: Related to durability, a building warranty acceptable to lenders should be available to cover the dwelling
- Whole life costs (WLC) at a level comparable to traditional construction - particularly relevant for lenders to social housing providers.
- Reparability: no undue repair costs, and ability to use a range of local repair services.
- Adaptability: the property should, without difficulty, support the usual range of adaptations/extensions such as a porch and conservatory.
- Insurability: buildings insurance should be available on at least the same terms as for traditional builds.
- Quality: Meets a recognised standard, both for materials and for method of building.
- Overall marketability: as well as the above, does the building have general appeal to buyers?
- In relation to social housing sector, the construction should not have a negative impact on the lettable of the dwelling/rent achievable.

A recognised standard

With so many different construction types on the market it is sometimes difficult to assess the quality of the materials and the method of building with them. It is therefore crucial to have regard to established standards for properties constructed using offsite manufacture to help lenders, and others such as warranty providers and valuers, feel confident that the properties meet the key aspects set out above.

Quality standards such as those supported through as [BOPAS](#) or the [British Board of Agrément](#) are important here.

CML Cymru

BOPAS

The Buildoffsite Property Assurance Scheme (BOPAS) was developed by Lloyd's Register, Building Life Plans (BLP), The Royal Institution of Chartered Surveyors (RICS) and Buildoffsite in conjunction with the CML and the Building Societies Association to address perceived risks associated with lending against MMC properties.

The Scheme was designed to facilitate lending against MMC properties and provides:

- Process accreditation of the manufacturer and constructor
- 60 year durability and maintainability assessment
- A web enabled database to provide valuers with access to the construction system of a BOPAS listed property to assist informed valuations.

BOPAS comprises a durability and maintenance assessment and process accreditation, supported by a web-enabled database which gives access to details of assessed building systems, registered sites and individual properties which have been warranted under the scheme.

The British Board of Agrément (BBA)

The BBA has approved building systems since 1966, when its predecessor the Agrément Board was set up by the then ministry of public building and works.

The BBA's assessments of building systems or MMC focus on the demands of UK building regulations and also includes any non-statutory requirements, such as those of the NHBC. A range of performance factors are evaluated and the BBA's opinion is given in the finished Agrément Certificate. Durability is a key consideration and the target for building systems is 60 years.

Agrément Certificates for building systems include steel and timber-framed, structural insulated panel systems, insulated concrete formwork and composite structures.

Other stakeholders

Lenders take into account the views of other professionals as part of their decision as to whether to lend on MMC properties. Building warranty providers (such as the NHBC), valuers, and insurers will all have particular matters that they need to reassure themselves on around offsite manufacture builds. If they have concerns about any aspect, then this may impact on whether the lender is prepared to lend. However, if all these stakeholders are satisfied, then there is no reason why offsite manufacture can not form a larger part of the new build market.

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