

A Guide to Refurbishment Finance

Frequently asked questions



Getting started with refurbishment finance

Refurbishment finance is a short-term property finance loan ideal for landlords, property developers and investors wanting to refurbish or convert a property. Whether you're looking to add value to a property, either to let out or sell it on, a refurbishment finance solution can help realise your plans.

In our guide, we answer some of the most frequently asked questions about refurbishment finance and offer expert guidance for anyone considering this finance option.

Here is everything you need to know, but if you do need more, speak to one of our experts.

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What is refurbishment finance?

A form of short-term loan, refurbishment finance is a versatile property finance solution for anyone looking to improve a property. This can include full redecoration, new kitchen or bathrooms and even converting a single unit into an HMO or multi-unit and more.

Who can apply for property refurbishment finance?

Individuals, Limited Companies, partnerships, Limited Liability Partnerships (LLPs) and offshore companies can all apply for refurbishment finance. While previous refurbishment experience is not always necessary, it may help you access better interest rates.

How does refurbishment finance work?

There are two ways of funding property refurbishment work:

1. You use a refurbishment loan to purchase a property needing work. Your lender agrees to a set loan to value (LTV) of the property's current value, e.g. 75%, and you pay for the renovation work yourself. In this situation, the lender won't supervise your improvements.
2. You borrow enough to purchase the property (LTV) and complete the planned refurbishment work. Your lender will first release the funds you need to buy the property (e.g., 75% of the property's current value), and then the funds needed to complete renovation works in stages. In this situation, the lender will inspect the progress of the work to ensure you're on track and using the money for the purposes agreed.

How much can I borrow?

Most lenders have a minimum loan limit of £25,000. Technically, there isn't an upper limit, but if your refurbishment project costs exceed £250,000, you may want to consider development finance.





How long does it take to get refurb finance?

As lenders need to understand the extent of your refurbishment project, it can typically take 10-14 days to process your application. The complexity of your application and the service levels of the lender may mean this varies, but our team will be able to give you an idea of how long to expect.

Refurbishment finance exit strategies

As with all short-term property finance, your lender will need to know your exit strategy for the loan.

Standard options include:

- » Sell the property for a profit
- » Refinance the property onto a homeowner's mortgage
- » Refinance the property onto a buy to let mortgage and let it out



What's permitted under light refurbishment?

As a rule, light refurbishment is for any work that doesn't involve structural changes. This can include:

- » Fitting new bathrooms or a kitchen
- » Redecorating, including 'back to brick' renovation, re-wiring and replacing flooring
- » Improving or changing boilers, radiators or the heating system
- » Fitting new windows or doors
- » Rendering external walls
- » Garden renovation
- » For more information read our Guide to Financing Your Home Renovations.

What's permitted under heavy refurbishment?

Heavy refurbishment typically involves anything structural, such as:

- » Adding an extension
- » Internal structural changes, including altering the layout, knocking down walls, etc.
- » Loft and basement conversions
- » A new roof
- » Anything that requires planning permission
- » Anything that changes the use of the property (for example, converting an old office into flats)

Case study

120% LTV Refurbishment Project Converting Two Derelict Flats into a Family Home

At a glance

- » An established portfolio landlord with relevant refurbishment experience
- » Two flats in a busy tourist area on the south coast in need of significant refurbishment
- » The client had no deposit but significant equity in their own home

The Case

Our client had worked with us on several investments in the past, having built up a strong portfolio of eight buy to let properties. With some refurbishment experience already under her belt, she was looking to purchase two leasehold flats on separate titles, plus the property's freehold, to convert into a family home.

The old Victorian townhouse is located in a popular area with high demand for rental properties, so our client was confident this would generate substantial tenant demand. However, with issues surrounding the lack of deposit and the complexity of the conversion, this was a challenging case to place.

The Challenge

The primary challenge was our client's lack of deposit, restricting the pool of lenders we could approach with this case. Furthermore, a traditional mortgage lender could not consider this refurbishment project, as our client wanted to convert two separate titles into a single dwelling.

Our expertise and knowledge in this complex area of property finance meant we quickly identified a suitable solution to the deposit challenge. We approached a lender we knew could consider the case and arranged a bridging loan with a second charge against her own home. With a property value of £2.2 million, the client's home had a remaining mortgage of £650,000. This, alongside the property in question, meant our lender had sufficient security to proceed with the application. What's more, the original mortgage on her home was intact, so our client faced no hefty early repayment charges.

The Finance

Property value:	£585,000
Loan amount:	£685,000
LTV:	120%
Cost of work:	£100,000
Gross development value:	£1,000,000
Term:	12 months
Finance:	10.2%

* Rate as at August 2024 and subject to change

As well as providing the lender with a clear exit strategy of a buy to let mortgage once the works were completed, our knowledge of the bridging market meant we prepared all the documents the lender would require before submission. We also supplied the schedule of work and full costings to help proceed with the application as quickly as possible.

With all the challenges overcome, the expected completion time for this case will be just seven weeks from our client's initial application.



Alternative ways to finance a refurbishment project

Another common way to fund property refurbishments is by using a bridging loan. Bridging loans are typically used when you need funding quickly, as you can access the cash much faster than with a standard mortgage application.

A bridging loan is a short-term loan that covers the costs of your home improvements whilst you carry out the work. These loans typically last up to 12 months and are usually more expensive than standard mortgage rates.

How fast can I get a bridging loan?

One of the main benefits of bridging finance is that, generally, you will receive funding within weeks of your initial application. That's why bridging is a popular choice for borrowers purchasing a property at auction or when a property is not currently mortgageable in its current state.

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