

## What is a self-build mortgage?

A self-build mortgage is a loan that is specifically designed to help people who are building their own home. Traditional mortgages are not suitable for self-build projects because they release funds all at once, at the end of the build. Self-build mortgages, on the other hand, release funds in stages, as the build progresses. This allows borrowers to manage their cash flow and avoid having to pay for the entire build upfront.

Self-Build Mortgages is a slightly more complex mortgage, however it is one that we are very experienced with. Over the past 30 years we have arranged 80-100 Self Build Mortgages'.

## When we submit a 'Self Build Mortgage' lenders will need you to provide:

- Copy of site map (Which must be in the name of ALL those named on the Mortgage)
- Copy of Planning Permission/Building Control documentation (*Must have AT LEAST 1 year to run*)
- A copy of the 'Stamped' Planning approved House Plans
- At least one Builders Tender/Price **OR** Quantity Surveyors costings for the total build
- Details of building warranty provider (*See list below of the typical ones accepted*)

## How Stage Payments Work

The advance will be released in pre-agreed stage payments. The first stage payment will only be released when the stage of construction has at least reached the stage where the foundations have been laid. Stage payments are at various stages (can vary depending on the lender):

### Typically stage Payments:

**20% Foundations/20% Wall plate/20% Roofed/20% Plastered/20% Finished**  
(Finished is usually defined as, having a heating source/Kitchen/bathroom etc done)

If a Professional Consultant is inspecting during construction of the build the lender will need to confirm if they have appropriate experience, the required qualifications and the necessary level of 'Professional Indemnity Insurance' in place.

The Professional Consultant must also agree, before the lender's Mortgage Offer letter is issued, to providing the Society with a final Certificate, in the lender's required wording, prior to release of the final stage payment.

The lender will require a copy of the valuer's stage inspection report prior to release of any agreed stage payment. Prior to release of the final stage payment, the lender will also require a copy of the Professional Consultant's final certificate (in the lenders own required wording).

**All lenders will usually not proceed where there are restrictive covenants on Title.**

## Things lenders will consider:

The lenders will take into consideration the access to the property, the proximity of family land/agricultural or other outbuildings, the cost of the build, the applicants' other resources and the period of time the build will take to complete.

## Warranty for Self-Build

Where a property is being constructed as a new home, the lenders will require proof of a valid 'Building Warranty Certificate'. At the point of application we need details of this.

The following warranty providers are examples of the warranties that a lender takes:

- National House Building Council (NHBC);
- Global Home Warranties (GHW);
- International Construction Warranty (ICW);
- ABC+
- Advantage HCI
- Ark Insurance Group Limited – Latent Defects Insurance
- Build Assure (FMB)
- BLP (Building Life Plans)
- Build-Zone
- Checkmate (Lockton Only)
- LABC Warranty
- One Guarantee Limited
- Premier Guarantee, inc. the LABC New Homes Warranty & LABC Hallmark Scheme
- Protek (Protek Group Limited)
- The Q [Assure] Policy
- An experienced Professional Consultant with acceptable qualifications and professional indemnity cover (PII)



## Frequently Asked Questions:

### Do I need a Deposit?

The lender will value the site, and normally this is sufficient to cover the equivalent to a 'deposit' in terms of getting the mortgage approved. In reality this means the lender is giving you the vast majority of the build costs, which will be released in stage payments.

### What if I'm getting a site on/near the family farm?

In these circumstances, it is becoming increasingly difficult to obtain a mortgage where:

- A) The site is close to a working farm
- B) The land all around the house is owned by the family
- C) Where the planning permission has a restrictive covenant in the approval  
(*EG that the owner of the property being built **MUST** work in farming/be part of a farming family*).
  - In ALL Self Build cases it is down to the lenders valuer to ascertain if this proposed site meets that lenders preferences/criteria.
  - In most cases we can ask for a pre-mortgage site inspection by the valuer, to see if the site would meet that lenders guidelines.

### What if I have a whole field OR additional land in one deed?

At the outset we encourage clients to only ever give the lender the required security, so where you have additional land, we recommend splitting the deed, so that you only ever give the required security to a lender.

- By not giving them additional security you then have this land with no charges/legal hold on from a lenders perspective.
- **EG:** Having extra land that ,may in future offer a further site for you/other family, means you don't need any lender permission to take the site etc.

### How are payments released:

Typically when the lender has all their evidence that you are the appropriate stage, they will pay the funds either to the solicitors, OR (more often) it can also be paid into your Current A/c.

### At what stages do the lender release funds?

While this does vary, in most cases the stage payments are either:

- A) Released upon an invoice submitted from the builder, following which the lender will send the valuer out again to check this work has been completed.
- B) The most common stage payments are typically released as:
  - Foundations
  - Wall-plate/block work completed
  - Roofed
  - Plastered
  - Completed/habitable (normally, defined as having kitchen/bathrooms/heating system)



## Is the Interest Rate on a Self-Build More expensive?

Typically, the lenders will issue you with their 'Offer' of funds on a 'Standard Variable rate (SVR)', which means it's at their full rate (typically this could be at a rate of 6-7%).

- During the build, as payments are released, most lenders let you pay 'Interest Only'
- As each payment is released; the following month you pay for the interest on this amount.
- This pattern continues as each future stage is released.

### AFTER the final stage payment is released/property complete: the lender will permit you to:

A) Move into 'Repayment Mortgage', on a term that suits you and fits their lending criteria

B) Select an Interest Rate to suit your needs (typically at this stage you take a fixed rate etc).

The month following completion, and assuming you have the mortgage switched into repayment on the agreed fixed/other rate, the following month, your first full mortgage payment will start!

## What if we end up needing more funds than applied for?

At the outset of the Self Build, as your Mortgage adviser we will always suggest we apply for slightly more (typically 10%) so that you have the extra funds for unforeseen costs during the build. However if, mid-way through, you need to borrow additional mortgage funds, we can apply for approval on this extra amount. However, in all Self Build cases, we encourage our clients, to 'do their homework' on the actual costs and then discuss this with us.

We can also guide you on the potential overruns that we seen on other Self Build cases.

### To have additional funds approved, is subject to:

A) Anticipated/finished property valuation

B) That you have sufficient income to meet the lenders criteria, for the extra borrowing

C) The lender will once again check your Credit profile, need updated proof of income & Bank Statements as part of their due diligence (to ensure you can also afford the extra payments).

***Arranging a 'Self-Build - Stage Payment Mortgage' is a complex area within the mortgage arena:***

*As experienced 'Whole of Market' Brokers, we will take you through it all and can provide you with clear guidance at every stage. Our guidance will ensure your mortgage is all correctly set up so that the release of the funds is structured as required.*

***Your Mortgage Broker is therefore on hand at every stage, so that you can navigate the 'mortgage maze' to fund the building your fantastic NEW BUILD home!***