



Your guide to **Self Build Mortgages**

Helping you build the home of your dreams

In branch
0800 072 1100
saffronbs.co.uk



CONTENTS

The difference between a traditional mortgage and a Self Build mortgage	1
How a Saffron Self Build mortgage can help you	1
How much can you borrow?	1 - 2
How does the Saffron Self Build Mortgage work?	3
Next steps	3
What happens when your self build project has been completed?	3
A few final points worth considering	4
Further Information	4
Useful additional sources of information	5



Investing time and effort into building your own home enables you to specify and create your dream home from scratch, rather than looking for the next best thing on the open market.

Every year, around 12,000 people build their own homes in the UK, including newly constructed properties, barn conversions and renovations.

You don't need a detailed understanding of the house-building industry or processes. What you do need is professional guidance from an architect or project manager and, most importantly, you need to maintain a tight control over your finances.

Financing a self build project is not the same as buying an existing home with a traditional mortgage. This guide has therefore been written to explain how Saffron's specialist Self Build Mortgage works and how you can ensure you keep your finances on-track as you build your new home.

The difference between a traditional mortgage and a self build mortgage

If you purchase an existing house using a traditional mortgage, all of the money you borrow is normally released as a lump sum at completion, which is usually the day you move into your new home.

In the case of a self build project, however, you need funds to be available at difference stages during the build so that you can pay for work as the project progresses.

This is why a traditional mortgage is not suitable for self-builders.

In order to keep mortgage outgoings as low as possible you will only need to repay the charged interest during the build phase.

How a Saffron Self Build Mortgage can help you

Most build projects can be broken down into 6 key stages:

- 1. Purchasing the land**
- 2. Initial project costs and laying foundations**
- 3. Construction to wall plate level (and timber frame erected, if appropriate)**
- 4. Building made wind and watertight**
- 5. First fix and plastering**
- 6. Second fix through to completion**

It's important to have a detailed cashflow budget prepared at the outset, so that you know precisely how much funding is required at each stage of your build project.

Saffron's Self Build Mortgage allows you to draw funds at each key stage. At Saffron, we take a flexible approach to when funds can be drawn down and although the stages specified above provide a useful guide that works for some new build projects, we are happy to discuss variations, depending on the nature of your individual project.

For example, you may already own a plot of land, in which case you won't require funding until later in your build project. Or, if your project is a barn conversion or renovation, you may require finance to be made available at different stages. We're willing to look at your project and agree a funding schedule that meets your specific requirements.

How much can you borrow?

Saffron's self-build mortgages start from £30,000 and are available up to £1 million. They are on an interest-only basis during the construction, to help keep monthly mortgage payments down during a period when your financial outgoings will be quite high. We charge an arrangement fee of 1% of the loan.

Here's a typical example of a cashflow budget for a self build project: Please bear in mind this is for illustrative purposes only and is based on a typical 'new build' project with funds being released at the key stages specified above. It does not imply that the costs shown are typical of every self-build project. Costs will vary quite dramatically from project to project, which is why it's important to have a detailed cashflow budget prepared from the outset.

Purchase of land	£150,000
Initial costs and laying foundations	£35,000
Construction to wall plate level (& timber frame)	£40,000
Building made wind & watertight	£20,000
First fix and plastering	£17,000
Second fix to completion	£48,000
In addition, there are also the following costs to take into consideration	
Architects & project management fees	£25,000
Other survey, planning and associated fees	£5,000
Buildings warranty insurance	£2,000
Contingency fund	£33,000
Sub-total of build costs	£225,000
Total budget requirement	£375,000

Many self-builders also use their own savings to finance their build project. In this example the self-builder is also using £75,000 of their own money.

The estimated value of the final property, once completed, is £500,000.

So, in summary, the funding requirement for this project will be:

Total budget required	£375,000
Builders own savings	£75,000
Mortgage required	£300,000

Saffron Building Society offers two types of self-build mortgages:

Type one

- Funding up to 65% of the purchase price of the land
- Up to 100% of the build cost (subject to the loan to value ratio not exceeding 75% at any stage)
- 75% of the gross development value (the final value of the property)

Based on the example:

- 65% of land costs: $£150,000 \times 65\% = £97,500$
- 100% of build costs: £225,000
- $£97,500 + £225,000 = £322,500$
- Gross development value = £500,000
- 75% of gross development value = £375,000

Saffron could lend up to £322,500 for this project, based on the percentage calculations above, and because it represents less than 75% of the final value of the property.

Type two

- Funding up to 80% of the purchase price of the land
- Up to 80% of the build cost (subject to the loan to value ratio not exceeding 75% at any stage)
- 80% of the gross development value (the final value of the property)

Based on the example:

- 80% of land costs: $£150,000 \times 80\% = £120,000$
- 80% of build costs: £180,000
- $£120,000 + £180,000 = £300,000$
- Gross development value = £500,000
- 80% of gross development value = £400,000

Saffron could lend up to £300,000 for this project, based on the percentage calculations above, and because it represents less than 80% of the final value of the property.





How does the Saffron Self Build Mortgage work?

Saffron will agree a schedule with you, so that you know when funds will be released. In the above examples, the initial advance would go towards the cost of purchasing the land.

After this, the money is released in pre-agreed stages as the build project progresses. When you need funds, Saffron instructs a local valuer to inspect the building work. The valuer will confirm if everything is in order for the next instalment to be released. This process continues at each stage until the building is complete, a quantity surveyor may also be instructed if required which will involve additional fees.

It's important to remember that funds are released at the end of each agreed stage, when the work has been completed. If you need to buy materials during a specific stage of the build, you may need to make overdraft arrangements, or keep savings on standby, so you don't run out of funds at a critical stage.

If you as the owner are undertaking the building work yourself, you will need access to cash in advance, to pay for materials throughout the build. If you appoint a builder to complete the project, you could use a JCT* contract. This staggers the builder's invoices in monthly intervals, or across key stages, taking the pressure off your cashflow.

In all cases, a detailed budget with comprehensive incomings and outgoings is vital to the success of your project. Keeping track of exactly how much money you need at each stage of the build, and maintaining a contingency fund, is the best defence against setbacks and delays.

*Joint Contracts Tribunal, a body that provides standard forms of construction contract, guidance notes and other standard documentation for use by the construction industry. Please note that a JCT contract is mandatory if the value of the work being undertaken costs £200,000 or more.

Next steps

You will want to know as soon as you can whether your project is suitable for a Saffron Self Build Mortgage. Your mortgage adviser will be able to provide you with detailed advice and help.

When submitting a mortgage application to Saffron Building Society, you will be required to provide:

- **Outline planning permission, and plans for the project**
- **Copies of architectural drawings**
- **A full breakdown of the work to be undertaken and details of who will carry it out (you yourself, or a contracted builder?)**
- **A detailed budget of incomings and outgoings, with project costs and cashflow projections**
- **An NHBC certificate or equivalent approved warranty** is required. This should be applied for before building work commences, as the warranty provider will need to undertake their own inspections at key stages throughout the build process.**

As with any mortgage application, we will need to see certain supporting documentation, such as copies of pay slips and bank statements. On application, we will tell you exactly what we need.

Every application is subject to the applicant satisfying our requirements, and being able to afford the monthly mortgage payments out of their own income.

**** We accept any of the following warranties: NHBC, Premier Guarantee, BLP**

What happens when your build project has been completed?

At the end of the 24 months or sooner, when your build project has been completed, your mortgage will revert to a repayment basis for the remainder of the term. You will also be sent the details of the retention mortgages that you are eligible for. Or you may decide to remortgage to another lender.



A few final points worth considering

Here are a few final things to think about, and be aware of, as you plan your self build project.

Contingency fund

Ensure you have a sensible contingency fund available, ideally 10-15% of the total project costs. No matter how well you plan your project, unexpected costs are just that: unexpected. Maintain a contingency fund to ensure that unforeseen costs don't de-rail your build.

Beware budget 'creep'

You are building your dream home, and naturally you want to pay attention to every detail. It's very easy to upgrade specifications as you go and the cost of each adjustment may seem inconsequential. However, when added together they can become a significant sum. It's crucial to budget accurately, and continuously check expenditure against that budget.

Don't forget to factor living arrangements into your budget i.e mortgage or rental payments

It's easy to overlook the fact that your monthly mortgage payments will increase as funds are released. Don't forget to build the cost of mortgage repayments into the outgoings section of your budget. Also remember to include any existing mortgage or rental payments that you are making during your build programme (we will take these into consideration when assessing affordability).

Allow a sum for furniture, fixtures and fitting

Unfortunately, completing the build doesn't put an end to expenditure! Make an allowance for carpets, curtains, furniture, and essential services such as gas, water, electricity and telephone connections.

Negotiate prices

Don't accept quoted prices at face value. Many suppliers are willing to negotiate if they believe you're close to placing an order. Small savings across the whole build project can add up to a substantial sum.

Talk to other self-builders

It's worth having a chat to someone who has recently built their own home. They will be able to give invaluable advice based on their own experiences and may also be able to help with lists of local suppliers, builders and architects.

If you want further information

For further details of our Self Build Mortgages please visit us online:

[www.saffronbs.co.uk/mortgages/
self-build-mortgages/](http://www.saffronbs.co.uk/mortgages/self-build-mortgages/)

Or call us on **0800 072 1100**
we'll be happy to help

Useful additional sources of information

Planning permission, regulations, warranty

Planning Portal www.planningportal.gov.uk

NHBC www.nhbc.co.uk

Building plots

Plotbrowser www.plotbrowser.com

Associations

National Custom & Self Build Association www.nacsba.org.uk

National Self Build & Renovation Centre www.nsbrc.co.uk

Community Self Build Agency www.communityselfbuildagency.org.uk

Build a Dream Self Build Association www.badsba.co.uk

Joint Contracts Tribunal www.jctltd.co.uk

Resources and forums

The Self Build Portal www.selfbuildportal.org.uk

Build It www.self-build.co.uk

Self Build Forum www.ebuild.co.uk

The Self Builder www.thesebuilder.com

Self Build Directory www.thesebuilddirectory.co.uk

Build Store www.buildstore.co.uk

Build Base www.selfbuildatbuildbase.co.uk

Insurance help

Self Build Zone www.selfbuildzone.com

Publications

Self Build & Design Magazine www.selfbuildanddesign.com



FIND OUT MORE



Visit us in branch



0800 072 1100



saffronbs.co.uk

Follow us on Social Media



In branch
0800 072 1100
saffronbs.co.uk



YOUR HOME MAY BE REPOSSESSED IF YOU DO NOT KEEP UP REPAYMENTS ON YOUR MORTGAGE

Saffron Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority (Financial Services Register no. 100015) except for Commercial and Investment Buy to Let Mortgages and Will Writing.