

Guide to Self Build Mortgages



SWANSEA
BUILDING SOCIETY

Established 1923

Guide to Self Build Mortgages
For Self Build, Renovations and
Barn Conversions



Protected

Are you thinking about building your own home?

It is important to be aware that although building your own home can be a fantastic experience, it is hard work. Regardless of the build route you choose, there are lots of decisions to make from the outset and you need to be prepared, determined and decisive to keep the ball rolling.

Self build usually conjures images of building on an empty plot but renovation and conversion are also options. You may consider looking at unusual properties for sale or converting an unusual property to achieve your dream home. Alternatively, buying an existing house to knock down and rebuild could be a possibility.

The Swansea Building Society has a wealth of experience in providing mortgages for all of the above and even considers partly completed developments which need additional funding just to finish off.

How does a Swansea Building Society Self Build mortgage work?

Whilst building your own home, you can borrow on an interest-only basis during the construction period (up to a maximum of 24 months). This helps to keep monthly mortgage payments down during a period when your other financial outgoings will be quite high.

If you take a mortgage on an interest-only basis, this mortgage will revert to a full capital repayment on completion of the build or at the latest, 24 months from the first stage release, whichever happens first.

When you revert to full capital repayment you will be able to take advantage of one of our core discounted mortgage products available at that time if the build has completed.

How does the Swansea Building Society mortgage stage payment process work?

Once your mortgage application has been approved, Swansea Building Society will agree an initial release up to a maximum of 70% of the land value which allows you to purchase the land if not already owned outright. If you already own the land and it is mortgage free, we can release up to a maximum of 70% of the land/plot value to help progress the build to the next stage. Work must start within 6 months of the mortgage commencing.

After this, the money is released in stages as the build work progresses (up to 70% of valuation at each stage during construction). When you need funds and you have provided us with an up to date interim architect certificate (or equivalent from the warranty provider who is supervising the build), Swansea Building Society will instruct a local Valuer to inspect the building work. The Valuer confirms that everything is in order for the next instalment to be released and provides the latest market valuation. Restrictions apply in respect of the maximum amounts released at each stage of the build (Max 70% LTV).

This process continues at each stage until the building is complete. Unlike other self build providers, the stage releases are driven by you. Providing you have added value to the build since the previous release of funds you can have as many stage releases as you require. Please take into consideration the cost implication of a Valuer carrying out a re-inspection each time you request funds (Stage release fees will be confirmed prior to application in your personal European Standardised Information Sheet which will show all costs associated with your new self build mortgage).

It is important to remember that funds are released in arrears at the end of each key stage. 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 absolutely the best defence against setbacks and delays.

What information you will need to apply for a mortgage?

Self Build

- Income details – if employed: latest 3 months payslips and latest P60. If self employed: last 3 years accounts and personal tax returns.
- Latest 3 months Bank statements – including business statements if applicable.
- Details of the building plot including its price/value/location.
- If the plot is mortgaged, details of the Lender and the outstanding balance.
- Description of the intended property to be built.
- Anticipated time scale for the build and start date.
- Detailed costings on builders letterhead for the build (including 10% contingency) and estimated valuation of the property once completed.
- What mains services will be available?
- Will the water supply be mains or private?
- Are there any occupational restrictions imposed by the Local Authority?
- Does the land or Planning Consent have any restriction such as section 106 Affordable Housing or Agricultural restriction?
- Copy of Detailed Planning Permission.
- Plans, including elevation drawings and a brief specification.
- Confirmation of the warranty the property will benefit from on completion. It will need to be from a warranty provider that is acceptable to the Society. A list of the firms acceptable to the Society is available upon request
- If the property is to be Architect Supervised we will need to know their name, address and qualifications and also see a copy of their Professional Indemnity insurance policy. If being supervised by warranty provider, proof that the warranty purchased includes supervision.
- Site insurance. (Please see end of leaflet for a more detailed list)
- Building Regulation Approval If the building is listed, both Building Regulation Approval and Listed Building Consent will be required prior to release of any funds.

Barn Conversions

- Income details – If employed: latest 3 months payslips and latest P60. If Self Employed: last 3 years accounts and personal tax returns.
- Latest 3 months Bank statements, personal and business.
- Details of the proposed renovation and its price/value.
- Anticipated time scale for the build and start date.
- Detailed costings on builders letterhead of the conversion (including 10% contingency) and estimated valuation once completed.
- What mains services will be available?
- Will the water supply be mains or private?
- Are there any occupational restrictions imposed by the Local Authority?
- Copy of Detailed Planning Permission.
- Copies of any Local Authority approvals for change of use, if applicable.
- Building Regulation Approval If the building is listed, both Building Regulation Approval and Listed Building Consent will be required prior to release of any funds.
- A Structural Engineer's report. (This may have been done as part of the planning application process)
- Detailed drawings, specifications and costings for the completion of the project.
- Confirmation of the warranty the property will benefit from on completion. If the property is to be Architect Supervised we will need to know their name, address and qualifications and also see a copy of their Professional Indemnity insurance policy. If being supervised by warranty provider, proof that the warranty purchased includes supervision.
- Site insurance. (Please see end of leaflet for a more detailed list)

The different types of planning permissions

- Outline Planning Permission – permission has been granted for some kind of dwelling to be built, but before work can start full details of the build must be approved
- Full or Detailed Planning Permission – permission has been granted for a particular design. Conditions may be attached such as a requirement to build with a particular type of brick
- Listed Building Consent – this will be needed if the property to be renovated or converted is listed. Detailed Planning Permission will also be required as may Conservation Area Consent
- Conservation Area Consent – this will be needed if the property to be renovated or converted is in a conservation area. Detailed Planning Permission will also be required as may Listed Building Consent.

How does Swansea Building Society assess what you can borrow?

Swansea Building Society adheres to rules regarding how Lenders assess a customer's ability to repay a mortgage. Future potential interest rate increases are also factored in to the process.

Part of Swansea Building Society's assessment will start by using standard income multiples on provable income. Our single applicant income multiple is 4.5X or 3.5X joint income (although we will consider higher multiples on a case by case basis if required).

A full Affordability Assessment will be carried out requiring three months personal bank statements (three months business bank statements will also be required for self-employed applicants). This assessment will look at your ability to repay the mortgage along with any other credit commitments and lifestyle expenditure.

How Self Build stage payments work

Predicted outgoings for a self build (for illustration purposes only):
Land purchase price or land value (if already owned) –
e.g. £100,000 = Swansea Building Society will lend a maximum of 70% of this value, ie. £70,000.

The Society will make further payments in arrears, up to a maximum of 70% of the valuation at each stage. This value will be confirmed to us by the original Valuer completing a re-inspection at each stage of the build.

For example; further stage payments on a conventional brick and block construction would take place at the following points; Foundation/Slab, Wall plate, Roof on, Completion. Due to the different types of construction available, Swansea Building Society can be flexible on how you structure your Stage Release payments. Swansea Building Society will advance up to a Maximum of 70% Loan to Value on the final completed valuation (subject to income/affordability).

What next?

If you require further guidance with your future project please contact one of our Mortgage Managers or discuss your plans with your Mortgage Advisor.

On the following pages we have included a Self Build mortgage application checklist and a Property Renovation checklist which details what documents you are required to submit regarding the Self Build/Renovation project along with a list of acceptable and unacceptable property types we will consider lending on.

Self Build Mortgage Application Checklist

Info/documents required	Tips	Confirm
Land Registry Title Number where plot is owned.	This can be obtained from the conveyancing solicitor used to purchase the land.	
Copy of the full detailed planning permission from the local authority.	Can be obtained from the local authority's planning web-site.	
Copy of the Building Regulations Permission from the local authority.	To be obtained from the local authority prior to the build start.	
Copy of any S.106/Agricultural restrictions applicable to the property.	Can be obtained from the local authority's planning web-site.	
Copy of the plans including elevation drawings and a brief specification.	Can be obtained from the local authority's planning web-site.	
Detailed Costings for the build/ renovation/conversion including all relevant costs and fees and confirm if prepared by Building Contractor/QS.	This should be as comprehensive as possible and include a 10% contingency.	
Confirmation of applicants funding for build.	Evidence of min 30% deposit is required prior to completion. If gifted deposit, we will require evidence of the funds in a UK bank account and a letter from the person gifting the money (template to be sought from the Society). Where plot is owned outright and being used as deposit, we will require a valuation showing plot value before completion.	
Details as to whether the build will be Architect Supervised and certified or whether there will be an acceptable warranty scheme such as NHBC available.		
Full details of the Architect who is supervising the build (where applicable) including their qualifications and a copy of their PI insurance is required.		
Confirmation that the Architect is able to provide a Professional Consultants Certificate at each stage release if the Architect is supervising the build and will provide the Completion Certificate at the end of the build.	Where an Architect's certificate is being provided this must be issued by one of the following: <ul style="list-style-type: none"> • RIBA – Chartered Architect • RICS – Chartered Buildings Surveyor • CIOB – Member of the Chartered Institute of Building • BIAT – Member of the British Institute of Architectural Technicians. 	

Info/documents required	Tips	Confirm
(If the build is not Architect Supervised or build by a NHBC registered builder) Confirmation of the warranty to be purchased before the build starts. Confirmation/evidence will be required that the warranty provider will also provide at each stage release a report confirming the works undertaken so far and that these have been completed to the required standard.	<p>If the build is not covered by an Architect's Completion Certificate (or built by a NHBC registered builder), the property must be covered by one of the following warranties:</p> <ul style="list-style-type: none"> • ABC+ Warranty • Aedis Warranties Limited. • Build Zone • Castle 10 Year New Home Warranty • FMB Insurance Services – Build Assure New Homes Structural Defects Insurance • LABC New Home Warranty • NHBC • One Guarantee • Premier Guarantee <p>Other schemes may be approved by the Society where clear evidence is available that such scheme is suitable and deemed acceptable by a majority of other lenders.</p>	
Confirmation of the likely timescale of the development		
Details of who will be undertaking the development and how this will be managed along with copy of the building contract (where applicable).		
Confirmation of who will be undertaking supervision re: building regulations.	This is either undertaken using the local authorities Building Reg's department or by a private firm.	
Evidence of insurance covering the plot during build.	This will be required before completion of the mortgage. The specifics of the insurance will be specified on the Mortgage Offer and must evidence minimum reinstatement value and SBS must be noted on the insurance schedule.	
Confirmation of what mains services will be available.		
Confirmation of whether the water supply is mains or private.		

Renovation Mortgage Application Checklist

Info/documents required	Tips	Confirm
Copy of (if applicable) full detailed planning permission from the local authority.	Details can be obtained from the local authority's web-site.	
Copy of any S.106/Agricultural restrictions applicable to the property.	Can be obtained from the local authority's planning web-site.	
Copy of the plans including any elevation drawings and a brief		
Detailed costings for the renovation including all relevant costs and fees (must be on headed paper and confirm if prepared by Building Contractor/QS).	This should be as comprehensive as possible and include a 10% contingency.	
For purchases - confirmation of applicants funding.	Evidence of min 30% deposit is required prior to completion. If gifted deposit, we will require evidence of the funds in a UK bank account and a letter from the person gifting the money (template to be sought from the Society).	
Re-mortgages.	A minimum of 30% equity must remain keeping the LTV not exceeding a maximum of 70% at each fund drawdown stage.	
Confirmation of the likely timescale of the completed renovation works.		
Confirmation of who will be supervising the renovation and signing off building regulations – e.g. contractors with specialised credentials or local authority building control.	This is either undertaken using the local authorities Building Reg's department or by a private firm.	
Evidence of insurance covering the renovation during the works.	This will be required before completion of the mortgage. The specifics of the insurance will be specified on the Mortgage Offer and must evidence minimum reinstatement value and SBS must be noted on the insurance schedule.	
Copy of the Building Regulations Permission from the local authority (if applicable).	To be obtained from the local authority prior to the build start.	

Acceptable Properties – Self Build, Barn Conversions/Renovation

Freehold houses & Bungalows of Standard Construction.

Modern timber framed properties with external brick skin.

Traditional builds.

Properties with thatched roof.

Modern Oak Frame properties – Refer to Society Manger.

Modern steel frame properties subject to valuers comments.

SIPS (Structurally Insulated Panels) – With an external cladding of Brick, Brick Slip Finish, Cement/Polymer render or Cement Weatherboard.

Septic Tank – Where a shared septic tank is in place, the society will consider these subject to a formal documented responsibilities being in place for all parties in respect of maintenance and repair/replacement and conformation that the tank fully complies with statutory

Partially built properties (subject to)

- Certification and inspection certification by a qualified architect
- Confirmation that the property has been constructed in accordance with planning/building requirements.

Plots/properties subject to 106 agreements.

Grade II listed buildings subject to valuation.

Private water supply subject to certification for the water supply being sustainable and fit for human consumption by a suitably qualified Hydrologist.

Second Homes – Where the property will be occupied by the borrower, typically as a Holiday/Weekend home.

Unacceptable Properties – Self Build, Barn Conversions/Renovation

Properties with Possessory Title.

A group development, e.g. builder/development offering multiple plots.

High Alumina Cement.

Land only where no building planned or commenced.

House subject to Flying Freehold.

Properties that are reported to be contaminated land or within a contaminated land area.

Ultimately the property has to be confirmed as being acceptable for mortgage lending security purposes in the professional valuation report for the Society.



SWANSEA

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Established 1923

www.swansea-bs.co.uk

SBS (GSB 0522)

Swansea Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register Number: 206066

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