



Preparing for an anticipated rise in self-build mortgage applications

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The Home Builders Federation has commented on how modernising the planning process to increase capacity and reduce delays will be particularly beneficial for small and medium-sized builders, including new entrants.

With some of the planning barriers to self-build set to be removed, we could see it becoming a more attractive prospect again for those looking to reap the rewards of designing and building their own home.

It therefore makes sense for the mortgage market to prepare for a ramp-up, both in the range of self-build mortgage products and the quality of advice available.

As a lender we are preparing for an anticipated increase in self-build mortgage applications by ensuring we have the right products in place, with the right protections for the customer.

To that end, we've recently made some changes to our self-build range, available exclusively via BuildLoan, which includes reduced rates and an increased maximum loan of £1m.

The specialist nature of self-build

By its very nature, self-build isn't as straightforward as traditional residential mortgages.

Generally no two builds are the same and the circumstances and requirements of applicants can vary greatly. Lenders and brokers therefore need to understand the various options on the table. This means considering, for example, whether staged payments are value-based or cost-based and paid in advance or arrears, if there's an interest-only period available during the

build, how much of the total project cost can be borrowed and whether there's purchase of land to finance.

There's also more paperwork involved, as lenders will generally ask for things like planning permission, construction plans, site insurances, warranties and cost projections.

Consumer Duty and the self-build

Taking on a self-build project can carry an added level of risk for the consumer, notably the risk of running out of money before their dream home is finished, or taking on debts they can't afford in order to achieve their goal.

Brokers must work closely with their customer and lenders to make sure their customer's expectations are realistic, their project viable, and that they will have funds available when they need them through the various stages of the build.

Via the BuildLoan partnership, our self-build mortgages come with the added benefit of a package of Consumer Duty solutions to help avoid foreseeable harm and deliver great outcomes for every client.

This includes:

- A professional review of expected build costs to reduce the risk of under-budgeting and running out of money down the line
- Stage releases agreed as part of the application with no formal valuations or LTV limits during the build
- A personal cashflow analysis taking into account project costs, the stage release and their own cash available.

The first stage of the process for someone looking to finance their self-build is broker advice, and the quality of that advice is crucial. Customers need brokers who have a deep understanding of the self-build mortgage journey and can therefore support them every step of the way.

Should you have any questions or require more information, please contact your dedicated Key Account Manager or call us on 01494 879500.

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