

# VIEWPOINT

HGC FINANCE

Thank you for reading our newsletter, if you would like to discuss any of the articles further, please do not hesitate to contact us



**HGC FINANCE**

mortgages, protection, wealth

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# What you need to know about self-build mortgages

If you're thinking of building your own home, financing the project may be high on your list of priorities.

Self-build mortgages are different from normal mortgages. They release funds at stages during the building work, rather than in one lump sum when you complete a property purchase. Some lenders also extend a loan to help you buy your plot.

## Types of self-build mortgage

There are two main types of self-build mortgage. With an arrears plan, the funds are released as the various stages of the build are completed. With an advance plan, the funds are released at the start of each stage. The lender will specify what the relevant 'stages' in the build are.

Arrears plans are the more widely available of the two. They require you to provide the initial working capital for each part of the project from your own resources, which might be savings or a short-term bridging loan. You are then effectively reimbursed each time by a mortgage advance, although you will, of course, be charged interest on this amount.

With an advance plan, the mortgage can pay for materials and labour in advance. Self-build mortgages only ever cover a percentage of the value of the land or property – around the 75% to 80% mark. So, even if you have an advance plan, you will need fund part of the project yourself.

## We're here to help

As well as assessing the merits of the rebuild or renovation project, banks and building societies will also scrutinise your personal circumstances to determine how much they are willing to lend.

The interest rates are higher than for a conventional mortgage, reflecting the higher risk associated. You will also need to pay arrangement fees, which vary from lender to lender.

Once your project is complete and the property is habitable, you may be able to move to a lower rate of interest for the duration of the mortgage.

As you might expect, there is a lot of administration and organisation associated with a self-build mortgage – which is where we come in. As well as helping you find a mortgage, we can guide you through the application process, highlighting the paperwork you need to provide regarding permissions and consent, along with other requirements such as insurance and warranties.

No-one should ever undertake a self-build project lightly and the sort of expert, pro-active support we provide can help ensure the success of this kind of endeavour.



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