

# The Criteria Corner



## Top tips from the Paradigm Mortgage Helpdesk

### Welcome back to The Criteria Corner!



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The Criteria Corner is our mini newsletter designed to give you a brief insight into the topics we see frequently on the Mortgage Helpdesk. We aim to provide you with some great hints and tips which will help you with future cases. If you think we may be able to assist with your next case, please don't hesitate to get in touch!

As many readers will be aware, the UK is currently in a housing crisis. With houses being unaffordable for many due to the lack of supply to meet the sheer demand, in combination with other internal and external factors, such as the UK's aim to become net zero, you may find it worthwhile to discuss the potential of self-build and development finance with any prospective builders. This month's edition of Criteria Corner will look to provide a basic **introduction to self-build and development finance** and the Lenders involved.

### What is self-build finance, and how does it differ from a traditional mortgage?

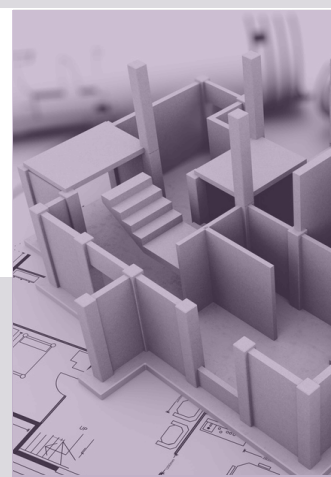
As the name suggests, a self-build mortgage is a specific type of loan where your client intends to purchase land and build (or rebuild) their future dream home. As there is no suitable security property from the outset for the Lender, Lenders will release funds in stage payments to mitigate the risk of funds being misused and ensuring that they are not lending on more than their security is worth.

These payments are commonly released in arrears across six stages of the build once the Lender has confirmed that each stage is complete. These stages include the following: Purchase of land, initial costs and foundations, wall plate level or timber frame, wind & watertight, first fix & plastering and finally, second fix to completion. Once the property is complete, the client is commonly free to switch their product with the current Lender or remortgage away, bearing in mind any potential ERC periods.

### What are some of the key benefits of self-build?

- The perfect home fit to your specifications: A true one of a kind!
- Cost efficiency: Building your own home can be cheaper than purchasing a new build, especially if you already own the land.
- The home will be futureproofed from an energy efficiency perspective.

*“Placing a self build mortgage can be very fulfilling and isn't actually that different from a normal mortgage. There are just a few extra things you need to get right and working with the lender and a club such as Paradigm really helps smooth the process, and make it a positive journey for your customer - Andrew Sadler, Key Account Manager, Suffolk Building Society”*



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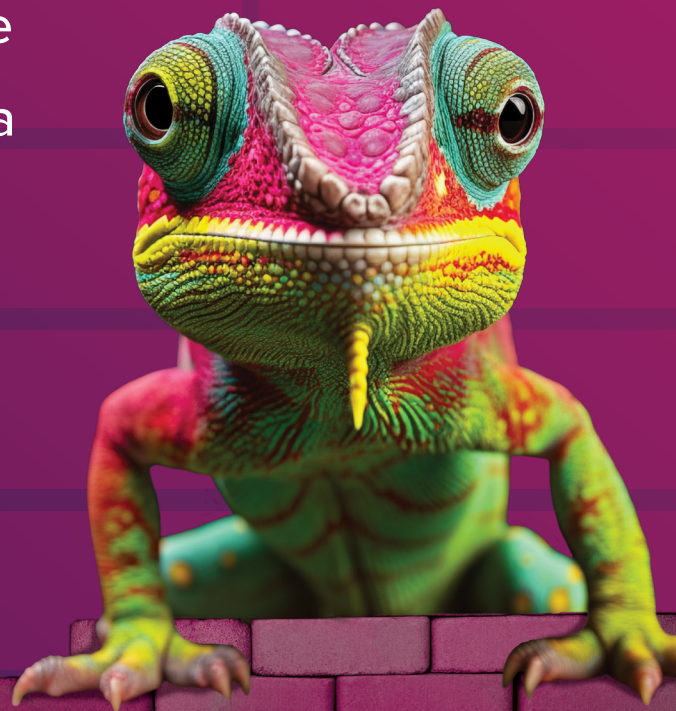
# Building better lending brick by brick

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At Saffron, we have made some big changes to our products and eligibility including:

- Offering 6 x LTI on our Professional Income Boost
- Now accepting foster income
- Enhancements to visa criteria

Visit our web site to find out more or call us on **01799 582925**.





## Direct or Packager?

If you're inexperienced with self-build and are interested in placing the case yourself, you'll find many of the Lenders that offer the finance directly have support teams available that are more than happy to guide an advisor through the process, allowing you more control with your client.

The Lenders that offer self-build finance directly are:  
**Beverley BS, Dudley BS, Earl Shilton BS, Hanley Economic BS, Harpenden BS, Melton BS, Newbury BS, Penrith BS, Progressive BS, Suffolk BS and Swansea BS.**

Many Lenders in the market that offer self-build finance will only offer the loan through BuildLoan, and while there may be additional fees to pay with BuildLoan, there are some key incentives in using them. Some examples include loans with no ERCs, the advance stage payments, cost based lending, higher LTVs and having someone experienced handle the case. While these incentives are standard for BuildLoan, not all of them are exclusive.

The Lenders available through BuildLoan include **Bath BS, Buckinghamshire BS, Chorley BS, Darlington BS, Furness BS, Hinckley & Rugby BS, The Loughborough BS, Mansfield BS, Newcastle BS, Stafford BS, Tipton & Coseley BS and Vernon BS.**

## Mythbusting

- **The client needs to own the land first** Self-build mortgages can also include the land purchase.
- **It must be an empty plot.** Self-build covers an array of projects from ground up builds, knock down and rebuilds, heavy refurbishment, and even part-way built properties (subject to a warranty being in place).
- **It's expensive!** While the interest rates are above what a traditional mortgage would be with a high street bank, you only pay interest on the drawdown amount. If the land is already owned, it can sometimes be cheaper than the traditional house buying process.



## BTL Refurb

With proposed EPC regulation changes, you may find more landlords wanting to refurb their properties. Providing the works are non-structural, Lenders such as **Castle Trust Bank, CHL Mortgages, Hampshire Trust Bank, Keystone, LendInvest, Mansfield BS, Paragon, Precise, Saffron BS, Suffolk BS and United Trust Bank** might be able to help.



Do you have a suggestion for a topic?  
**Email** the team  
FAO: Adam Holmes

**“ Top tip: talk to potential lenders as early as possible as some build choices can severely impact the number of lenders who might lend. E.g. construction type, warranty used, and thinking about cashflow and contingency. ”**  
- Andrew Sadler, Key Account Manager, Suffolk Building Society

As always, we must advise that criteria does regularly change and therefore it is always prudent to double check with a Lender prior to submitting an application. Lenders provided are based on findings at the time of research, and may not include every option available.