

A guide to self build

February 2015



the **melton**
building society

Steps to Self Build Success

As a leading provider of self build and renovation mortgages, we've helped many people realise their ambition to build their own dream home. We understand the entire self build process from start to finish, so you can rely on the Melton to help. This guide will give you a valuable insight into the key steps involved.

1. Project planning

A clear vision of what needs to be done, when it needs to be done, who is going to do it and what it is going to cost is essential. You should always include a contingency – at least 10% of your overall budget is prudent. This money should only be used for unexpected costs during the project, such as additional foundation requirements or unavoidable delays. If you still have the contingency at the end of the build, you can consider upgrading interior finishes or landscaping schemes.

"include a contingency - at least 10% of your overall budget"



2. Finding a building plot or property for renovation/conversion

Finding a suitable building plot can take time and patience, however, online resources such as Plotsearch are a good place to start. Estate agents can also be helpful, but you will need to contact them regularly to keep your name front of mind.

In areas of high house prices, it may be worthwhile purchasing a poor quality house and then demolishing it to create a building plot.

For example, some areas have poorly built bungalows on fairly large plots surrounded by larger houses. However it's always worth speaking to the local planning office to gauge their attitude to this type of development.

It's advisable to obtain a survey of the land. Your solicitor will be able to report on any issues concerning the suitability of the land for purchase including:

- Checking what is likely to happen to land that is in the vicinity of the plot
- Finding out if utilities (gas, water, electricity and phone) are connected or in existence nearby
- Ensuring that the plot is not on a food plain or other potentially damaging watercourse
- Ensuring that brownfield sites do not present unforeseen problems that are connected to its previous use eg chemical contamination arising from a historic industrial use
- Checking that the land is not legally subject to any restrictive land covenants or ransom strips (where somebody retains ownership of a section of the plot that materially affects its use or access).

Many development plots are sold via auction where a 10 per cent deposit will be required on

the day of sale with the balance due within 28 days. Therefore, finance must be in place before the auction. Not all lenders will lend to buy the land so it's important to check – some building societies, such as the Melton, do lend to acquire land.

If the cost of the building plot does not exceed £125,000 Stamp Duty is not applicable.



3. Design your home

One of the most exciting stages of building your own home is the opportunity to have some input in the design. We all have our own ideas of how we would like our home to look and feel, but only a few of us will enjoy the chance to actually participate in the design.

Design is one of the most crucial elements in building your home and time should be taken to learn the various options that you have in terms of style, materials, heating, insulation etc. in order that you can incorporate as many of your own ideas into the plans as possible, bearing in mind your budget, the feasibility of your ideas and the wishes of the local planning authority.

Most self builders will want to appoint a qualified and experienced architect to follow their brief and design the house. An architect can support the whole project, handling statutory requirements such as planning permission and building regulations.

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The costs of architectural services will vary according to the level of involvement, and you should negotiate a fee at the very beginning and have the fee and what it covers confirmed in writing.

Some Architects are members of the Royal Institute of British Architects (R.I.B.A.), but all working in the UK must be registered with the Architects' Registration Board (www.arb.org.uk). Qualified Architectural Technologists also provide services in helping with house design, contact the Chartered Institute of Architectural Technologists (www.ciat.org.uk) for further details.

4. Choose a building approach

Many first time self builders choose to use a package company to guide them through the design and build process. These companies usually offer customisable standard houses as well as a bespoke design option. Other self builders prefer to use an architect and main contractor or professional project manager. Many like to project manage the build themselves, with a view to saving money by keeping a close eye on labour and materials.

The Main Self Build Construction Options in the UK

Some lenders may only consider certain construction types, so it's important to check with your lender.

Timber Frame

Timber frame buildings are very popular with self builders and growing in market share among commercial developers in England and Wales. Oakwrights is one of the leading providers of oak frame buildings, and the Melton provides a discounted mortgage exclusively for customers of Oakwrights. Visit www.oakwrights.co.uk for further information.

Brick and Block

The most conventional commercial building method in the UK, with an inner skin of concrete blocks, an outer skin of facing bricks and a layer of insulation between the two.





Steel Frame

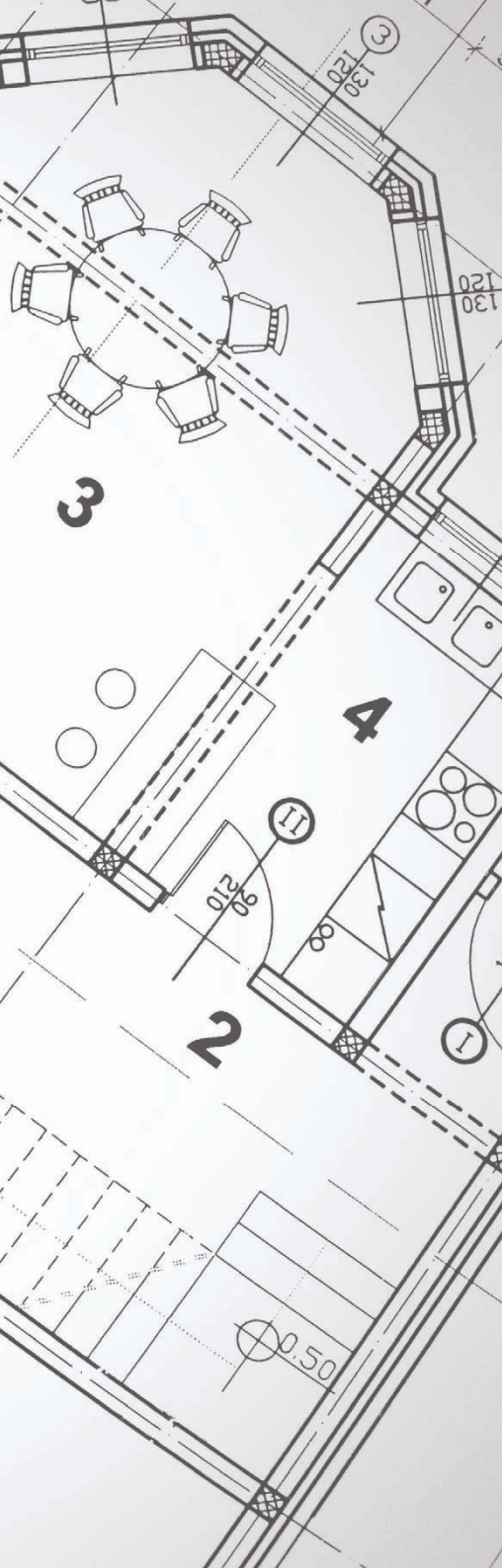
This self-build construction option is popular in the US but rare in the UK. This option will almost certainly require you to purchase a kit on a supply and fit basis and your choice of design will be limited to those offered from the kit manufacturer.

Alternative Building Methods

These include Beco, Styrostone, Structured Insulated Panels (SIPs) and timber clad.

Environmentally Friendly

Incorporating energy efficient features is often a priority for self builders. Some mortgage providers, such as the Melton, offer a self build mortgage with a special discounted rate which recognises investment in energy efficiency. The Melton's Eco Mortgage is available for self build projects, renovations and conversions.



5. Planning Permission

Early contact with the planners is the best way to establish whether your project is viable. Most local authority planning departments offer 'pre-application advice' (some will charge for this service). This can help you get a strong idea of what your planning officer will and won't accept in terms of general style, size and any materials stipulations. It's a great way to make sure you stand the best chance of getting planning permission when you come to submit your application.

When you locate a suitable plot of land make sure you have obtained Outline Planning Permission (OPP) before committing to the purchase. OPP is simply permission for the principle of development on a site. This means that the details of the size, dimensions, materials and access can be decided at a later date. If a plot is granted OPP, you will still

need to make a supplementary application for full planning permission at a later date and no building work can be undertaken on OPP alone. OPP status is usually valid for three years at which point re-application will need to be made.

Next you will need to lodge the plans with your local authority planning department to obtain detailed planning permission and building regulation approvals. Your local authority will charge for these services

as they will need to send out an inspector to view the plot to assess the suitability as well as release details of your application so that objections can be lodged. The details of the planning charges and the separate building inspection charges can be obtained from your local council.

A fee calculator is available on the Government's online planning and building regulation resource, www.planningportal.gov.uk.

The screenshot shows the Planning Portal website. At the top left is the logo for the Planning Portal. To the right are links for 'Login', 'Sign up', and 'English Site'. Below this is a 'High Contrast' button. A navigation bar contains 'Home', 'Do you need permission?', 'Planning', 'Building Regulations', 'In Your Area', and a search box. The main content area is divided into several sections: a large banner for 'The Planning Portal is the UK Government's online planning and building regulations resource for England and Wales' with buttons for 'Find out more about us', 'Contact Us', and 'Read our site cookie policy'; a 'Guidance' section with 'Interactive guides' and 'Planning Practice' subsections; an 'Advertisement' section for 'FREE TICKETS WORTH £34*'; a 'My Portal' section with a 'Welcome to the Planning Portal' message and a video player; and an 'Apply online' section with a list of steps for applying for planning permission and a 'Start an online planning application' button.

“early contact with your planning officer is the best way to establish whether your project is viable”

The council should decide on your application within 8 weeks.

Detailed Planning Permission/ Full Planning Permission (FPP) outlines exactly what is going to be built including dimensions, room layouts and building materials. As soon as FPP is granted building work may commence. Sometimes conditions of approval will be attached and these must be complied with during the project. Detailed planning permission is valid for three years.

In most instances a simple planning application never goes to a planning committee and instead is decided at officer level. This is followed by a period of public consultation about the application. The extent of this

will depend on the impact of the development and the type of area but it will always include local neighbours. This process normally lasts 3 weeks.

Once the local authority has received all the necessary responses, the planning officer will assess the proposal against the local authority planning policies. The planning officer will then make a decision regarding the application or a recommendation for the planning committee.

If there is a problem with your application, the Planning Officer may contact you to try and resolve it. If it is refused, you will need to re-submit an amended proposal or appeal against the decision.

6. Building Regulations

Most building projects have to comply with building regulations. For example, you will need to comply if you put up a new building, extend or significantly alter an existing one (eg converting a loft space into a living space). You may also need to comply if you want to install services or fittings in a building, such as replacement windows, toilets, sinks, or hot water cylinders, or if you change the use of a building, since the new use may mean it does not comply with the appropriate regulations.

If you are unsure whether the work you want to do needs to comply, contact the building regulations department of your local council. They will also be able to advise you about the requirements that apply to the work you want to carry out and what procedures you need to follow.



The primary responsibility for complying with the regulations belongs to the person carrying out the building work. So if you are carrying out the work personally the responsibility will be yours. If you are employing a builder the responsibility will usually be that firm's, but make sure you confirm this position at the very beginning. If you are the owner of the building, it is ultimately you who may be served with an enforcement notice if the work does not comply with the regulations.

Complying with building regulations is a separate matter from getting planning permission for your work. In the same way, receiving any planning permission is not the same as taking action to ensure that it complies with building regulations.

Useful information about planning and building regulations can be found on the Government Planning Portal website,

www.planningportal.gov.uk.

**“complying with
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7. Arrange finance

Self build projects require funds to be made available in stages as the house is being built. The Melton is one of a few lenders who will also lend to purchase the land with outline planning permission, as well as releasing funds in advance of each build stage - the Melton Advance Self Build Mortgage. The Melton also offers a Standard Self Build Mortgage which provides stage payments in arrears.

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

- Purchasing the land
- Initial project costs and laying foundations
- Construction to wall plate levels (and timber frame erected if appropriate)
- Building made wind and watertight
- First fix and plastering
- Second fix through to completion.

TYPICAL EXAMPLE

A typical example of a cashflow budget (for illustrative purposes only):

Purchase of land	£130,000
Initial site clearance costs and laying foundations	£35,000
Construction to wall plate (& timber frame)	£40,000
Wind & watertight	£20,000
First fix and plastering	£15,000
Second fix to completion	£48,000
Sub total	£288,000

In addition, there are also the following costs to take into consideration:

Architect & project management fees	£25,000
Survey, planning, finance and other associated fees	£5,000
Buildings warranty insurance	£1,250
Contingency fund	£33,000
Total budget (including plot)	£352,250

Many self builders use their own savings to help finance their project, so in this example if the self-builder is using £75,000 of their own money and the estimated value of the final project once completed is £500,000, the funding requirement in this example will be £352,250 - £75,000 = £277,250, representing 55.45% loan to value (LTV against the final value).



How does the Melton assess a mortgage application for a self-build project?

The Melton Self Build Advance Mortgage will provide self-build mortgage funding up to:

- 85% of the purchase price of the land
- 85% of the build cost (subject to loan to value ratio not exceeding 75% of final value)

Based on the example, a Self Build Advance Mortgage application for £277,250 is acceptable as it represents 55.45% of the value of the finished property (subject to the

Melton's affordability and eligibility requirements).

Self builders can have their mortgage on an interest only basis during the build period – this is particularly helpful if you are living in a rented property during the build. On completion of the build the borrower must convert to a repayment mortgage and may transfer existing borrowing to another mortgage product with the Society without incurring any early repayment charges (subject to eligibility).

The Melton charges an application fee of £500 and a completion fee of 0.5% of the loan amount for self build mortgages. Other terms and conditions apply.

What do you need?

When submitting a mortgage application to the Melton, borrowers will be required to provide:

- Copy of planning permission and building regulations approval for the project
- Copies of architectural drawings.
- Breakdown of the work to be undertaken and details of who will be doing the work
- Details of the projects costings and cashflow projections.
- An NHBC certificate or equivalent warranty and 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.
- The Melton will also require documentation to support the application in the same way as any regular mortgage eg payslips, bank statements, ID, proof of rent/mortgage payments, proof of deposit etc.



How does the mortgage drawdown process work?

Once a mortgage application has been approved, the Melton will agree a schedule of payment drawdowns with the borrower. The Melton's Self Build Advance mortgage releases money in advance of each stage, including the cost of purchasing the land – this can be extremely helpful for cashflow. The Melton instructs a local valuer to inspect the building work at each build and payment release stage until the building is complete.

8. How can you qualify for a self build mortgage?

To qualify for a self build mortgage, your project must meet the following criteria:

Outline Planning Permission must have been obtained before we can consider your application and before we can release the initial funds to

help you buy your plot of land (Self Build Advance). Detailed Planning Permission must have been granted and approved by the Society before any stage releases can be made.

Building Regulation Approval must have been issued and approved by the Society before building work starts and before any stage releases can be made.

Site insurance must be in place.



9. Other Costs to Consider

As the buyer of the property, you are responsible for completing the land transaction return and paying the Stamp Duty Land Tax. Your solicitor or licensed conveyancer will usually handle this for you and send it to HMRC on your behalf.

Valuation Fees

Mortgage lenders will conduct a survey and valuation of your land for their own records and, even though they charge you for this you will normally find that

this valuation is not passed on to you. You may therefore also wish to have an independent valuation carried out by a professional surveyor for your own use and purposes. Mortgage lenders will normally also charge you for each re-inspection and valuation as the different stage payment points are reached. As there can be quite large variations between different lender's charges, you should seek information about these before deciding which mortgage may be most suitable.

**“It’s important to
arrange adequate
insurance”**

Planning Fees

You should expect to pay fees for drawings and plans prepared by architects or other professionals. You will also have to pay the normal council charges for planning permission, and for building regulations approval and inspections. These costs can be obtained on request from the local council.

Mains Services

If you have purchased a plot of land that is not already connected for mains services like electricity, gas and water, you will need to budget for these to be provided. Depending on the distance to the nearest services these charges can be considerable, and we recommend you establish these early in your project planning by contacting the electricity, water and gas companies. They will have plans of where the nearest infrastructures exist and should be able to provide estimates of costs and the length of time to establish a connection (this can be considerable in some areas).

Insurances

It is important to ensure you are adequately insured. Self build insurance policies are available and can provide cover for:

- Public Liability Insurance - This covers legal liability for claims made by any other person or body in respect of death, injury or loss arising from your building operations.
- Employer's Liability Insurance - This is a legal requirement if you are employing anyone. This can also be a factor if any sub-contractor working for you has an accident on site where your duty to provide a safe working site could be called into question.
- Contracts Works Insurance - Protects against losses through theft, vandalism, structural damage, fire, food, storm damage, damage by delivery vehicles, etc.
- Other insurance - You may also require special additional cover on occasions when any specialist services are being provided on site by third parties.

10. Value Added Tax

Self build homes are exempt from VAT, as are non-domestic buildings with Planning Permission for conversion into homes and certain listed properties. You should be able to reclaim your VAT if you are doing a self build project or converting a non-residential property eg a barn or a windmill. Make sure you keep receipts for all your purchases as you will need these to make your claim.

“Make sure you keep receipts for all your purchases”

“Don’t forget to obtain the Completion Certificate”

11. And finally...

With building work complete and the interiors finished, you’ll be ready to move in to your dream home. There are a few important practicalities to consider – such as obtaining the Completion certificate from building control, ensuring any small issues are dealt with as part of the ‘snagging’ process and making that all-important VAT reclaim.

WHY CHOOSE THE MELTON?

Choosing a mortgage provider is one of the biggest financial decisions most people are likely to make. With so many mortgages available, how do you choose the right product and the right lender for you? We've put together some tips to consider:

- Take a look at comparison tables but remember rates aren't the whole story, you need to consider factors such as fees, introductory periods and terms of the loan.
- If you already have a mortgage, find out what your existing lender can offer, lenders such as the Melton offer rewards for loyalty.
- Brokers will give you advice on choosing your mortgage from the whole of the market, most banks and building societies will only give advice about their own products.
- Most brokers will charge you a fee or earn commission for the products they sell.
- It's a good idea to choose a lender which offers a personal service so that you know exactly who to talk to when you need help - Building Societies have a good reputation for this. The Melton, for example, looks at each case on an individual basis and provides manual underwriting.
- If you're looking for a self build mortgage, you need to talk to a smaller lender that can offer flexibility and ideally a lender with experience of self build finance such as the Melton.

Compare the Melton's Self Build Mortgage Schemes

	ADVANCE	STANDARD
Can I borrow to purchase land for my Self Build project?	We will lend to purchase the land with only outline planning permission required.	We will lend to purchase the land with full planning permission required.
How much can I borrow for my Self Build project?	We will lend up to 85% of the land and build costs providing it does not exceed 75% of the end value.	We will lend up to 75% of the land and build costs.
When can funds be released during my Self Build project?	Funds released in advance of each stage of the build (Subject to a satisfactory reinspection at each stage).	Funds released after each stage has been completed (Subject to a satisfactory reinspection at each stage).
How much of my own funds will be required to start my Self Build project?	Lower upfront costs as the funds will be released to purchase the land.	Sufficient savings required to purchase the land and fund the early stages of the build.
What is the maximum loan I could borrow?	Maximum loan £350,000.	Maximum loan £375,000.
What interest rate will apply to my Self Build project?	A variable rate, currently 4.99% with a discount of 0.10% for 36 months, giving a current rate payable of 4.89% followed by our Standard Variable Rate, currently 4.99% for the remaining term of the mortgage. The overall cost for comparison is 5.3% APR.	A variable rate, currently 4.99% with a discount of 0.10% for 36 months, giving a current rate payable of 4.89% followed by our Standard Variable Rate, currently 4.99% for the remaining term of the mortgage. The overall cost for comparison is 5.3% APR.
What fees will be payable?	Application fee - £500.00. Completion fee - 0.5% of the loan amount Title Insurance Fee - £74.20. Valuation fee (subject to scale). £80.00 reinspection fee payable at each stage Higher lending charge payable.	Application fee - £500.00. Completion fee - 0.5% of the loan amount. Title Insurance Fee - £74.20. Valuation fee (subject to scale). £80.00 reinspection fee payable at each stage.
Can I offset savings against my Self Build mortgage?	The mortgage can be linked with an Offset Share Account (terms and conditions apply).	The mortgage can be linked with an Offset Share Account (terms and conditions apply).

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

The Melton Building Society is a modern, national provider of mortgages and savings, with branches in Melton Mowbray in Leicestershire, Oakham in Rutland and Grantham in Lincolnshire. The Society has been helping people to buy homes and make the most of their savings since 1875 and regularly features in national best buy tables.

For further information about our range of mortgages for self build and renovation, please call the Melton on **01664 414141** or visit **www.themelton.co.uk**





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The Melton Mowbray Building Society is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.