Selfbuild Finance

Contributed by Lee

One of the first parts of the selfbuild maze is working out how to pay for it all. On this page I detail our experiences of raising finance, hopefully without too much jargon ! Surely I just need another mortgage, right ?

One of the first big hurdles faced by most selfbuilders is raising the finance. You will quickly find that "traditional" mortgage lenders will not lend on land - they will only lend against ready built houses. However, help is at hand, there are several lenders that offer selfbuild mortgages. These typically forward money in stage payments, as the land purchase and house build reach certain key stages. Of course, once your house is completed, you then become "normal" again, and the world of "normal" mortgages reopens. Payments in advance, or payments in your ears ?

Selfbuild mortgages can either release money in arrears - IE they release the money after each key stage is reached, or they can release the cash in advance of each stage. It doesn't take a genius to realise that payments in arrears can lead to serious cashflow problems, and advance payments are far more useful. Advance payments mean you have the cash available to buy your materials and pay your tradesmen on time.Who can I borrow from ?

Initially you might wonder how you find these selfbuild mortgages. You might have walked into your typical high street lender, explained what you need, and received a not-very-confidence-inspiring "Ooh, I don't know if we do anything like that, I'll have to speak to someone". It certainly happened to me.

We found a good starting point was in the Homebuilding & Renovating magazine . Towards the back of the magazine is a beginners guide, complete with a list of all the selfbuild mortgage lenders - perfect !Buildstore's Accelerator mortgage

One of the mortgages we'd read about was Buildstore's Accelerator mortgage . It offers payments in advance, and depending on your financial commitments could allow you to stay in your current home while your new one is built. It sounded ideal. They offer mortgages from several lenders, depending on your circumstances, all under the "Accelerator" scheme.

To help guide you through the jungle, they provide an "Online Mortgage Advisor ", where you can plug in all the details about your current income, house value, intended borrowings etc, and it will give you an indication of what you'd be able to borrow. Other advance-payment mortgages

One other company we know of that provide advance-payment selfbuild mortgages is Advanced Flexible Self Build Mortgage Ltd. At the time, Buildstore seemed to offer the right product for us - but AFSBM would definitely be worth a call.How we financed our build...

As you might have guessed, we opted for a Buildstore Accelerator mortgage - in our case the lender was Lloyds TSB Scotland. We found Buildstore to be quite helpful throughout.

In order to be prepared for bidding on land at auction, we first obtained a Decision in Principle, so we could be certain the cash was available if needed, and also be taken seriously by any sellers.

Due to our fortunate position of having bought our existing house before prices started to rise, we had a sizeable amount of equity in the house. We decided to use the selfbuild mortgage to fund the land purchase, then sell our existing house and use the released equity to fund the build costs. Of course this means alternative accommodation is necessary during the build, but that's a story for another page !