

ergfinance®

A Guide to Self-Build Mortgages

Expert advice, practical steps, and lender insights to help you fund and build your dream home with confidence.

Complex finance, made simple.



Introduction

Self-build finance is a specialist area in which we excel. With years of hands-on experience, we've built trusted relationships with leading lenders and intermediaries across the self-build and development space. This enables us to offer tailored guidance and access to bespoke lending solutions, making even the most ambitious projects achievable.

There's a common misconception that self-build is unachievable or unmortgageable. From personal experience, I can confidently say, it absolutely is. With the right planning, support, and structure in place, self-build can be one of the most rewarding paths to homeownership.

"Having built my own home, I've faced the same questions and roadblocks you might encounter. This guide is the result of those lessons learned, designed to make your self-build experience smoother, safer, and smarter."



Ryan Garbett,

Director, ERG Finance



Why Choose Self-Build?

A self-build allows you to create a home entirely tailored to your lifestyle and vision. Done correctly, it can also be more cost-effective than purchasing a completed property of similar specification.

Self-build mortgages differ from traditional mortgages in that funds are released in stages, aligned with the progress of your build. This helps manage cash flow and ensures you're only paying interest on funds as they are drawn down.

Eligible Project Types

Self-build finance applies to a wide range of projects:

- **Ground-up new builds**
- **Custom builds**
- **Knockdown and rebuilds**
- **Conversions (e.g. barns or commercial-to-residential)**
- **Large-scale refurbishments and extensions**

Planning Permission

Most lenders require detailed (full) planning permission before funds are released. Some may support land acquisition with outline consent.

Outline Planning

- **Approval in principle (e.g. land use, access)**
- **Requires a Reserved Matters application for detailed design**

Detailed Planning

- **Full approval to construct the exact proposed design**
- **Usually required before construction funding is available**





Budgeting & Cash Flow

Accurate budgeting is essential. A good builder will provide a cost breakdown. For larger or more complex builds, a Quantity Surveyor may be involved. Early-stage planners can use online tools like [estimators.com](https://www.estimators.com).

Include in your budget:

- **Build costs (landscaping, fixtures, finishes)**
- **Professional fees (planning, architects, insurance, warranties, CIL)**
- **10–15% contingency for unforeseen costs**

Poor cash flow planning is one of the most common reasons self-builds stall. Know when you'll need funds and ensure access.

How Are Funds Released?

Self-build mortgages release funds in stages. Payments are usually interest-only during construction, easing cash flow.

1. Arrears Stage Payment

- You fund each stage upfront
- A valuer inspects work
- The lender reimburses based on value increase

2. Advance Stage Payment

- Funds are released before each stage begins
- Suitable for modular/off-site builds
- Fewer lenders offer this option

Typical Stage Releases (New Build)

1. Land purchase
2. Foundations
3. Wall plate level
4. Wind and watertight
5. First fix and plastering
6. Second fix to completion

For conversions or refurbishments, lenders may release up to 80% of the value at various stages, based on inspections.

Valuations & Inspections

- Most lenders base releases on value increases, confirmed via inspection
- Few lenders (mostly private banks) require Quantity Surveyor-led inspections



Builder & Project Oversight

Lenders want to know who is managing the build:

- A main contractor is preferred
- Self-managed builds may be accepted for experienced applicants with strong project plans

Insurance Requirements

You must have the following before funds are drawn:

- **Site insurance** (fire, theft, flood during build)
- **Contractors insurance** (from each contractor)
- **Buildings insurance** (once construction is complete)



Structural Warranties

A 10-year structural warranty or Professional Consultant's Certificate (PCC) is essential, especially if refinancing later.

- **Accepted providers include:**

- NHBC
- BuildZone
- LABC Warranty
- Premier Guarantee
- Castle 10 / Checkmate
- ABC+ 10 Year
- One Guarantee
- Protek
- ICW
- Advantage AHCI

At ERG Finance, we will check if your provider is acceptable to your chosen lender.

What You'll Need (Additional Documentation)

- Full planning consents
- Detailed build costings with contingency
- Architect plans/specifications
- Project timeline
- Contractor details
- Structural warranty confirmation

Exit Strategy: What Happens After the Build?

Most lenders will offer a new residential product once the build is complete. At this stage, ERG Finance will review the whole market to ensure you're on the best available deal for your long-term needs.



Legal Process Overview

You'll need a solicitor experienced in self-build transactions. The lender will appoint their own legal representation, and your solicitor will liaise with them throughout the process. Expect a slightly longer legal process than for standard purchases.

Common Mistakes to Avoid

- Starting without a structural warranty
- Underestimating costs
- Poor record-keeping or tracking of invoices
- Not understanding lender stage release criteria
- Overstretching cash flow in early stages



Timeline Expectations

- Mortgage application and offer: 4–8 weeks
- Build duration: 9–18 months (project-dependent)
- Refinancing: 4–6 weeks from completion

Self-Build vs Development Finance

If you're building more than one unit or intending to sell rather than live in the property, development finance may be more appropriate. ERG Finance can help you determine which route suits your goals.



Let's Build It Together.

At ERG Finance, we've helped countless clients turn bold architectural visions into reality. If you're planning a bespoke home and want support fr

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Self-Build Jargon Buster

CIL (Community Infrastructure Levy):

A charge imposed by local authorities on new developments to fund infrastructure improvements (schools, roads, etc.). Some self-builds may be exempt—ensure exemption is formally claimed before work starts.

Section 106 (S106) Agreement:

A legal agreement between the developer and local council, often requiring contributions to affordable housing or local services. Less common for single self-builds but may apply in some areas.

Residual Land Value:

A method used to calculate how much you can afford to pay for land. It considers the estimated final value of the finished home, minus build costs, fees, and desired profit.

U-Value:

A measure of how well a building element (e.g., wall, window, roof) retains heat. Lower U-values mean better insulation and energy efficiency.

Stage Payment:

Self-build mortgages release funds in stages as the build progresses (e.g., after foundations, roof, etc.) rather than all upfront. Payments can be in arrears or in advance depending on the lender.

First Fix / Second Fix:

First Fix: All initial construction work—electrics, plumbing, roofing—before plastering. Second Fix: Final works like sockets, taps, internal doors, finishes after plastering.

Structural Warranty:

A 10-year insurance policy covering defects in design, workmanship, or materials. Required by most lenders. Examples: NHBC, BuildZone, Premier Guarantee.

Outline Planning Permission:

Initial permission confirming land use and access. Full 'detailed' planning must follow before building begins.

Self-Build Jargon Buster (cont.)

Detailed Planning Permission:

Full approval of architectural plans including design, layout, and materials—needed for funding to be released.

U-Value:

A measure of how well a building element (e.g., wall, window, roof) retains heat. Lower U-values mean better insulation and energy efficiency.

SAP Rating (Standard Assessment Procedure):

An energy performance rating of a new home. It's required for building regs and influences design choices and heating systems.

Build Route:

How you choose to construct your home:

- Main Contractor: One company handles everything
- Self-Managed: You act as the project manager
- Package Provider: One firm delivers design, materials, and sometimes construction

QS (Quantity Surveyor):

A construction cost expert who can create detailed build budgets, manage cash flow, and help avoid overspending.

MMC (Modern Methods of Construction):

Innovative techniques like modular builds or SIPs (Structural Insulated Panels) that offer speed and efficiency.

PCC (Professional Consultant's Certificate):

An alternative to a structural warranty, issued by a qualified architect or surveyor. Acceptable to some lenders but not all.

Custom Build:

variation of self-build where you work with a developer to personalise a home on a serviced plot (infrastructure already in place).

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