

Mortgages for timber self-build homes

STA guide to ensuring your timber build is mortgageable



Mortgageability concerns

As the benefits of self-building with a timber-based build system become more widely known, self-builders are increasingly using them for their projects. However, some concerns still exist regarding the mortgageability of timber-based build systems.

There can be an assumption that timber-based systems such as timber frame, oak frame, and structural insulated panels (SIPs), are not the norm. Timber-based systems can therefore be seen as ineligible build systems for a successful self-build mortgage application, or at least restrict the self-builder to approaching specialist mortgage providers only. Luckily, this is a myth, and timber-based build systems are increasingly the build system of choice for self-builders thanks to their rapid build times, green credentials, and package approach.

Are timber systems mortgageable?

Modern timber frames built to STA Assure standards are accepted by all self-build lenders; this includes all kinds of timber-based build system. The myth that timber systems aren't mortgageable has risen from self-builders not following the lenders' rules regarding features like cladding. Essentially, lenders set out a range of criteria informing things such as cladding choice and roof type, which you must adhere to if you are to successfully obtain a self-build mortgage from them. The rules imposed by mortgage lenders apply to all building systems, not just those which are timber based, and are intended to safeguard the future value of the property.

As with any type of lending, the lender will assess the risks that lending might pose to them, which is why they set out these criteria. The factors affecting the criteria vary, from the amount of material maintenance required, to the fire risk of certain materials. A lot of this is related to a home's resell value, which the mortgage lender will also consider. For example, if you choose timber cladding for your home, this cladding will need to be maintained every few years. If that maintenance is not carried out, this will devalue the home and affect its ability to be resold. Some self-build mortgage providers will consider these factors as risks and this is why some lenders do not lend to homes built with timber cladding. This isn't to say that funding won't be approved if your heart is set on timber cladding. It just means the pool of lenders from which you can obtain said funding may be smaller.

To qualify for lending, your home must demonstrate adherence to your chosen lender's set of criteria. It's worth remembering that all lenders have different criteria and some are stricter than others. Sometimes self-builders can be unsuccessful when applying simply because they've approached the wrong lender for their project; some lenders just do not lend to self-builders.

The good news is that, providing you're financially viable, you'll always be able to find a lender. The only thing is that, depending on your external cladding and roofing decisions, you might be limited to which lenders you can apply to.



What rules should be followed?

To understand how to navigate the lending process, it's important to first understand exactly how it all works. Self-build mortgage lenders are guided by the Institute of Chartered Surveyors. They will guide the lender on the design's criteria and suitability for lending, and ultimately decide upon the viability of the proposed structure. The problem with these valuers is that often they will simply follow the criteria of the lender and not carry out their own research into new kinds of technology. This is why design features such as sedum roofs require a specialised kind of lender; as they are not very common, they have not been explored by lenders and so you're limited to lenders that have approved projects with sedum roofs in the past.



Unless you're a self-build mortgage expert, it's prudent to speak to what's known as mortgage intermediary. They will offer specialist mortgage advice at an early stage in your self-build project; ideally, before the final plans are drawn up by your architect. BuildStore is a great example of a mortgage intermediary, and will help you understand the lender options you have for your design. This is why it's helpful to approach them at an early stage before the external fabric choice is set in stone, so to speak, as it's best to keep your options open until you know how strict your lender of choice is. But remember, if you really want your new house to include a flat roof, for example, this doesn't mean you won't get funding. All types of external fabric options will be eligible for funding by a lender, you just might not have as many lender options to choose from.

If you approach an intermediary guide at a later stage, your architect or designer should have made you aware that certain cladding or roofing decisions you make could limit your lender options for a self-build mortgage.



Why are timber systems good for mortgage lending?

Modern timber systems have longevity and, built to correct detailing, are durable too. Timber frame, and variations on it, has been around for a long time so the properties and benefits of timber-based systems are well understood. These benefits have only increased over time as technology becomes more advanced and regulated. Timber is a mainstream product with tens of thousands of timber-based homes built every year. In fact, across Europe and some other parts of the world, timber is the market-leading construction method of choice. The end value of a timber-based home is understood.

The risk factor for a build that utilises a timber-based build system is also lower, because the manufacturers are very hands on, designing the frame and erecting the whole kit. This approach ensures a single point of responsibility for the entire build, which should mean the process runs more smoothly than if there had been multiple handovers of responsibility. Using a product or company which has been STA assured should also stand you in good stead in the eyes of lenders. The STA Assure scheme gives lenders the reassurance that the certified products will meet, or even exceed, current legislation and regulatory requirements.

Lending Institutions lending within the Stage Release Funding Arena are in general more comfortable with SIP/timber frame and up to 50% exterior being timber clad. A few up to 100% timber clad.

However, it is the wider arena of house purchase, re-mortgage, buy to let/holiday let and later life equity release where there has been some of the hesitancy. On a positive note, engaging with an STA Assured member together with evidencing an acceptable 10-year structural warranty will give a valuation firm acting on behalf of a lending institution greater confidence to confirm in their remarks that the timber frame property is suitable for lending purposes.

Possible mortgage difficulties

Failure to address the building fabric criteria of your desired lender is the most common reason for self-builders being unsuccessful when applying. Some lenders simply will not consider a house design with a flat roof, for example. The solution is to carry out research into the different lenders you're thinking of applying to, so you can ensure that the type of house you want to build will meet their criteria.

However, you also need to consider your financial circumstances, which will have a significant impact on how mortgageable your project is. As with applications for any kind of funding, you'll need to prove that your financial situation is capable of the necessary repayments, regardless of what kind of build system you're planning to use.

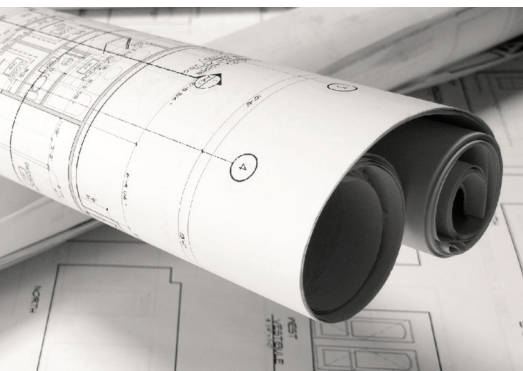


Are different timber systems mortgageable?

The criteria set out by the lenders are informed largely by the external building fabric. In most cases, only the external building fabrics will potentially change the appetite of lenders, not the internal building envelope. The degree to which these components can affect your success at applying for a self-build mortgage varies from lender to lender. There are some exceptions to types of building structures accepted, including timber frames built before 1970, for example, but modern timber-based build systems are fine.

Compliance with eligibility rules

How can you ensure your design complies with the mortgage lender's eligibility rules? There are several things you can do to give your project a much better chance of complying with lender eligibility rules. You could look to use systems which have third-party accreditations, for example the Structural Timber Association Assure (STA Assure) or the British Board of Agrément (BBA). These will give you the confidence that your house will perform excellently and may even bolster your chances of successfully applying for funding.



You should also make sure you know which lenders will and won't lend to self-builders, as this will save you time and stress. Do some research and find out not only the ones who will lend to self-builders, but also what kinds of lending criteria they have in place. If your design absolutely must incorporate a sedum roof, for example, try to find lenders who have supported projects with sedum roofs in the past. And, crucially, you must make sure you can afford the finance in the first place. If the lenders consider you a 'bad' financial prospect, they might turn your project down regardless of the external claddings or build system used.

As soon as you decide on the lender you wish to approach for your project, make sure to let your architect or designer know so they can make sure that they're the right lender for you and the house you want to create. They will be able to design with these criteria in mind to ensure your design will be approved for funding.





Case studies

Craig and LB

Working in the construction industry, Craig understood the importance of build quality when he and his partner LB decided to embark on a self-build. Their first step in understanding how to budget for their new home was to contact BuildStore and go from there. The process took a little over three months; the team at BuildStore were tremendously helpful and pointed them in the right direction.

They decided to project manage the build themselves and, as a carpenter by trade, Craig undertook elements of the work himself including insulating floors, underfloor heating, carpentry, plasterboarding and tiling. The timber frame was provided by Oakwrights.

Both working full time jobs whilst managing the build was at times stressful and exhausting. However, seeing the house progress was the motivation to keep going. Craig and LB are thrilled with their home and are thoroughly enjoying having time to relax and socialise - both of which were sacrificed during the build.



Jenkins

In 2002, the Jenkinsons bought a waterfront plot in Surrey. It had a ramshackle existing property but, as the couple are boating enthusiasts, the location more than made up for it. Almost a decade later, they decided to self-build their own home to utilise the views of the Thames as much as possible. Unfortunately, as the couple wanted extensive timber cladding, they found it difficult to find a mortgage lender who would fund their project and the process took the Jenkinsons 16 months. Luckily, they came across Potton who put them in touch with BuildStore.

After lengthy discussions with the couple about their plot and the kind of house they were after, BuildStore recommended they approach the Bath Building Society. They did, and successfully obtained a self-build mortgage that allowed them to start their journey, adapting an existing Potton New England-style design to suit them. Site access was restricted and the plot also posed a flood risk, so the idea of a Potton kit home featuring SIPs, which have a lot of size flexibility. The completed house is finished in attractive blue cladding and enhances the couple's picturesque riverside plot.





Karina and Robert

Mary Riley Solutions Limited, facilitated funding procurement enabling Karina and Robert to commence their self-build journey, building their new home close to Bath. The Harpenden Building Society were able to provide the funds for their project. The timber frame has been produced and supplied by Scot Frame. Self-Build Zone provided the 10-year structural warranty policy.



Conclusion

The good news is that your choice of a timber-based build system is not the biggest consideration for lenders. They are more concerned with what you will do with it, so choosing to self-build with a timber-based build system will not affect your eligibility for a self-build mortgage in any way. With self-build mortgages for timber-based houses, the question isn't whether or not you'll get one, but actually how many lenders you'll be able to choose from.

The more 'mainstream' your choice of external fabrics for cladding and/or the roofing finish, the more choice you'll have. However, even if you choose external features which are liable to shrink your pool of available lenders, you will still be able to get a self-build mortgage provided you are a sound financial prospect. In such situations, the best course of action is to approach an intermediary guide, such as BuildStore, who'll be able to point you in the direction of a suitable lender for your project.