

Mortgages



Homemade

Your guide to building or
renovating your own home

The
Mortgage
Store

Powered by

 Bank of Ireland

Homemade

Building your own home is an important event in your life. Your new home is not just a financial investment – it's an emotional one too.

The process requires a bit of planning and care and will involve employing building professionals, drawing up plans, deciding on materials, hiring tradespeople and supervising the work in progress – while ensuring that you keep your budget under control. Most importantly, it's a good idea to organise your finance up front.

To help you build the home you want, we've put together this guide to building or renovating your home. The guide takes you through the process, step by step, and tells you some of the key things you need to consider when building or renovating.

We'd like to wish you the best of luck as you plan your new home.

Financing Your Build



Whether you are building a new property from scratch or renovating an existing property, we will be delighted to discuss your plans with you, take you through the steps in the process and let you know what's needed.

A Mortgage for your Self-Build

The Mortgage Store - powered by Bank of Ireland provides a Self-Build Mortgage to help finance build projects, whether for a new home or a residential investment. Unlike a standard mortgage, a self-build mortgage is typically drawn down in stage payments, spread out for up to 18 months as building work progresses.

Your self-build mortgage can cover most of the costs associated with a build or renovation but you will need to have funds available to put into the project yourself.

- The mortgage amount usually covers the build cost including driveway, boundaries and connection of water and electricity.
- Show us how you have saved the required mortgage deposit, and also enough to cover other costs such as insurance, professional fees, furnishings, etc.
- You should also have an extra 10% of the total cost to cover unforeseen expenses (your own funds are put into the project first). The cost of any special conditions attached to the planning permission should also be included in the calculations.

Each stage of work is inspected and certified by an appropriately qualified professional such as a registered architect, chartered engineer, or chartered building surveyor.

Information required by the Bank

There's a number of important documents that you will be asked to provide as part of your mortgage application. Your mortgage broker will be able to tell you what's required but here's an outline:

At the start

- Cost detail - either a fixed contract quotation or detailed costings for each element of the build.
- Planning permission - full permission needs to be in place at the mortgage application stage.
- Initial Valuation - an Initial Valuation report completed by a member of our valuers panel.
- Architect's / Engineer's / Building Surveyor's initial report, completed by your assigned qualified professional (we will give you this form).

During the build

- Report Certificates - before we can release a stage payment, we need a Property Report Certificate from an assigned qualified professional to confirm

the work that has been completed. Mortgage drawdown payments are requested through your solicitor.

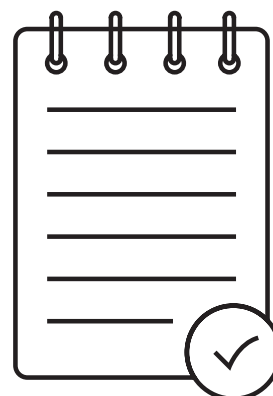
And at the end

- Final Valuation - when the build is complete we will need a Final Valuation report completed by the same valuer who completed the Initial Valuation Report.
- Certificate of Compliance - finally, your Certificate of Compliance completed by your assigned qualified professional and the builder so that we can draw down your final stage payment. Depending on the build, this may be some months after the work has been completed to allow time for defects to appear and be corrected.

Note: The Building Control Regulations allow owners to 'opt-out' of some of the Statutory Certification requirements for certain builds (see Regulatory Requirements section below) but the Bank still requires Report Certificates and a final Certificate of Compliance from your assigned qualified professional even if you have chosen this option.

Summary of the Self-Build Mortgage process

- 1 Your mortgage application**
Your mortgage broker can help you with this.
- 2 Floor level**
First stage payment – certified by your assigned qualified professional and requested through your solicitor.
- 3 Roof level**
The shell or frame has been built.
Second stage payment.
- 4 Finished – property is habitable**
Plasterwork has been completed and the property is finished and habitable.
Third stage payment.
- 5 Post completion**
Final valuation and Certificate of Compliance completed - final stage payment (usually 10% of the loan, or minimum €15,000).



The Planning Phase

Building your own home gives you a huge amount of flexibility – it lets you choose a design that precisely suits your needs now and into the future. You can decide on layout, room sizes and design features to suit your budget.

If you're renovating you will likely be restricted by the original building design but you may still be able to give the project your own personal design stamp so that the finished project is exactly what you want.

This is an outline of the kind of things you will need to think about before any work starts.



Planning considerations

Every building project requires the co-ordination of a series of specialist activities so you'll want to get the planning right up front to ensure everything runs as smoothly as possible. Draw up a detailed project plan that covers the 4 key elements – your design, your budget, build elements including contractors and timelines, and compliance with Building Regulations. Please see Regulatory Requirements page 10.

Planning your Design

Single-story or two-story (or more), high ceilings, an open plan design, rooms for all the family... each design element will have its own benefits and costs. Now is the time to decide what you can afford and which options best suit your needs.

Top Design Tips

1 Site and location

Consider carefully where you want to build. Look for access to services like waste collection and broadband, and amenities such as shops, parks, public transport and schools.

2. Site suitability

Things to consider include the incline of the land (building on sloped site can be expensive), site elevation and proximity to water (you'll want to avoid any risks of flooding). If you're buying a site, hire an expert to inspect it before you commit to buying or commit to a building design.

3. Living Environment

Think carefully about your needs and the needs of your family. Decide how you will use your space, where you will have access to light, what space you will do for storage, etc.

4. Energy efficiency – heating

It's a good idea to give careful consideration at an early stage to the type of heating you want since it can be difficult and expensive if you decide to change at a later date. Get professional advice about the options available to you – it will be worth your while investing in an efficient system as this will save you money in the long run. Consider a couple of

solutions. You might like to supplement your central heating with a range, a solid fuel burner or an open fire – and think about where you will store your fuel.

5. Energy efficiency – windows and doors

Most heat loss occurs through windows and doors so the decisions about the quantity and types included in your design are very important ones. The U-value is the standard measure for the insulation properties of a window – the lower the numerical value, the better the insulation. Have a look at different kinds of windows and get expert advice when seeking the best type to suit your building design.

6. Planning Permission

This application is to your Local Authority. Make sure to check out the Local Area Plan - this will outline a strategy for proper planning and sustainable development in your locality, including any planning restrictions. Your planned design may be influenced by your planning authority which means you may have to compromise on some design features in order to obtain planning permission for your build.

A qualified architect should certify your building plans - you can find an architect at the website of the Royal Institute of Architects in Ireland - www.riai.ie

Costs

Let's look at the various costs that you are likely to incur as part of your build. It's important to get a good handle on these from an overall project perspective and also for your mortgage application.

These are the key cost areas to include your calculations:

- Construction cost and fit out. This will be the bulk of the cost of the project and should include estimates for all of the elements of your build. Some types of materials may be cheaper than others but may not have as long a lifespan – weigh up material costs against longer term efficiency to ensure you get the best value that you can afford within your budget.
- Fees and other costs such as stamp duty, legal fees and valuation fees. Remember also to budget for professional fees associated with design and planning. And ask about Local Authority fees that cover such things as roads, verges, parks and other amenities attached to the locality.

- Financial – mortgage protection cover and building insurance will need to be in place before you can draw down your mortgage.
- Timescale and budget – try and get detailed time estimates up front. Overtime can have a significant impact on the overall build cost or if you need to employ extra people to get a delayed project back on track. Balance your expectations with your budget.

You may wish to employ a Quantity Surveyor who can help you with costs and budgeting – check out The Society of Chartered Surveyors Ireland at www.scsi.ie

The Construction Phase



Get a professional or 'do it yourself'? There's a couple of ways to manage a build project and this may be influenced by the type or scope of the build. You may wish to employ a Building contractor or Project Manager / Structural Engineer to co-ordinate the project, or you can choose to take on this role yourself.

Taking on the role will save you money but be prepared to devote a significant amount of time and energy to the project. Here are some top tips for the Construction Phase:

- 1** Ask for recommendations: If you are using a building contractor it's a good idea to spend time finding the right one. Your builder will be responsible for the site and everything that happens on it. Listen to recommendations from friends. You can get a list of licenced competent builders, contractors, specialist sub-contractors and tradespersons from the Construction Industry Register Ireland (www.ciri.ie).
- 2** Check your contracts: Review all contracts carefully with your solicitor and be sure you are satisfied with the documents before you sign. Making changes at a later stage can be expensive.
- 3** Get the best quality that you can afford: This includes labour, tools and materials. Cutting corners can increase the risk of needing future maintenance and repairs.
- 4** Get accurate quotes: Give your main contractor and tradespeople as much information about your build as possible so that they can give you an accurate quote. Ask for a quote that includes detailed plans and costings for each aspect of your build.
- 5** Get at least three quotes for everything: Read all quotes carefully and make sure that each one is based on the same specifications. Check your quotes against your budget to make sure your original overall cost estimate remains on track. Check that VAT is included.
- 6** Additional work: Insist on a revised quote for any additional work before that work is carried out – you don't want to be caught out with costs that you haven't accounted for.



10 Key Steps in the Construction Phase

The build can generally be broken down into ten steps

1 Site preparation

This includes any demolition required, site clearance, boundary fencing with safety warnings and access to the site.

2 Substructure

Digging and filling the foundations and installing the damp course. A Radon barrier and sump are generally installed at this stage. Radon is a naturally occurring radioactive gas prevalent in some parts of the country.

3 Superstructure

This includes building the walls, putting on the roof, installing ceilings, external doors and windows, and internal carpentry. It's when the main body of the house is built and you can really start to see what the final building will look like.

4 Mechanical and Electrical

At this stage the heating system will be installed along with wiring throughout for lights, sockets, etc.

5 External Works

This includes gutters, pipes and plumbing, and basic landscaping.

6 Finishes

Fitted kitchen and wardrobes, fireplace, bathroom fittings, flooring and decoration.

7 Service connection

Connection of electricity, gas to the mains supply.

8 The Snag list

When your build is complete, draw up a list of anything you find that's not quite right. This is the snag list which generally highlights issues that are easily identifiable. Go from room to room and write down every snag you find – such as water leaks, uneven plaster work, crooked sockets, poor loft insulation or cracked tiles. Don't be afraid to include the smallest thing on your list - it's a standard part of the process.

9 The handover

Once the work is completed you should receive a copy of all the relevant warranties and certificates outlined in your contract. Get the builder's written declaration that the building has been completed and is safe to move into... and your keys!

10 Defects period and final payment

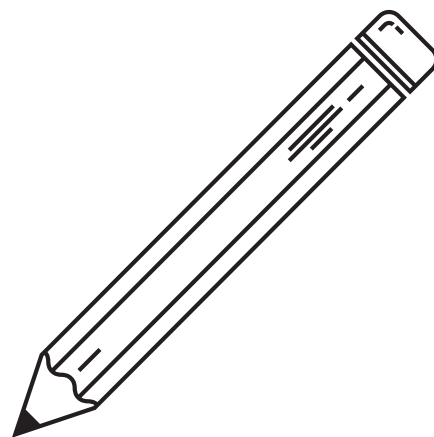
A 'defects' period as outlined in your contract now begins. It allows you to fully test the heating and plumbing system over this period and have any issues rectified. Once the defects / liability period is complete you can arrange final certification and the final stage payment to the builder.

Tips on Avoiding Common Self-build Mistakes



Here's 10 tips compiled from self-build experience that you may find helpful:

- 1** Understand your local council planning requirements and restrictions for your area – you don't want to have to row back on anything if you find you haven't complied with all rules and regulations.
- 2** It may sound simple, but plan how you'll finance your build project before spending any money.
- 3** And don't buy any materials until all the planning is finalised.
- 4** Make sure you have adequate insurance cover for your site and your build.
- 5** Find out if each tradesperson's work is guaranteed and insured. Ask to see a public liability insurance certificate.
- 6** When getting costs, make sure you distinguish between an estimate – an educated guess on the basis of an outline you have provided – and a quotation which is a written exact price.
- 7** Get contracts drafted up for each contractor – include price, scope and timing – and ask your solicitor to review the contracts before you sign.
- 8** Make sure that contracted tradespeople are members of the relevant association and have appropriate certification.
- 9** Deal with issues as they arise as it will likely be cheaper in the long run. No matter how small they seem, don't ignore any issues that come up during the course of the project.
- 10** Stay in regular contact with your contractors – keep a record of progress reports, reasons for any delays and photos of the site at different stages.





Regulatory Requirements

Some information about the Building Control Regulations 1997 to 2015: The aim of the Building Control Regulations is to provide for the safety and welfare of people in and around buildings.

A key part of the Building Regulations covers roles and responsibilities of the people involved in building planning and construction. It includes requirements around competence, adequate resources, keeping records and health and safety.

Steps in the regulatory process (a new dwelling or an extension greater than 40 square metres)

Documentation required at the start

1. A 'Commencement Notice' along with other compliance documents including plans, calculations and specifications. Your Building Control Authority will validate your commencement notice and register it on the public register of building control activity.
2. A 'Notice of Assignment of Builder'.

Additional Statutory Certification and 'Opt-out' option

3. Other statutory documents required at the start include a 'Design Certificate' signed by a registered construction professional, a 'Notice of assignment of an Assigned Certifier', an 'Undertaking by the Assigned Certifier' and an 'Undertaking by the Builder'.
4. For new single dwellings on a single development unit and domestic extensions, the Regulations allow an owner to opt out of some of the statutory documentation requirements – i.e. at the start (documents listed in point 3 above) and at the end of the project (see point 5 below). You can do this by completing a 'Declaration of Intention to Opt Out of Statutory Certification'.

...and at the end

5. A statutory 'Certificate of Compliance on Completion' signed by your builder and by a registered construction professional, together with required compliance documents and the inspection plan

as implemented. (Your Planning Authority will not need these if you have opted out of the additional statutory certification requirements by competing the 'Declaration of Intention to Opt Out of Statutory Certification' mentioned under point 4.)

6. Your Planning Authority will validate your Certificate of Compliance on Completion (if applicable) and reference it on the public register of building control activity.

Full details are in the Building Control Regulations 1997 to 2015 and the Code of Practice for Inspecting and Certifying Buildings and Works, available at www.gov.ie.

More information is available from:

- ▶ Series of planning leaflets dealing with all aspects of the planning system, available at: www.opr.ie/planning-leaflets
- The Health and Safety Authority's 'Guide for Homeowners – Getting Construction Work Done Safely', available at www.hsa.ie
- General advice and assistance on public service matters, including housing matters and consumer rights, is also available through the Citizen's Information Board at www.citizensinformation.ie

If you have any questions in relation to building control matters, contact the Architecture/Building Standards Section of the Department of the Environment, Community and Local Government. You can email them at buildingstandards@housing.gov.ie. Alternatively, contact your local building control authority.

Important information in relation to your mortgage:

Warning: If you do not keep up your repayments you may lose your home.

Warning: If you do not meet the repayments on your loan, your account will go into arrears. This may affect your credit rating, which may limit your ability to access credit, a hire- purchase agreement, a consumer-hire agreement or a BNPL agreement in the future.

The lender is The Governor and Company of the Bank of Ireland. Mortgage approval is subject to assessment of suitability and affordability. Maximum loan is generally 3.5 times gross annual income (4 times gross annual income for first time buyers) and 90% of the property value. We require property and life insurance. You mortgage your home to secure the loan. A typical mortgage to buy your home of €100,000 over 20 years with 240 monthly instalments costs €613.16 per month at 4.15% variable (Annual Percentage Rate of Charge (APRC) 4.3%). APRC includes €150 valuation fee and mortgage charge of €175 paid to the Property Registration Authority. The total amount you pay is €147,482.50. A 1% interest rate rise would increase monthly repayments by €53.89 per month. The cost of your monthly repayments may increase - if you do not keep up your repayments you may lose your home. Available to over 18s only.

Valuation

The Bank requires that you arrange a valuation of the property (or properties) offered as security, carried out by a valuer acceptable to the Bank. You will need to pay the valuation fee direct to the valuer. You need to agree that fee with the valuer (you should expect to pay a fee of €150 to €250 plus VAT but this can vary). If we withdraw the loan offer we may refund this fee. No responsibility is implied or accepted or warranty given by the Bank for the value or condition of the property as outlined in the valuation. The valuation report will remain the property of the Bank and you are entitled to your own copy of the report.

Legal fees

You will need to pay legal fees to your own solicitor, which you need to agree with him or her as part of your own arrangement. This does not include costs associated with the Bank's legal investigation of title for the purpose of the Mortgage.

Arrears - Interest Surcharge

If you do not pay us a repayment instalment or other sum of money by the date you are due to pay it, we may charge you a default interest rate of 0.5% per month or part of a month (which is 6% per year) on the unpaid sum. This default interest is added to normal interest.

We do not charge borrowers default interest when they are in a Mortgage Arrears Resolution Process under the Central Bank's Code of Conduct on Mortgage Arrears and are co-operating reasonably and honestly with us.

Repaying your Mortgage early

When a fixed rate period applies to a Loan or part of a Loan we may suffer a loss if (1) you repay the Loan or part or it before the date you were due to pay it; or (2) you and we agree in writing to change the fixed rate to a new fixed interest rate or to a variable interest rate; or (3) we oblige you to pay all amounts which you owe us following your default.

If we suffer such a loss you must pay us compensation when we ask you to pay it. Such compensation will be equal to "C" where:

$$C = A \times (R\% - R1\%) \times D \div 365, \text{ and}$$

"A" = the amount repaid early (or the amount for which the fixed rate is changed to a new rate) averaged from the date of early repayment (or rate change) to the end of the fixed rate period to allow for scheduled repayments (if there are any) and interest charges.

"R%" = the annual percentage interest rate which was the cost to us of funding an amount equal to "A" for the originally intended fixed rate period.

"R1%" = the annual percentage interest rate available to us for a deposit of an amount equal to "A" for a period equal to "D".

"D" = the number of days from the date of early repayment (or rate change) to the end of the fixed period.

Here is a worked example:

Let us assume you wish to repay €100,000 on a fixed rate before the fixed rate period ends.

"A" = €100,000, "R" = 5%, "R1" = 3%,
"D" = 2 years or 730 days:

$$C = €100,000 \times (5\% - 3\%) \times 730 \div 365$$

$$\text{So, } C = €100,000 \times 2\% \times 730 \div 365$$

$$C = €4,000$$

If you owe us compensation (the amount equal to "C"), we will add the amount to your mortgage loan account on the day after the fixed rate ends early for any of the reasons set out above. This means that interest will be applied to it at the same rate that applies to your mortgage loan. If you wish to pay the compensation amount, you can do so at any time by calling the Bank on 01 611 3000, Mon to Fri 9am-5pm, and arranging to pay the amount equal to "C".

Readers are strongly advised to seek professional advice and not rely solely on the contents of this booklet. Bank of Ireland does not accept responsibility for information on third party websites.