

Construction Guide

Building or Renovating?

If you find yourself making decisions about whether to renovate or build, there are a lot of things to take into consideration. In terms of finance, there is a big difference between cosmetic home improvements and structural renovations (building with a new home construction loan).

A loan for cosmetic improvements is usually straightforward if the applicant has equity in their property.

A loan for structural improvements can be more complex, especially when there is insufficient equity in the property at the time of application. In such cases, the outcome of a loan application will depend on how much value the renovations will be adding to the property.

If you're building a new home, then you'll need a new home construction loan. The application process is different from a traditional home loan, with more documentation required – for example, building contracts.

The important thing about any new construction loan is structuring it so the money is available as and when you need it, so you can cover costs as they come up. When it comes to setting the budget, expect overruns and always factor in additional costs. Also, you may need to factor in the cost of renting another home for several months – and two sets of moving costs – so be sure to expect these costs and over estimate your requirements.

Once your loan application has been made, the amount for which you apply cannot be changed. If there are budget blowouts, then it's you who will be meeting the costs. If you're looking to renovate a property for investment purposes, it's very important that you seek the advice of your accountant to ensure there are no tax implications. As all construction loans, we have different requirements speak with your Accredited Affordable Finance Broker first about all the lending possibilities and scenarios, and then make the appointment with your accountant.

When constructing a new home, building is generally completed in several stages. With our Building loan, rather than settling a loan for the entire cost of building the home, the loan is drawn down in stages through progressive payments.

<p>How loan is drawn down</p>	<p>The builder will issue you with approximately 5 invoices during the course of construction. As each claimed stage has been completed, you will authorise us to pay the builder. Prior to making a payment to the builder, we may inspect the property at our discretion to ensure the works claimed are completed</p>
<p>Loan Options</p>	<p>The building loan feature is available on all term loans including the 100% Offset Home Loan, with fixed or variable interest rates available.</p>
<p>How do I authorise each claim to be paid?</p>	<p>With each builder invoice, you will need to visit the construction site to confirm that the works claimed are substantially complete. You will also need to check the amount claimed by your builder against your building contract payment schedule, to ensure they are not claiming more than they are due. If you are satisfied with the claim, send a Progress Payment Authority form, (which will be included in your loan documentation), and the builder's invoice to us for payment.</p> <p>Note: It is important that you do not authorise payment prior to the works being substantially completed, as you may risk breaching your indemnity insurance policy.</p>
<p>How long will it take to forward payment to the builder?</p>	<p>There is a 5 business day processing time to respond to the builder's claim after we receive the Progress Payment Authority form and the builder's invoice from you.</p>
<p>When do I have to use my own funds towards construction?</p>	<p>When your total building cost is greater than the amount of funds that the bank is holding in your building loan account, you will be required to use your own funds towards the cost of the building project.</p>

	<p>For example:</p> <p>Total Building Cost.....\$150,000</p> <p>Loan Amount.....\$130,000</p> <p>Difference.....\$20,000</p> <p>This \$20,000 difference must be paid to the builder prior to us releasing any of the funds that we may be holding. You will not be able to pay this difference during construction until the end of the construction (i.e. after last claim stage).</p> <p>Note if we are also lending for the land purchase then the \$20,000 will need to be paid at land settlement along with any other deposit.</p>
<p>Can builder's claims be paid before the work is complete?</p>	<p>No. All payments made by us are made in arrears; therefore the work must be substantially complete before payment will be forwarded. We will forward payment to your builder, the lesser of:</p> <ul style="list-style-type: none"> • the amount claimed by the builder; • the amount stated in the building contract payment schedule; • the amount authorised by you; or • the amount our valuer authorises (where we require an inspection) <p>Request for payment for materials that are yet to be fixed to the construction site will not be processed.</p>
<p>How do I request funds for work not included in the contract with the builder?</p>	<p>All payment requests, Progress Payment Authority forms and supporting invoices must be submitted in writing to us. Prior to making a payment, we may inspect the property at our discretion to ensure the works claimed are completed.</p>

** Terms conditions & lending criteria applies. Full details of terms & conditions available upon application*