

**Making construction
loans easier**



GreaterBank 



A guide to Greater Bank's construction loans

Constructing a home can be a big project. It does provide you with the freedom to be creative and allows you to design a home that meets your needs and lifestyle.

Due to the complexities of construction – building a new home or renovating an existing place, it is important that you have a robust plan and flexible home loan to assist you.

Your builder will require payment at key stages of your build. Instead of drawing down the whole loan amount upfront, we will progressively draw down the loan (called progress payments) to pay your builder. Having a construction loan means you only pay interest on the funds you've used.

You have the option to request interest only or principal and interest repayments on your loan. With an interest only loan, your repayments will be reduced as they only cover the interest on the loan for the period you request up to a maximum of 5 years (depending on reason of your request). During the interest only period, you do not pay any amount off the principal, so your loan balance does not reduce as you construct your home. For more information about Greater Bank's interest only loans refer to our Interest Only Loans Product Schedule on our website under disclosure documents.

This information guide will take you through the loan process to help you construct your home: starting at application, through to being able to make payments to your builder and finally having your loan fully funded.

We are here to assist. Please don't hesitate to reach out to your lending specialist should you have any queries as you progress along your new home construction journey.



Items to consider when building your home

Choosing a builder:

The Housing Industry Association (HIA) or the Master Builders Australia (MBA) can provide a list of their members that may assist you in selecting a builder.

Take your time, talk to friends and family who have already built, as your choice of builder can have an impact on your overall building experience. Visit display homes, check each builder's quality of work, reputation and service. It is essential that the builder is licensed and accredited. You can use state government websites (e.g. Service NSW) to check the validity of the builder's license details online.

Greater Bank requires you to enter into a fixed priced contract with the builder and not a cost-plus contract. A fixed priced contract is where the builder agrees to complete the work for a fixed price. Whereas a cost-plus contract is where the builder is paid for the actual work plus a fee, making the final cost difficult to predict.

Budget:

Your chosen builder will be able to assist with the costs to finish your home but remember there may be other costs associated with building. You should consider costs relating to variations or any items not covered by the building contract such as landscaping, appliances, window furnishings, driveway, fences, and furniture. You may also need to put money aside for demolition, site preparation, council costs and rent while you build.

Other items to consider:

Harsh weather and unforeseen circumstances may delay your build, so be prepared for agreed delivery timeframes to be extended.

Think about your design and any future plans you may have, such as a growing family, visitors or ageing parents.

Certain regulations imposed by local councils and government may impact your design and landscaping choices which should form part of the Development Application (DA) process.

You will need to monitor the construction to ensure that the builder delivers on the works that you have agreed to. You might like to seek independent legal advice prior to signing your building contract.

Construction loan process at Greater Bank

To help you start your journey and plan for your new home, it's a good idea to get an indication of how much you can borrow. To apply for conditional pre-approval, we will need information and evidence of your income, expenses, assets and liabilities and identification, as well as all building quotes or tenders.

Approval process

We can progress your loan application once you have your final:

- Fixed priced building contract (can be unsigned at this stage), plus any variations
- Current quotes and payment terms for any major work outside main project build (if applicable)
- Site plan
- Building plans and specifications (do not need to be council approved at this stage)

We will arrange an "on completion" valuation by one of our registered valuers to confirm the projected value, based on land and building contract value.

We also require documented evidence of any money you need to contribute towards the cost of the build and subject to you meeting our lending criteria, formal approval is then provided.

Acceptable building contracts

The contract needs to be a fixed priced contract, that provides a progress payment schedule. As a guide, below and next page are the typical progress payment stages and acceptable payment ranges during the construction period. These may change depending on your builder and the complexity of the build.

NSW

Stage	% of contract price
Deposit	10%
Base	15%
Frame	30%
Enclosed	30%
Fixing	10%
Final	5%

QLD

Stage	% of contract price
Deposit	5%
Base	20%
Frame	30%
Enclosed	30%
Fixing	10%
Practical Completion	5%

Inspections

The property will need to be inspected, once mid-way through construction and once after construction is complete (final inspection), to ensure that the build meets all of the necessary building codes and regulations.

Prior to commencing construction

Once you've received your formal loan approval and signed your loan offer, Greater Bank will request the following from your builder:

- Copy of builders' licence
- Proof of insurance - Home Building Compensation Fund, public liability and 'all risk' cover
- Signed building contract plus any building contract variations
- Copy of stamped council approved plans and specifications

Once the builder has provided all required documents, we will issue an "Authority to Commence Construction" letter to yourself and the builder. Building works must not commence before this letter is issued.

Construction and progress payments to your builder

Exciting news, your build is underway! You are required to make a progress payment to your builder. What now?

If you are contributing funds from your own savings, this amount will need to be paid first, prior to Greater Bank contributing any funds from your loan.

To make a payment from your loan, we will require:

- An invoice from your builder
- Confirmation that the work for which the payment is being requested has been completed to your satisfaction and your authorisation to make the payment. This is done by signing an "Owners Progress Payment Authority" form and emailing the completed form to MPT@greater.com.au

Please allow 3 to 5 business days for payment.

After each progress payment, we will notify you of your new monthly loan repayment. You only pay interest on the funds you've used and the loan repayment amount is based on your outstanding loan balance as you progressively draw down your loan. As you draw down more of your loan, the repayments will increase, and you'll need to budget for this.

If your situation changes at any time during the build, get in touch with us as soon as you can.

Final progress payment

Your new home is now complete, and you are required to make the final payment to your builder. To make this payment and help to get you into your new home, we require:

- Final invoice from the builder
- Signed Owners Progress Payment Authority form
- A copy of your home building insurance policy noting Greater Bank as an interested party

We will arrange for an inspection to be completed by our valuer, to confirm that your home is now complete.

Please allow 5 to 7 business days for this to be finalised.

Home and contents insurance

A home building policy must be in place prior to the final progress payment being made. Having the appropriate insurance can offer reassurance that your home and contents are protected in the event of an insured event. Greater Bank can assist you with arranging Home, Contents or Landlord Insurance. Simply speak to your lending specialist to obtain a quote.

Move in checklist

Prior to finishing your home and getting those keys handed to you, there are a few items that you might like to think about in readiness of moving into your new home.

4 to 6 weeks out from moving day:

Book a removal company or rent a van/ truck and ask family and friends for help

If you are renting you will need to give your real estate agent notice that you are moving

Start decluttering and donate or dispose of items you don't wish to take to your new home

Complete a floor plan of your new home and check to confirm that your furniture will fit, especially the fridge

Create a folder for all your important documents

Use up all opened packets and dispose of any outdated pantry items

Check freezer and start to eat or throw out food

Arrange time off from work (if required)

Arrange for your existing place to be cleaned professionally

Arrange to have mail re-directed - notify Australia Post

HINT: Pack an essential items box (that includes, coffee, tea, snacks, mugs, plates, cutlery, linen, toiletries, kids' toys, pet requirements, screwdriver, Allen keys, hammer, light bulbs, medication, scissors etc), in case you are too tired at the other end to unpack straight away. This will ensure that you still have access. You may also wish to pack an esky with ice and drinks to ensure you stay hydrated on the day.

Utilities and services:

Contact current providers to disconnect utilities from old home and connect to new home (electricity, gas and water, phone/ internet etc)

Update any security system you may have on your existing home and transfer to new home

Change mailing address with all financial institutions, drivers and any other licences, electoral roll, insurances, superannuation, share portfolio, toll services etc.

Frequently Asked Questions:

What if I wish to manage the build myself?

You would be considered an "owner-builder". Greater Bank do not offer construction loans on this basis. There must always be a registered builder involved, with a fixed priced contract.

What is a fixed priced contract?

This is where the builder has agreed to complete the construction for an agreed fixed price, subject to any contract variations that may be detailed within the building contract.

What is a cost-plus contract?

This is a type of contract where the builder is paid for the actual cost of work completed plus a fee. These types of contracts come with greater risk for the owner, as the final building cost can be difficult to predict. Greater Bank does not approve construction loans for cost-plus contracts.

Do you charge a fee at each progressive drawdown?

A fee is not charged for the initial drawdown but is charged for each progress drawdown payment after that. To understand more in relation to the terms and conditions, fees applicable and government charges set out in your loan agreement, please speak to your lending specialist or refer to our website.

What documentation is required from my builder to enable the payment to be made quickly?

Your builder is required to provide a tax invoice with their ABN, that matches the progressive payments outlined in the fixed priced building contract and the account details for payment.

Do I need a construction loan if I wish to renovate my home?

No, a construction loan with progressive payments is not always required. If you wish to complete internal renovations such as a kitchen or bathroom upgrade or new flooring and some painting, you may be able to apply for an increase to your existing home loan. Please speak to your lending specialist about the right loan for your needs.

Can changes be made to my building contract as the build progresses?

No. Any increase or decrease to the current building contract is likely to impact our security value. Where there is an increase in funds required, you will need to cover these changes from your own funds.

What if I remove an item from my building contract and the amount decreases?

If there is a decrease in the contract price, the funds allocated for the items that have now been removed from your loan contract may no longer be available to you. Please speak to your lending specialist to understand your options.

What if I need additional funds?

You will need to submit a further application that covers the increase. Your application is subject to normal Greater Bank lending guidelines and application criteria.

What if I have cost overruns?

Any overruns must be paid by yourself from your own funds. The drawing down of funds may be suspended until all cost overruns have been met.

What needs to be included in my building contract?

Your fixed priced building contract should provide a description of the works to be completed, including plans and specification, the contract price and payment schedule including timeframes, along with inclusions and exclusions. For more information and guidance on building contracts, see the NSW Fair Trading website.

How do I use the equity in my existing property to assist with my build?

If you are wishing to use the equity in your current property, you should speak to your lending specialist to understand your options and the amount that Greater Bank can assist with.

What if I have an existing land loan?

If you already have a loan with Greater Bank this means that we already hold your property as security. You may wish to combine your existing loan with your construction loan, or you can elect to keep your loans separate. If your land loan is with another institution, then it will need to be refinanced to Greater Bank. Please speak to your lending specialist to understand your options.

What if I need to complete a knock down rebuild?

You may be able to use the equity in your current land value to assist with this type of construction. Please contact your lending specialist to talk through your next steps.

There has been a delay in the commencement of the build, what happens?

Any delays in a build may have an impact on your already approved loan. Please ensure that you reach out to your Lending Specialist to discuss your options.

When do I need to get home insurance?

Home insurance is required prior to the final payment, with Greater Bank noted as the finance company/bank.

Can my construction loan cover my driveway, fences, and landscaping?

Some builders will include these items as part of the building contract. If these items are not included in your contract, they would be considered as extras. It is important to get quotes for extras if you require funds to complete these works as part of the construction process. You should speak to your lending specialist to understand your options.

Who makes sure that the build is being completed in accordance with the contract?

You should conduct regular checks on your builders' workmanship as it is your responsibility to ensure that you are satisfied with the quality of construction prior to you signing and authorising us to make the payments to your builder.

You may want to consider engaging qualified professionals who can assist you by completing these checks on your behalf.

What happens if I have a dispute with my builder?

You should first try and resolve any issue with your builder through negotiation or mediation. If you are unable to resolve your dispute with your builder, please seek legal advice.

Greater Bank will not become involved in the dispute, but you should inform us of any issues.

What are progress payments and how do they work?

Progress payments are the way funds are released when you take out a construction loan. Instead of receiving your funds all in one go at the start of your build, you receive instalments throughout construction as each stage of the build is completed as agreed in your building contract.

Contact us:

If you have any questions or want more information:

Drop into your local branch

Find a mobile lending expert close to you and request a callback by visiting greater.com.au/mobile-lenders



For more information call **13 13 86**,
visit greater.com.au or come and chat
with us at your local branch.



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