

Borrower's Guide to Construction Loans

Thank you for choosing a Construction Home Loan. As you may be aware, a construction loan operates slightly differently to your standard home loan. This guide will assist you to understand what we need. Please see your terms and conditions for further information.

How does a Construction Loan work?

With a standard home loan, all loan funds are advanced at settlement – by paying a purchaser, for example. However, with a construction loan, we will usually retain all of the cost to construct your property (this is usually the fixed price building contract amount).

Construction funds are progressively drawn down at each stage of construction. Each progress drawdown is referred to as a "Progress Payment". Progress payments are made directly to the builder.

If we are only funding a portion of the cost to construct your home, you must contribute your own funds before you can draw down the loan funds. Similarly, funds retained for construction cannot be used towards the purchase of land.

Payments you must make during construction

You must make interest payments on your construction loan during the construction period, interest is charged on the funds that you draw down. We will contact you before the final progress payment about the payments that you must make after the final progress payments. After construction is completed and we have received all the information we require, your loan will convert to a Principal and Interest loan.

The construction of your home must commence within 12 months of loan settlement. Construction must be completed within 12 months of first progress drawdown.

Construction Drawdown Fee

We charge a Construction Drawdown Fee of \$300 to cover the cost of all progress payment requests during the construction stage of your loan. This fee will be deducted from construction funds retained by us. This means that the amount of funds available for the final progress payment will be affected.

Progress payments

What do we need before we make the first progress payment?

You must provide the following information to our Customer Care team before the first progress payment:

- Copy of stamped council approved plans and specifications
- Copy of Builders All Risk Insurance (either on insurers letterhead or certificate of currency)
- Copy of Owners Warranty Certificate
- Executed fixed price building contract (if you have not provided it to us previously)
- An authority from you to pay the builder

We may release a maximum 5% of the building contract at settlement if you have already paid that to your builder. You will need to give us a receipt of that payment.

When are progress valuations required?

We may arrange for a valuation before all progress payments. Generally, we will arrange for a valuation for base, lock-up and completion stages. We will arrange for a valuation before all progress payments if the construction contract is outside HIA standards

How can I request a progress payment?

Please provide the following information to our Customer Care team prior to paying your builder at each completed construction stage:

1. Progress Payment Claim Form signed by borrower(s) authorising the payment.
2. Copy of builder's progress claim or invoice.

Note: We will only advance funds for works that have been completed. We will not advance funds for materials purchased or delivered on-site but not incorporated into the structure.

What do we need before we make the final progress payment?

Please provide the following information once construction is completed:

1. An **Occupancy Permit**, acceptable to the Lender in respect of the building works, and any other permission that is required by any relevant authority in relation to the occupation of the land (not applicable in WA).
2. A Building Insurance policy or Certificate of Currency for an amount not less than the value of the completed building.

Once you provide the above requirements we will arrange for our valuer to conduct a final inspection.

Who can I contact and where should I send my documents?

Your broker can assist you with submitting the relevant information and forms we require. You can also contact our Customer Care team on:

ChoiceLend

Email: customercare@choicelend.com.au

Phone: 1300 144 554

Fax: 1300 401 684