

Construction loans made easy.

Your step-by-step guide to construction loans.

A comprehensive guide to construction loans.

Finding the right property that meets all your needs is not always easy. Building a home can be a big project, but it gives you the freedom to get creative and design a property tailored to suit your lifestyle. So whether you're renovating, knocking down an existing property and re-building or starting fresh, a construction loan may meet your needs.

This guide will help you understand the process of building a new home, so you can be in control.

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Stage 1:
Your home, your way

There are many considerations to take into account when thinking about designing and building a property. It's important to know what to expect and the benefits and trade-offs of a construction loan.

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Before you begin ask yourself:

Do you love your neighbourhood and where you are?

Do you like the style of your existing home but need more space?

Do you have a budget you want to stick to?

You may consider renovating your existing home by extending and adding bedrooms, bathrooms and living spaces.

Do you want to stay where you live?

Do you have a good block of land but the home is old or not to your style?

Do you want the flexibility to design and choose the features of your new home?

You may consider knocking down your existing place and building a completely new home. This may be financially beneficial as you already own the land.

Are you ready for a change from your current neighbourhood?

Can you commit to the time needed for a new construction?

Do you want the flexibility to design and choose the features you want in a home?

You may consider purchasing a block of land in a different location and building a new home.

Key benefits

- You can choose exactly what you want to renovate in your home without needing to knock it down.
- You usually don't need to move out while renovating, which could save you money by not paying for storage or rent.
- It can add value to your existing home, so if you do decide to sell later you may get a better price.

- If you love your neighbourhood, you get to stay where you are.
- You can choose a home design to suit your needs and everything is brand new.
- Building your new home gives you the opportunity to plan for your future (e.g. building a bigger home with more bedrooms or having a two storey home instead of one).

- You have the opportunity to customise your home to suit your lifestyle.
- For the first few years, there's less likelihood of regular repairs and maintenance.
- You can benefit by having a sustainable and energy efficient home by incorporating newer designs and technology (e.g. solar panels or placement of windows). This may also be financially beneficial as you may save money on your utility bills.

KEEP IN MIND: It's important to understand the market conditions, overall value of your property and location when deciding your budget and the scale of your renovation or new build. This is to ensure that your renovation or new build doesn't outweigh the value of your home if you decide to sell it later (also known as over capitalisation).

Reasons to build your home



Design

You can choose the model and layout of your home, then work with a builder or architect to tailor each room to your needs – from the floorplan to the lighting fixtures and tap fittings.



Lifestyle

You have the freedom to build your home in your chosen location. This could include choosing to keep your existing home and renovating it to suit your lifestyle or starting fresh in a different location.

If you're buying land at the same time, your new home may be built in a planned community, with other people in a similar situation. Planned communities often have recreation, retail, transport and healthcare facilities with safe roads and pathways, giving you access to services you may need now and in the future.

When your home is finalised, you can move in straight away and won't have to wait for tenants to move out or deal with damage from previous owners.



Budget

A new home will have all the latest construction techniques, modern materials and environmentally sustainable elements that may save you money down the track. These may include lighting, planned workspaces, entertainment areas, insulation, and energy efficient heating and cooling systems.

You can choose the features of your home according to your budget and won't need to spend as much on repairs and maintenance for many years.

If it's your first home and you meet the eligibility criteria, you may be able to apply for government grants and/or schemes in some states, such as the First Home Owner's Grant, and First Home Guarantee.

There may be financial benefits for buying off the plan that give you more time to save a deposit.



Considerations

- You may need to pay rent while your new home is being built.
- There can be unexpected costs discovered in the initial site preparation, or dealing with issues not covered in your building contract.
- Many housing packages don't include the high quality finishes you would like, which means you'll need to pay more for anything other than the basics.
- You'll need to monitor the construction as it progresses to ensure the builder completes works and delivers to what you've agreed.
- There may be delays with building due to bad weather and other unforeseen factors, so you may need to be flexible with agreed delivery timeframes.



TIP: Choosing your home design may seem daunting, so to make this process easier it's a good idea to get a better idea of the type of home that will suit your lifestyle. You can visit display home centres to help you choose a builder and/or architect who can make your dream home a reality.

What is a construction loan?

A construction loan gives you access to money progressively as you complete different stages of construction.

Eligibility

The following home loan products can be used for construction purposes:

Loan type	Loan term	Redraw facility	Offset
Standard Variable Rate home loan			
A flexible home loan to suit your needs with an extensive range of features.	1 to 30 years	✔	✔

KEEP IN MIND: If you are borrowing money for non-construction purposes at the same time, then this needs to be originated as a separate loan account.

For example: If you are borrowing a total of $500,000: $450,000 for construction purposes and $50,000 for the purchase of personal goods – then you will have two separate loan accounts and will be required to make the minimum required repayments on both loans.

Once your construction is complete, you may choose to combine the non-construction and construction loan into one (this may require a new refinance loan application and is subject to our approval) or keep them separate.



Licensed builder and contracts

The building or renovation must be built under a signed fixed price building contract by a licensed builder. Acceptable building contracts include:

Contract amount	Acceptable building contract
Up to and including $1 million	Fixed price building contracts only
Greater than $1 million	Fixed price building contracts or cost plus contracts (subject to our approval)

Considerations

- Construction loans in a Company and/or Trust must always be completed under a fixed price building contract.
- You can build a maximum of two dwellings (such as a duplex) on the same title, providing it's on a single building contract.
- A construction loan is only available for houses built and kept for personal investment or residential purposes.

Benefits

- You can draw money from your construction loan progressively as you need to pay for your costs (known as progress payments).
- While your loan is progressively drawn, you'll only pay interest on the amount you've used. These interest accrued payments are due on the 15th of each month and means your repayments are lower throughout this time.
- You can make additional payments into your construction loan at any stage. This reduces your loan balance and means you may pay less interest.

Trade-offs

This loan type may not be right for you if:

- You want the certainty of knowing exactly what you'll be paying each month. Our construction loan has a variable interest rate. This means the interest rate can move up and down and your interest accrued payments will vary based on changes to the interest rate and your home loan balance.
- Before your construction is complete, you want to switch your construction loan to another home loan product type, for example a Fixed Rate home loan. Switching your loan isn't available on this loan type while it's being progressively drawn.
- You want to build dwellings for the purpose of immediate sale.
- You want to construct more than two dwellings on the same title.

Timeframes

- You must commence building within 12 months from the Disclosure Date and construction must be completed within 24 months of the date the first progress payment is made.
- If not, approval of the loan or any undrawn portion of the loan may be withdrawn and a new construction loan application may be required. Our standard lending criteria applies.

For more information on these loan types, please refer to our Home Loan Customer Guides available on **commbank.com.au/factsheets**

Stage 2:
Plan your build

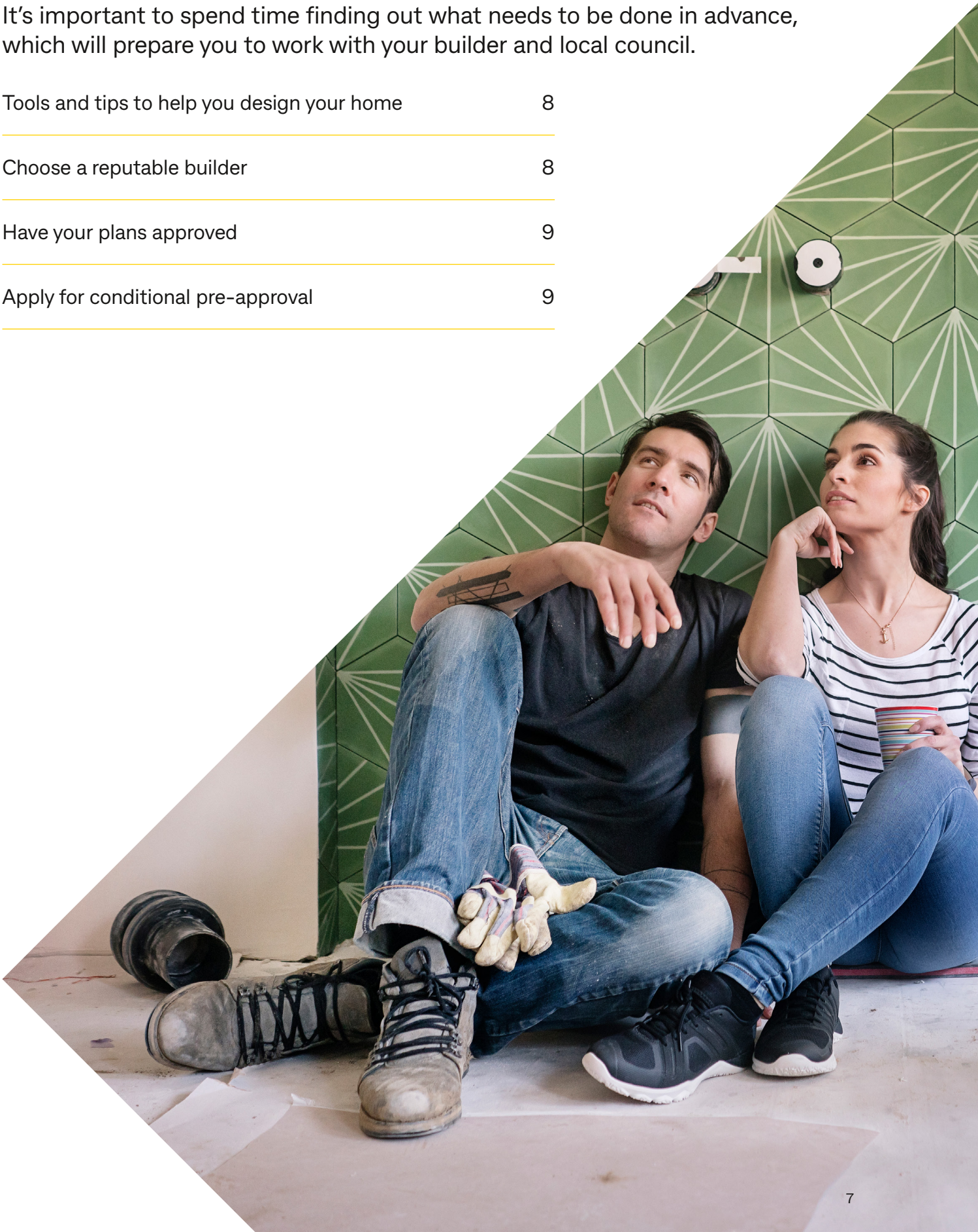
It's important to spend time finding out what needs to be done in advance, which will prepare you to work with your builder and local council.

Tools and tips to help you design your home 8

Choose a reputable builder 8

Have your plans approved 9

Apply for conditional pre-approval 9



Use our Design Checklist when you're starting to plan your build

☐ Do your research

Whether you're building on an existing piece of land or considering buying land to build your new property, it's important to do your research.

Availability

Find out what's available in your ideal location and price range. Options may include a new estate, acreage or demolishing an existing property.

Sustainability

Make sure the land is suitable for the kind of property you want to build. You should consider size, shape and orientation in comparison to the sun, as well as how high it is above sea level if it's in a flood-prone area.

Infrastructure

Consider the location and accessibility of services. This includes: power, water, sewage, storm water and drainage, telephone, gas and broadband internet lines, accessibility to shops, public transport, education and healthcare facilities etc.

Rules & Regulations

Local councils have regulations which may affect what and how you build, including where on the land you place your property, what type of fencing you have and more.

Make sure you find out what the restrictions are before you buy, as well as details of any upcoming development applications that may increase or decrease the value of your property.

Being aware of the rules and making sure you abide by the regulations could save you time, money and make it a hassle free experience.

TIP: Your Home Lending Specialist or Broker can provide you with tailored property and suburb reports with relevant information to help inform your decision.

☐ Choose a builder and / or architect

It's important to spend time finding the right builder for your project. Get recommendations from friends or family, contact the Master Builders' Association and invite various licensed builders to quote on your new property.

TIP: By law, all contractors must show their license on all advertising, stationary and signage. You can check the validity of the Builder's License details through state government websites online.

☐ Draw up plans and get a Fixed Price Building Contract

The builder should provide detailed plans and outline accurate costings for each aspect of your property. Make sure the contract they provide covers everything and agree to a timeline for completion.

TIP: This is a good time to get the preparation of plans agreement, building contract and contract variations agreement checked out by a solicitor or conveyancer before you sign. Many common building pitfalls are due to errors or misunderstanding of the building contract (e.g. inclusions or exclusions in your building contract), so make sure you feel confident in signing the documents as making changes down the track can be costly.

☐ Out of Contract items

These are additional improvements or renovations being completed in conjunction with your construction, however may not form part of the fixed price building contract. They are restricted to non-structural works, such as floor and window coverings. Additional improvements like pergolas, landscaping and swimming pools can also be classed as Out of Contract items.

All additional work or items you intend to purchase (or receipts if you have already purchased the items such as kitchen appliances, bathroom tiles, a swimming pool etc.) must be formally quoted for both supply and installation. If you don't provide receipts or quotes for these items then our valuation will be performed on the value of your property without them. There are certain limits which apply to Out of Contract items, it's important you discuss these with your Home Lending Specialist or Broker.

☐ Have your plans approved

This is usually done on your behalf by your builder or architect. It's important to ensure that this is done early, as this can take some time to be reviewed and approved by the local council (or accredited consultant acting on their behalf) and sometimes may require amendments before it's approved. When approved, the local council or authorised agent (acting on the council's behalf) will generally place a stamp or provide a council letter as appropriate, on the plans and specifications as evidence.

☐ Apply for a construction loan

Applying for conditional pre-approval is important as it'll help give you a good understanding of what you can afford when choosing the right design and builder for your home. To help you with the home loan process and to apply for conditional pre-approval, make an appointment with a Home Lending Specialist at **commbank.com.au/appointment** or contact your Broker.

TIP: Before you apply for a home loan, make sure you consider additional costs such as Stamp Duty, legal fees and costs associated with your loan. Use our Upfront Costs Calculator to help you work out what these costs may be at **commbank.com.au/upfrontcosts**

Stage 3: Finalise your construction loan

The next step is to contact your Home Lending Specialist or Broker, so they can finalise your home loan application. Where you're not borrowing the full amount for the construction, you'll need to make contributions from your own savings (known as equity contributions) and provide evidence that you have the money needed to complete your construction.

In addition to your loan application documents (such as evidence of your income, expenses, assets and liabilities), there are other specific documents you'll need before building can commence. Most of these documents can be obtained from your builder and are generally needed to complete necessary valuations.

After receiving all required documents, if your application is approved you'll receive a letter of offer and contract for your new construction loan.

To view a comprehensive list of documents we'll need at each stage of your construction go to page 27.



Stage 4:
Ready to build

After your loan is formally approved and all construction and loan documentation is held by us, we'll send you a commencement SMS and your builder a commencement letter – this is our formal approval that construction can commence and you can start building your home.

Key steps when you're ready to build your home	12
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How many building stages are there?

Your Progress Payment Schedule will typically have a schedule of 5-6 stages (also known as milestones) during the construction period.

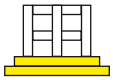
The table below will help you understand the general process, so you can be in control and understand what you need to do at each stage. Keep in mind that each construction journey is different and all payments to your builder are made after the relevant stage is completed. Your Home Lending Specialist or Broker will guide you through your unique situation.



Slab

During the first stage of construction, your foundation slab is measured and poured.

Approximately 15-20% of funds required (this may also include your initial deposit to your builder, which is typically 5% of your building contact price depending on your state/territory).



Frame

The exterior frame and/or walls of your property are put in place. This may also include support structures, conduits for electrical and plumbing as well as gutters and insulation. Approximately 20% of funds required.



Lock-Up

At this point remaining windows, doors, external walls and roofing is typically installed. This means you can actually 'lock up' your property. Approximately 20% of funds required.



Fit Out

During the fit out stage, the internal fittings and fixtures are installed such as your lights, powerpoints and other electrical and plumbing fixtures. Approximately 30% of funds required.



Completion

The final stage involves the conclusion of contracted items such as fencing and site clean-up. It's usually also when final detailing and painting is completed. Approximately 10% of funds required.

KEEP IN MIND:

- Construction must commence within 12 months from the Disclosure Date on your loan contract.
- If your loan was approved on the basis that you'll be making contributions from your own savings (equity contribution), then this must be used before any money from your loan and progress payments can be released. You'll need to provide us with a copy of the receipt(s) you've made to your builder.
- If you're a First Home Buyer, we'll lodge the First Home Owners Grant application (if you're eligible) to the State Revenue Office once we receive a 'base/slab' invoice progress payment request from you. For more information go to **commbank.com.au/fhog**
- If you're a First Home Buyer, you may also be eligible for the First Home Guarantee under the Government's Home Guarantee Scheme. Speak to your Home Lending Specialist or Broker for more information go to **commbank.com.au/home-guarantee-scheme**

Your builder may ask for an up-front deposit to cover the initial purchase of materials. We can provide money from the loan to pay the builder's deposit provided:

- You have used all of your money (equity contribution);
- The builder's deposit is included as a milestone in the Progress Payment Schedule;
- All construction and loan documentation is held by us; and
- You're ready to commence construction.

Stage 5: **Managing your build and repayments**

During construction, you'll need to manage your build (including our inspection and valuation requirements) and repayments on your loan. Here we've explained how progress payments and repayments work, as well as what you need to do if plans change during construction.

How to request progress payments (including your equity contribution) 15

Your property inspections and valuations 16

Your loan repayments while you're building 17

Additional considerations – from changes to your construction to your final progress payment 18



Your progress payments

As each stage of your construction is completed, your builder will provide you with an invoice. These need to align with the Progress Payment Schedule that is provided with your building contract. We then use these invoices to make progress payments to your builder that cover the cost of your build.

Each time a progress payment is required you need to:



Provide authority to pay the builder by writing

'I authorise payment of this invoice',

your name and date on the invoice you received from your builder.



Sign the invoice, in accordance with the method of operation you have chosen for your loan.



Upload your invoice via NetBank in the 'Manage Loan' section

OR

Forward the invoice to us via your Home Lending Specialist or Broker.



If you have more than one construction loan account open, state the last 4 digits of the loan account the invoice should be debited from.

Providing authorisation confirms you agree your builder has successfully completed the particular stage and we'll pay your builder for the work completed. This process will be followed and repeated for all progress payment requests until your property is complete.



TIP: A **Progressive Drawing Fee** applies for each progress payment request made and any additional drawings made to the loan. These fees will be capitalised (added) to your home loan once the final payment has been made. To minimise progress payment fees, you can send us multiple invoices together. For example, you can give us an invoice from your builder, an invoice for your bathroom tiles and an invoice for your kitchen appliances at the same time. We'll then pay all three invoices and only charge one progress payment fee.

Your equity contribution

Before we release any money from you construction loan, you'll need to use all your equity contribution before any money from your loan can be released. You'll need to provide us proof that you've made payments to the builder by any of the following methods:

- Builders Tax Receipt (or Builders Tax Statement) confirming date, amount, customer names and the construction property address.
- Receipt for payment of other construction items included in your loan approval.
- NetBank^ or CommBank App receipts displaying the full name, BSB and account number of the builder.

Your property inspections and valuations

We'll conduct inspections and property valuations at various stages of your construction to check that everything's on track, so it's important that you and your builder allow our representatives access to the building site at any time for matters relating to your loan.

KEEP IN MIND: These inspections and valuations don't endorse the quality of work performed by your builder. So if you would like this to occur you should contact an independent building inspector.



Your loan repayments while you're building

While your loan is progressively drawn, you'll be required to make interest payments to cover the interest accrued on your loan.

Keep in mind that the interest accrued during your construction period may gradually increase. This is because your owing loan balance increases as we continue to release money to pay your builder's invoices.

The table below breaks down the typical repayment requirements during and after your construction.



While your loan is progressively drawn:

- You pay the interest amount that has accrued on the loan.
- Interest accrued is calculated based on your loan's interest rate and the owing balance of your loan.
- Interest acrrued payments will be direct debited from your nominated account on the 15th of each month.



When your last progress payment is paid:

- A final interest payment will need to be made on the same day your last progress payment is made.
- This may not fall on the 15th of the month, so it's important to have adequate money in your nominated direct debit account to cover this.
- Your contracted loan term (typically 30 years) officially commences from this day.
- Progressive Drawing Fees will be totaled and charged to your home loan as a lump sum.



Your loan repayments after your last progress payment is paid:

- Will switch to Principal and Interest repayments or Interest Only payments, depending on what you chose at origination.

What this means for your home loan:

Principal and Interest repayments	Interest Only payments
Your loan balance will start to reduce with each repayment you make in line with your loan contract.	By paying Interest Only payments you will not reduce your principal loan balance for the period that your loan is interest only.
Your first minimum required repayment will be due one month after the final interest payment.	



TIP: We understand changes happen in life, which means you may need to change how you repay your loan. Once your loan is fully funded, you can easily change your repayment amount and frequency or change your repayment type with the CommBank app, NetBank or speak to your Home Lending Specialist^ or Broker. To download the CommBank app today go to **commbank.com.au/commbankapp**

^ Please refer to the full disclaimer at the end of this brochure.

Additional considerations

When it comes to building your new home, there are some key elements that you need to keep in mind so you have a seamless building experience. As your build progresses, there may be times where the building contract needs to be changed – this is known as a variation.

A variation is classified as a change made to the building works or council approved plans, or a change in the materials or quantities of the materials which you've previously told us about.

For example this could include if you propose to remove a room, add a pool or change the quality and quantity of materials used in the construction (such as the upgrade of your kitchen or a change in the materials used for flooring, fixtures, benchtops etc.).

What happens if there are changes or variations to my planned construction?

It's important to let us know immediately if there are any variations or proposed variations to your planned construction as this may impact your loan arrangements. We may also need to complete a new valuation based on the variation and this may increase or decrease the value affecting the money we lend to you. Generally, you'll need to ensure you have sufficient money in your own savings to cover the additional cost or any shortfalls.

What happens to the available money in my loan?

If there is a variation to the building contract we (the bank) will remove the amount of the variation from your approved construction loan balance, unless the item removed is replaced by an Out of Contract item deemed 'like-for-like' by us. Otherwise, it is an item which has not been assessed as part of the valuation and the dollar value may not correspond to the value of the property. We reserve the right not to pay any construction loan drawing if you have made variations to the building contract without our approval.

For example, Sarah has a construction loan with CommBank. In her original building contract there was a $20,000 fully ducted air-con system. Sarah makes a variation to her building contract to replace it with a split-system worth $8,000. She then decides to allocate the additional $12,000 towards bathroom upgrades.

As we haven't verified the value of those bathroom upgrades, we'll remove $12,000 from Sarah's undrawn construction loan and she will need to pay for the $12,000 bathroom upgrades prior to us releasing any more money, as only $8,000 could be verified as 'like-for-like'.

What happens if I go over budget or need extra money?

We'll only make payments up to the amount stated on the Progress Payment Schedule for each stage of construction. If you've exceeded this amount, you're responsible for paying any costs associated with the construction from your own money.

Alternatively, if you need to borrow additional money, this will be treated as a new construction loan application. Keep in mind we may ask for updated application and construction documents and may need new inspections and valuations. Our standard lending criteria applies.

What do I need to do before I request the last progress payment and finalise construction?

When you're ready for the final payment to be made to your builder, you'll need to provide us with the final invoice (authorised, signed and dated). We'll arrange for a final inspection on your property. If all items are completed and acceptable to us, your final payment will be processed.

We'll ask for a copy of your Home Building Insurance policy (e.g. Certificate of Insurance or Certificate of Currency or Home Building Policy Schedule). Also remember to obtain a copy of your Certificate of Occupancy and Compliance or equivalent (depending on your State or Territory) from your local council (for your records).

Wrapping up construction

Around a week after practical completion of your property you should be ready to collect the keys, make any final payments and move in. You should receive a copy of all relevant warranties and certificates as per your contract. Make sure you have the builder's written authority that the construction is complete and it's safe to move in.



KEEP IN MIND: Each construction journey is different and your Home Lending Specialist or Broker will guide you through your unique situation.

Stage 6:
Enjoy your new home

Congratulations! You're now ready to enjoy your new home, whether you decide to rent it out or move in.

How to manage your loan and flexible options to help when things change 21

Use our Move-In Checklist to help take the stress out of moving 22



Managing your home loan is easy

The CommBank app and NetBank^ are the easiest ways to manage your home loan, so you can stay in control. Simply log on, click view accounts and select your home loan to get started.

See your home loan alongside your other accounts

Just like your other accounts, you can view your home loan account information anytime. You can also view your loan balance, current loan details, transactions and see your repayment amount and frequency.

Change your repayments

We understand changes happen in life, which means you may need to change how you repay your loan (i.e. your repayments). You can easily:

- Change your repayment amount and frequency
- Change your repayment type – Interest Only to Principal and Interest*

Switch to a Fixed Rate home loan

Changing your home loan from variable to a fixed rate or starting a new fixed term (re-fix) is easy using our switching tool. For other home loan options, such as a split loan, you can speak to your Home Lending Specialist or call us on **13 2224**.

Increase your home loan (top up)*

You can apply to top up your home loan (once it's fully funded) by an additional $10,000 or more – subject to equity in your property and our approval. Simply apply in NetBank^ or the CommBank app.

Access your additional repayments

If you've made additional payments on your loan, you may be able to access these from your redraw facility. For weekly and fortnightly direct debit payers, the available redraw balance will not include payments made towards your next monthly minimum repayment.

Access your statements

You can view up to 7 years' of statements, providing you access anytime you need. If you're still receiving paper statements, you can also switch to online statements using the CommBank app or NetBank.

For more information go to **commbank.com.au/paperless**

* These options are not applicable to loans guaranteed under the First Home Loan Deposit Scheme (FHLDS), New Home Guarantee (NHG) and Family Home Guarantee (FHG).

^ Please refer to the full disclaimer at the end of this brochure.



Use our Move-In checklist to help you take the stress out of moving



Before the move

- [ ] If you're renting, give your current real estate or landlord notice that you're moving out (generally 4-6 weeks in advance)
- [ ] Hire a removalist or rent a van/truck and ask friends or family to help you on the day
- [ ] Walk through your home and dispose or donate what you don't want to take to your new home
- [ ] Start packing each room and label your boxes clearly so it's easier when you're unpacking
- [ ] Keep all your important paperwork in a box so you have easy access on moving day
- [ ] Make arrangements for your pets (if needed)
- [ ] Arrange to take time off work (if needed)



TIP: Pack an essential first night box (with items such as tea, coffee, snacks, mugs, plates, cutlery, bed linen, pillows, toiletries, school books, kids toys, pet requirements, medication, scissors etc.) so that if you're too tired to unpack immediately you still have easy access to your essential items.



Utilities and services

- [ ] Arrange to disconnect, switch or set up your utilities for your previous and new home (e.g. electricity, gas and water, phone and internet, entertainment (such as Foxtel) etc.)
- [ ] Change your mailing address with financial institutions, drivers and other licenses, electoral roll, insurances, superannuation, toll services and other utilities and services.
- [ ] Your insurance needs will depend on your circumstances. Consider your needs and set up your insurance's such as home, contents and car.



TIP: You can check your bank and credit card statement history on NetBank^ or the CommBank app to help you identify your utilities and services.

^ Please refer to the full disclaimer at the end of this brochure.

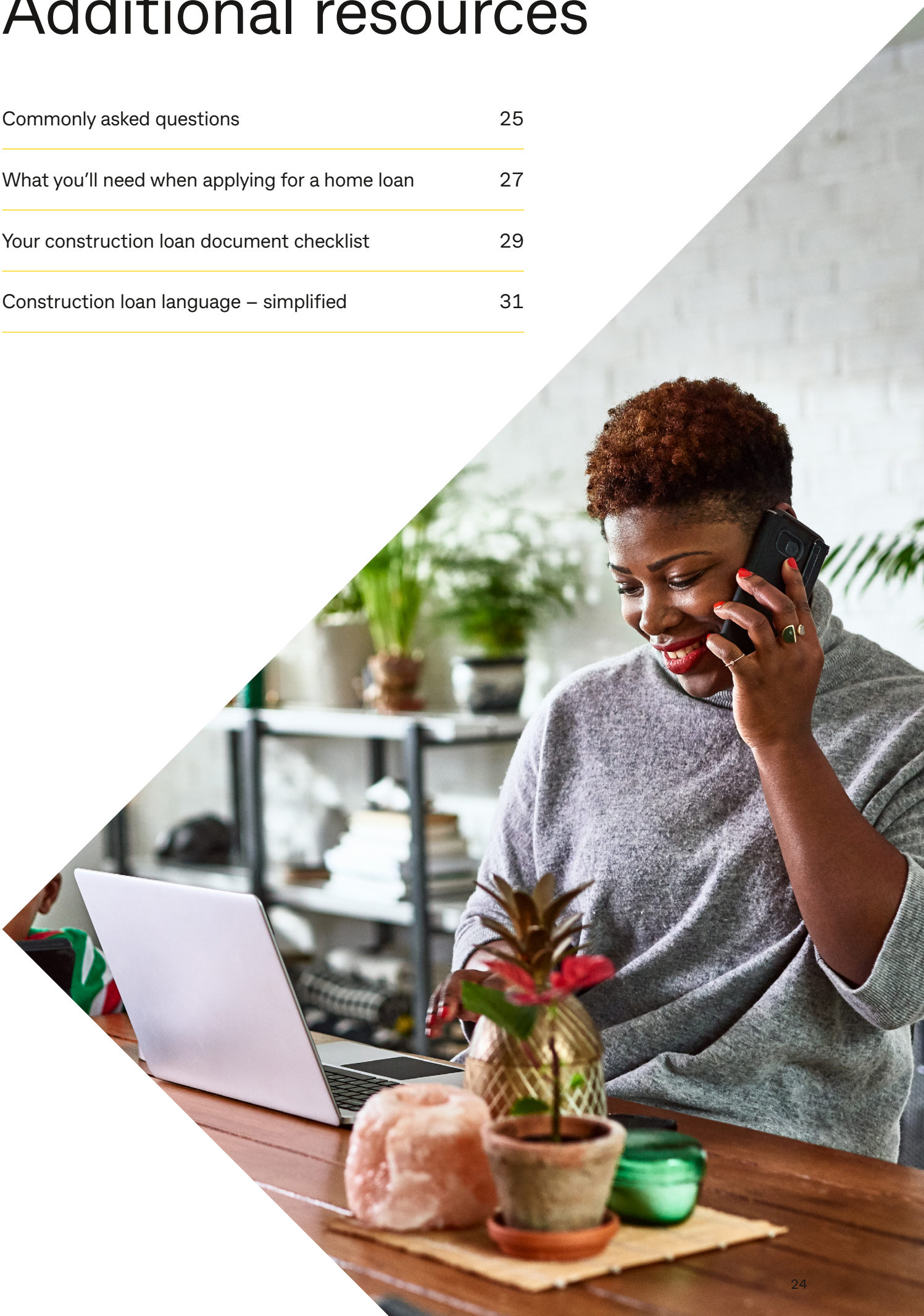
On moving day	☐ Make sure you have the keys to your new home ☐ Meet the removalists or get the moving started yourself with your friends and family ☐ Know where your water main and electricity box are at your new home ☐ Unpack your essential first night box so it's on hand when you need it

TIP: Tidy up your previous house as each room is cleared out so you have less to do later. It's also helpful to unload furniture and boxes in the right rooms. This makes it easier when you start to assemble and unpack.

After you've moved in	☐ Host a house warming party for your friends and family ☐ Get to know your neighbours and take a walk around your neighbourhood

Additional resources

Commonly asked questions	25
What you'll need when applying for a home loan	27
Your construction loan document checklist	29
Construction loan language – simplified	31



Common questions

What is the difference between a fixed price and cost plus contract?	A **fixed price contract** is where the builder has agreed to complete the building works for an agreed fixed amount. A **cost plus contract** is where the builder agrees to complete specific work for an amount, however the contract contains rise and fall clauses, which allow the builder to charge for increased labour or material costs. Generally these are provided for contracts over $1 million. Speak to us to find out if your cost plus contract is acceptable.
Do you offer construction loans to owner builders (where I'm doing the work myself)?	No, we do not offer construction loans under an owner builder basis, there must always be a contract with a licensed builder.
Will I need a construction loan every time I want to renovate my property?	No, a construction loan with progressive drawings isn't always needed. For example when you're wanting to complete internal renovations to your home such as kitchen or bathroom upgrades or cosmetic changes like new flooring and painting your home. In these instances you may be able to apply for a Top Up to an existing home loan you hold and the money may be paid in one lump sum. Speak to your Home Lending Specialist or Broker to determine if a construction loan is required and how we can help you with your renovation project.
Can I choose which loan account progress payments are paid from?	Yes, you can. If you have more than one construction loan account open for the same property build. When signing and returning your builder's invoice to us, please state which loan account number the invoice should be debited from.
What happens if my construction takes longer than 24 months?	Money from your construction loan will only remain available for 24 months from the date the first progress payment is made. Should your construction not be completed within this timeframe, your loan may be considered fully drawn. This means that your: • Loan will no longer be considered a construction loan; • Your repayment will switch to the type you selected at origination; and • Any undrawn loan balance will be removed. If you require additional money, you'll need to re-apply. Our standard lending criteria applies.

How can I ensure the quality of my construction?	It's your responsibility to ensure that you are satisfied with the quality of construction and you should conduct regular checks on your builders' workmanship. If you're unsure of what to look for you may choose to pay for a qualified person to conduct checks and obtain reports to confirm the work is satisfactory before you sign and authorise a payment to the builder.
What should I do if I have a dispute with my builder?	If you detect substandard workmanship or materials at your construction site, or have any other disputes with your builder, contact your Home Lending Specialist or Broker as soon as possible. You should also inform the builder of your dissatisfaction and depending on the severity of the matter your solicitor may also need to be informed. Please note: • We won't become involved with the dispute, however we will stop making progress payments to your builder. • Do not attempt to complete the build of your property yourself (this is considered Owner Builder and we won't release any money in this circumstance).

What you'll need when applying for a home loan

When you're ready to apply for a CommBank home loan, you can help speed up your application by getting your documents ready for each person applying.

This will include things like:

- [ ] Proof of identity
- [ ] Documents to confirm your income (e.g. payslips, personal and/or business tax returns, ATO Notice of Assessment etc.)
- [ ] Documents to confirm your liabilities (e.g. credit card and current loan statements)
- [ ] Documents to confirm your assets (e.g. existing properties, shares, investments etc.)

KEEP IN MIND: You won't need to provide any documents relating to accounts or products you hold with CommBank. For more information about documents needed for a loan application, you can visit **commbank.com.au/homeloanchecklist**



We'll also need to understand what you spend

This will help us work out how much you can afford. Be as thorough and realistic as you can and think about the things that may change if your loan is approved.

If this is your first home and you're not sure how much these expenses might be (e.g. strata/ body corporate fees, water, gas and electricity) we suggest speaking to friends or family, or researching online for an estimate for your area.



Monthly living expenses

Before your appointment, you can prepare and calculate your monthly living expenses online at: commbank.com.au/livingexpenses



Investment property expenses

If you are earning rental income from one or more existing investment properties (or are buying an investment property), you'll need to consider all expenditure related to it.

Before your appointment, you can prepare and calculate your rental expenses (current and/or future) online at: commbank.com.au/rentalexpenses

We'll also ask you for other important information such as:

- ☐ **Privacy consent form**, your Home Lending Specialist or broker will send you the form to be completed by all applicants prior to your appointment
- ☐ **If you've found a property (or land)**, a Contract of Sale (Offer of Acceptance in WA) and your solicitor or conveyancer's name, address and contact details
- ☐ **If you're building a property**, please provide us with the formal building tender, plans and specifications
- ☐ **If you're using an existing property you own as security**, we'll need one of the following:
  - Rates notice that shows the street address and title reference; or
  - Valuer General – Notice of Valuation
- ☐ **If you have existing insurance (for the property which will be securing the proposed loan)**, we'll need a copy of the insurance documents (e.g. policy schedules).

This is a guide only and details are subject to change at any time.

Once you've made an appointment, your Home Lending Specialist or Broker will let you know exactly what documents are required for your particular application.

Your construction loan document checklist

In addition to your loan application documents (evidence of your income, expenses, assets and liabilities), there are other specific documents you'll need, most of these documents can be obtained from your builder. Here's a checklist to help you through each stage of your construction.



Prior to Formal Approval

- ☐ Draft Building Contract or Builders Tender.
- ☐ Draft Progress Payment Schedule (this is usually included with the Building Contract).
- ☐ Draft building plans (with elevations).
- ☐ Receipts for any items you've already purchased (e.g. kitchen appliances, installation of a patio by another contractor etc.) that are not included in your Building Contract.
- ☐ Quotes for any Out of Contract items you intend to purchase (e.g. bathroom tiles, swimming pool, fencing, landscaping, driveway etc.) that are not included in your Building Contract (where applicable).

Remember: If you don't provide receipts or quotes for these items then our valuation will be performed on the value of your property without them.

- ☐ Contract of sale for the land (where applicable).



Prior to commencement SMS and letter being issued

- ☐ Executed and signed Building Contract.
- ☐ Final Progress Payment Schedule (this is usually included with the Building Contract).
- ☐ Agreed schedule of finishes and specifications.
- ☐ Building plans (with elevations) for your construction, which have received Council or authorised agent approval (acting on the council's behalf) (if required).
  If you're waiting for Council approval on additional improvements, for example a pool or shed, we will only provide money for these once approval has been received
- ☐ Contract Variations (where applicable).
- ☐ Quotes for any Out of Contract items that are not included in your Building Contract (where applicable).
- ☐ Builder's Insurance (Contract of Works) showing:
  - Insurance amount equal to or in excess of the Building Contract Price
  - Name of the property owner
  - Name of the building company
  - Address of construction property within Australia or marked as 'Anywhere in Australia'.
  - Expiry date of the insurance policy
- ☐ Public Liability Insurance showing:
  - $5 million minimum
  - Expiry date of the policy
  - Address of construction property within Australia or marked as 'Anywhere in Australia'.

During construction

- [ ] Signed progress payment invoices.
- [ ] Receipts for any items you have already purchased (e.g. kitchen appliances, installation of a patio by another contractor etc.) that are not included in your Building Contract.

TIP: To ensure that your builder is paid on time, make sure you send us the progress payment invoice signed and dated (refer to page 14), at least:

- 5 business days before it's due for contracts less than $1 million; and
- 12 business days before it's due for contracts above $1 million.

Before your final progress payment

- [ ] Final signed progress payment invoice.
- [ ] Any final variation(s) to the Building Contract (where applicable).
- [ ] Building Insurance Policy (e.g. Certificate of Insurance, Certificate of Currency or Home Building Policy Schedule).
- [ ] Certificate of Occupancy and Compliance or equivalent (for your records).

KEEP IN MIND: We'll also perform a final inspection to ensure that construction has been completed as per the original plans and specifications. This will be arranged by us once we receive the above listed documents.

Other important information

This checklist may not cover all individual circumstances and scenarios and there may be times where CommBank may require other documents from you.

Your Home Lending Specialist or Broker will advise you if this applies to you.



Construction loan terms, in everyday language

We've broken down common construction loan jargon and put it into everyday language for you in the following pages.

As if valuation

Is conducted by a valuer who will determine what the value of the property will be at the completion of construction. This is usually done before we provide final approval.

Building contract

A legally binding agreement (between you and a builder) which includes and sets out (but is not limited to) the work to be undertaken, plans and specifications, costings, build schedule etc.

Builder's invoices

Your Builder's invoices need to match the Building Contact/Schedule. These are used to confirm your authority for us to release the money to your builder.

Builders licence (also referred to as Registered Builders)

A licence is required by an individual or company who is signing the contract with the borrower(s) to carry out or organise building work.

Certificate of Occupancy and Compliance (or equivalent)

Is a certificate that confirms the construction has met all required standards and authorises occupation of the building. This is issued by the local authority, e.g. local council, at the end of the construction.

Consumer Credit Contract Schedule

This sets out key details of your Contract or the Contract if varied.

Commencement SMS and Letter

After your loan is formally approved and all construction and loan documentation is held by us, we'll send you a commencement SMS and your builder a commencement letter – this is our formal approval that construction can commence and you can start building your home.

Conditional pre-approval

An indication from us that shows how much we are likely to let you borrow based on a review of your financial situation and needs, and it's subject to certain terms and conditions.

Construction loan

A loan specifically for building or renovating where you can progressively draw money from the loan and only pay interest on the money you've used.

Council approval

This means your local council (or authorised agent acting on their behalf) will determine if your building plans and specifications meet the criteria, zoning requirements, laws, policies and legislation of the local area.

Council Approved Plans for South Australia: Building plans must be stamped by council/State Planning Commission, and a Decision Notification Form needs to be obtained evidencing Planning, Building and Development Approval are all "Granted".

Disclosure Date

The Contract Schedule is dated the day the document is generated. This date is the Disclosure Date and is stated at Item A of the Schedule.

Draw (also referred to as drawn)

This is the progressive reduction of the available money from your construction loan as we make progress payments to your builder. This allows for lower interest payments as interest is only charged on the amount(s) drawn.

Elevations

These are diagrams that show (to scale and in detail) what the exterior and/or interior walls (faces) of a building look like from a particular direction.

Equity contribution (also known as Owners contribution)

If you're required to make monetary contributions from your own money (such as savings) towards your construction loan, this is known as equity contribution or owners contribution. Keep in mind the amount that you need to contribute depends on your application. Contact your Home Lending Specialist or Broker for further information.

Final inspection

On completion of your construction, we will arrange for a final property inspection to confirm all works to the property are finished.

Interest Only payments

The minimum payments only cover the interest charges on the loan and do not reduce your loan balance. Interest Only payments are for an agreed period of time.

For more information go to commbank.com.au/interestonly

Out of Contract items

These are additional improvements or renovations being completed in conjunction with your construction, however may not form part of the fixed price building contract. They're restricted to non-structural works, such as floor and window coverings.

Principal and Interest repayments

The minimum repayments cover the interest charges and some of the principal loan balance.

Progress payment

Payments made directly to your builder at different stages of construction. There are normally 5 to 6 progress payments depending on your Building Contract and Progress Payment Schedule.

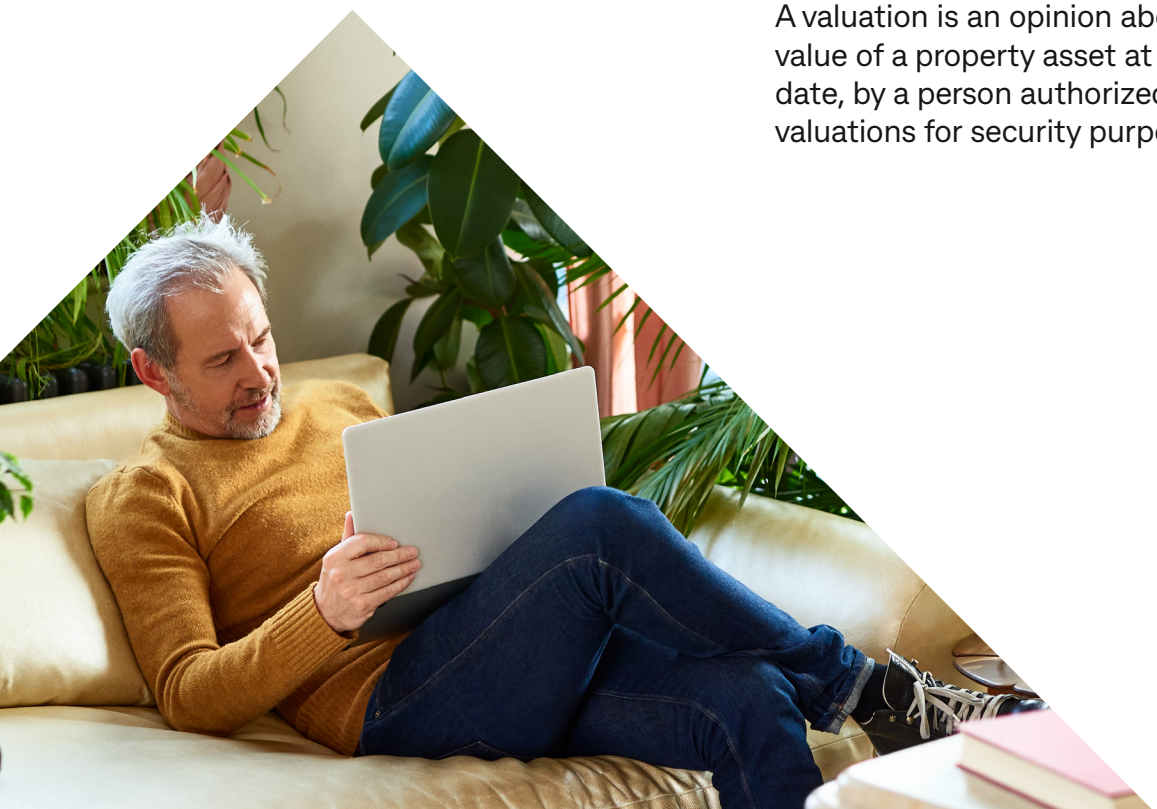
Plans and Specifications

The term plans refers to the drawings (usually prepared by the building company or architect) of the building to be constructed.

The term specification refers to the written instructions to the builder which contain all the information pertaining to dimensions, materials, workmanship, style, fabrication, colours and finishes which supplement the details appearing on the plan of the building.

Valuation

A valuation is an opinion about the market value of a property asset at a specific date, by a person authorized to undertake valuations for security purposes.



We’re here to help.

If you have any questions or want more information:

Book an appointment with a Home Lending Specialist at **commbank.com.au/appointment** or contact your Broker.

Message us in the **CommBank app**

Call us on **13 2224**

For more information visit **commbank.com.au/homeloans**



Things you should know:

^ If not already registered for NetBank, you should consider whether it is appropriate for you by considering the terms and conditions available at **netbank.com.au**.

You can register online for NetBank if you have a CommBank Keycard, debit MasterCard or Credit Card or you can call us on **13 2221** or visit any of our branches.

This guide doesn’t consider your individual objectives, financial situation or needs. Before basing any decisions on this information please:

- Consider its appropriateness to your circumstances.
- Consider obtaining professional advice specific to your needs, including financial, taxation and legal advice.

Loan applications are subject to credit approval and any loan offer includes full terms and conditions. Fees and charges apply – see our fees and charges brochure. All examples and scenarios are illustrative only. This guide is subject to change without notice.

Commonwealth Bank of Australia ABN 48 123 123 124, AFSL & Australian credit licence 234945.

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