

Building/Construction Home Loan Fact Sheet

A Building/Construction loan can be used to build your own home, complete renovations or knock down and rebuild. For all other features relating to Building/Construction loans, please refer to the fact sheets for the specific loan type that the Building/Construction loan applies to.

Eligible Loan Type	Included loans: Standard Variable Rate, Extra Home Loan & Extra Home Loan (2 year Introductory Rate). Excluded loans: Viridian Line of Credit, Equity Unlock for Seniors, Fixed Rate loans.
Eligible Loan Purpose	Included purposes: Dwellings that will be retained for personal investment or residential purposes. Excluded purposes: Dwellings built for the purpose of immediate sale. Construction of more than a maximum of two dwellings on the same title.
The Building Contract	<p>Find a reputable, licensed and insured builder and draw up plans with an architectural draftsman or your builder. A Building Contract will then be put together which includes the cost, terms of construction and Progress Payment Schedule for payments to be made to your builder.</p> <p>Where the contract size is <\$1m only a fixed price contract is eligible for a building/construction loan. For contract sizes >\$1m a fixed price contract or cost plus contract may be eligible.</p> <p>Your Progress Payment Schedule will typically have a schedule of 5-6 progress payment milestones during the construction period. For example:</p> <ul style="list-style-type: none"> • Deposit to builder – deposit to commence • Base/Slab – the foundation • Frame – the frame of your property • Lock up – external walls and roofing • Fit out – internal fittings and fixtures • Completion – conclusion of contracted items. <p>Please note, you are required to use all of your equity contribution before we release any loan funds.</p>
Approving your Building/Construction Loan	<p>In addition to your loan application documents (evidence of your income, assets and liabilities), there are other specific documents you'll need. Most of these documents can be obtained from your builder and are required to complete necessary valuations:</p> <ul style="list-style-type: none"> • Signed and dated Building Contract • Progress Payment Schedule (usually included in the Building Contract) • Council approved plans for your construction • 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. • Quotes for any items you intend to purchase (e.g. bathroom tiles, a swimming pool etc.) that are not included in your Building Contract. <p>If you do not provide receipts or quotes for these items then our valuation will be performed on the value of your property without them.</p> <p>Builders Insurance (Contract of Works), showing:</p> <ol style="list-style-type: none"> 1 Insurance amount equal to or in excess of the Building Contract price 2 Name of the property owner 3 Name of the building company 4 Address of construction property within Australia or marked as 'Anywhere in Australia' 5 Expiry date of the insurance policy 6 Public Liability Insurance, showing: <ul style="list-style-type: none"> • \$5 million minimum • Expiry date of the policy • Address of construction property within Australia or marked as 'Anywhere in Australia'.
Start date of construction	Construction must commence within 6 months from the Disclosure Date on your Home Loan Contract, and be completed within 24 months.

Builders Deposit	<p>Your builder may ask for an up-front deposit to cover the initial purchase of materials. Once you have used up all of your equity contribution, we can provide funds from the loan to pay the remainder of this if, the builder's deposit is included as a milestone in the Progress Payment Schedule, all construction and loan documentation is held and you are ready to commence construction.</p> <p>Prior to releasing the first progress payment it is a requirement that the building plans including evidence of approval (stamp or council letter as appropriate) are provided for inclusion with the application.</p>
Making Progress Payments	<p>If you provided quotes for items that you intend to purchase (e.g. bathroom tiles, a swimming pool etc.) that are not included in your Building Contract during your loan approval, you will be required to provide us with the funds to cover these quotes before your first progress payment.</p> <ul style="list-style-type: none"> • We will use these funds before we draw funds from your loan (e.g. if you provide \$10,000 to cover the cost of tiles, and your first progress payment to your builder is for \$20,000, then your loan balance will be \$10,000 after we pay your builder). • When you are ready to purchase these items you must make sure that they align to the quotes that you provided at the time your loan was approved. If you decide to change supplier or material you must make sure that the quality of the items you purchase is of equivalent or higher value than the items in your quote. If they are not, your loan may need to be reassessed. <p>Once you receive invoices from your Builder you must make sure that they align to the Progress Payment Schedule in the Building Contract and then sign the invoices with the words "I authorise payment of this invoice", your name and the date. We'll make payments directly to your builder so long as their invoice meets our requirements.</p> <p>A progress payment fee of \$75 applies for each drawing we make from your loan. To minimise these fees, you can send us multiple invoices together (e.g. if you send us an invoice from your builder, an invoice for your bathroom tiles and an invoice for your kitchen appliances at the same time we will pay all three invoices and charge only one progress payment fee).</p>
First Home Owners Grant (FHOG) Payment	<p>If you are eligible for a FHOG payment, complete the FHOG application at the same time you apply for your construction loan. We'll lodge the FHOG application to the Office of State Revenue once we receive a 'base/slab' invoice Progress Payment request from you.</p> <p>We may be in a position to release your First Home Owners Grant to you prior to completion of the building foundations to help you pay for your builders deposit in unique circumstances. Please speak to your lender or Broker for more details.</p>
Access to the construction site	<p>You and your builder must allow our representatives access to the construction site at any time for matters relating to your loan. All building/construction home loans require at least one valuation to be completed.</p>
Variations to your planned construction	<p>If there are any variations or proposed variations to the Building Contract, items you intend to purchase that are not included in your Building Contract or council approved plans, let us know immediately, as they may impact your loan arrangements. Variations can be classified as changes made to the building works, council approved plans or a change in the materials or quantities of the materials which you 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 material used for flooring, fixtures, benchtops etc.).</p>
Completion of your construction	<p>On completion of your construction, we will arrange for a final property inspection to confirm all works to the property are finished. Please allow at least 7 business days for the valuer to inspect the property and the final payment to be made to your builder.</p>
Your Repayments during construction	<p>While your construction is in progress, you will be required to cover the interest accrued on your loan. This amount will be calculated using your loan's interest rate and the daily balance of your loan. Since this amount does not include a principal repayment, your loan balance will not decrease until after loan is fully drawn down. Payment of accrued interest will fall due on the 15th of each month.</p> <p>A final interest payment will need to be made on the same day as your last progress payment after construction is complete. This is when your contractual loan term will commence.</p>
Your Repayments after construction	<p>If you have chosen principal and interest repayments at origination, when your construction is complete and your loan is fully funded, your first required monthly repayment amount (RMRA) will be due one month after the final progress payment has been made. If you make principal and interest repayments, your balance will start to reduce with each repayment. Alternatively, if you have chosen interest only payments at origination then you must continue to make these payments until the end of your interest only period. The first interest only payment will be due one month after your loan is fully funded and on the same day of each following month until the end of the interest only period. Paying interest only will not reduce your principal balance.</p>

Things you need to know

- This fact sheet has been prepared by the Commonwealth Bank without considering your individual objectives, financial situation or needs. You should consider its appropriateness to your circumstances and consider seeking professional advice relevant to your individual needs before making a decision based on this information. You should also obtain professional, financial and taxation advice specific to your individual needs
- Applications for finance are subject to the Bank's normal credit approval
- Full terms and conditions will be included in our loan offer
- Fees and charges are payable, please refer to our standard fees and charges brochure
- This fact sheet is subject to change without notice.