

Fact sheet

Construction loans, building your home

What are construction loans?

Construction loans are a type of mortgage that you use to finance your purchase of land, and can then cater for the progressive payments of your building costs as your home is constructed.

While there are many variances, the construction loan process can be summarised in five typical steps.

Step 1

Pre-approval of finance for land and construction

Obtaining pre-approval of finance for the land and construction is an important first step. You want to be sure you can obtain the finance to complete the entire project, before committing to the purchase of land and builders contracts.

Step 2

Purchase of land

The purchase of the land is formally approved and settled with the lender. Your loan is now activated.

Step 3

Sign builder

You select the builder you wish to use and sign contracts. The finance for the construction is now formally approved with the signed builder contracts, and construction commences.

Step 4

Construction and progressive payments

The construction of your home is now underway. Rather than pay the entire builder costs upfront, your construction loan will be structured for the lender to make progressive payments to the builder, at specific stages identified in your building contract. Typically there are four stages for a single storey property (slab down, Walls up, Roof on, lock up, completion), but this can vary. The lender may conduct inspections to ensure that the work has been completed.

Step 5

Completion

Your home is now complete. The construction loan typically now reverts to a standard home loan.



Obtaining finance approval for construction loans

To obtain formal approval of finance, typically you will need to provide the following documents:

- Fixed price building contract with a licensed builder
- Proof of builder's insurance
- Proof of council or planning permits

Need help?

For further information, please talk to your local Mortgage Adviser on (08) 9527 1800.

This sheet provides general information only and is correct as at the document date (06/03/2017). Please refer to your Mortgage Adviser for full details.

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