



# **YOUR GUIDE TO BUILDING AND RENOVATING.**

# **YOUR CONSTRUCTION HOME LOAN** *stage by stage.*

**The complexities of building a new home or undergoing a major renovation can be overwhelming. That's why you need a firm project plan and a flexible loan to ensure you get the results you want.**

This information guide can help you achieve just that. It will take you through each stage of the process from start to finish. So you'll always be fully informed and confident about what happens next.

Don't forget, we're here to provide you with any additional support you need. If you have any questions, speak to your home loan specialist who can help make sure your home loan suits you.

# STAGE 1:

## **Taking advantage of your construction loan.**

Building or renovating your home is one of the biggest decisions you can make. So it's important that you understand how to get the most out of your loan and to be sure it meets your building needs.

This starts with knowing a NAB Home Loan with building conditions provides the flexibility to draw funds to help meet your progress payment schedule at each building stage.

## STAGE 2:

### The construction process explained.

The table below gives you a general guide to what's involved with each stage of construction. It'll help you work through your project plan and understand exactly what you need to do and when it needs to be done. Plus once a stage is completed, you can contact us and we'll release the funds to pay your builder or reimburse you if you are an owner builder.

Please note, unless otherwise agreed with us, your building must be completed within 24 months of the settlement date (the 'settlement date' is the first day that NAB lends you any part of your loan).

Construction stage	Expected progress
Preparation	Plans, permits, connection fees, insurance, driveway crossings, soil test
Base	Concrete slab complete or footings and base brickwork complete
Frame	House frame complete and approved by building surveyor/inspector
Lock-up	Windows/doors, roofing, brickwork, insulation
Fixing	Plaster, kitchen cupboards, appliances, bathroom, toilet, laundry fittings/tiling, heating, fixing/internal doors, etc., plumbing, electrical, painting
Completion	Fencing, site clean-up, final payment to builder

## STAGE 3:

### The construction loan approval process.

When you're properly prepared, the approval process for a construction loan can be quick and easy. Here's a snapshot of the process and things you need to do:

1. Select a Registered Builder and arrange for a Fixed Price Building Contract.
2. Come and see us for your construction loan.
3. Post-approval: applying for progress payments to access your funds.

To ensure your loan application is as seamless as possible, simply follow the steps shown below.

#### Step 1: Selecting a builder.

We need to know about your builder to make sure your loan process is smooth and your funds are available when needed. The details required also differ depending on whether you've chosen a Registered Builder or are completing the construction yourself.

#### For owner builders we need:

- Copies of council certified approved plans/specifications/permits/licences for owner builder construction works.
- Copy of Quantity Surveyor (QS) report detailing anticipated construction costs.
- Detailed outline of full construction costs that includes Progressive Payment Schedule and contingency/overrun – this must be presented in a format acceptable to NAB.
- Copies of all quotations/invoices/estimates.
- Copy of soil test and Quantity Surveyor's comments.
- Detailed timing schedule.

- Copies of insurance policies (required prior to first progress payment).
  - Builders All Risk/Public Liability Insurance.
  - Public Liability Insurance.
  - For Northern Territory: Home Building Certification Fund (HBCF) Owner Builders Policy.

**For Registered Builders we need:**

- Copy of signed Industry Standard Fixed Price Contract.
- Copy of plans/specifications/permits.
- Copies of insurance policies (required prior to first progress payment):
  - Builders All Risk/Public Liability Insurance.
  - Domestic/Home Warranty Insurance.
  - Public Liability Insurance.

Whatever your choice of builder, you'll enjoy the same flexibility of drawing the loan in stages as outlined in the table on page 4.

**Step 2: Come and see us.**

For us to approve your application faster there are a few details we can't do without. So the things we'll be sure to ask you include:

- Your income.
- Your monthly expenses.
- Any assets you have, including properties, vehicles, investments and bank accounts.
- Financial liabilities like loans and credit cards (including store cards).

You may be required to provide supporting documentation to verify your details, so that we can assess your home loan application and determine if this loan is right for you.

If you'd like more information or have any questions please contact your home loan specialist.

### **Step 3: Post-approval.**

Once your loan is approved, you need to provide all the relevant documents for your loan to be drawn in construction stages – as tabled on page 4. The following information will help you prepare for the various stages of the post-approval process.

#### **Progress payments – for registered builders.**

At different stages of construction, you or your builder will require payment. To make these funds available, you need to provide your home loan specialist with:

- A completed and signed Progress Claim Certificate<sup>1</sup>.
- Copies of all relevant builder's claims, invoices or receipts.

Invoices are required before any claim relating to them can be processed. Before approving a progress payment, we may require further information.

#### **Invoices sent to us should:**

- Be on any official company letterhead – where the builder is a company.
- Include the builder's ABN.
- Describe any change to the amount you have previously agreed to pay the builder and the reasons why.
- Describe the preferred payment method.
- Describe the GST payable.
- Be clearly marked as a tax invoice.

#### **Progress payments – for owner builders.**

Owner builders are required to send all invoices for the total amount of claims for each progress payment.

To help ensure the builder is paid on time and to avoid penalty costs from suppliers, we encourage you to provide these details to us as soon as possible.

<sup>1</sup>. This certificate form can be obtained from your banker. By signing the certificate you are giving authority to release loan funds to the named builder.

## **Inspections and valuations.**

During construction, we will require an inspection and valuation of work completed. This is for our own internal purposes and helps us to confirm if further funds can be provided.

### **For registered builders:**

- Prior to commencement of building, to estimate value of land and proposed improvements.
- When the first progress claim is requested.
- When the final progress claim is requested.

### **For owner builders:**

- Prior to commencement of building, to estimate value of land and proposed improvements.
- When any progress claim is requested.

Valuations are either external or internal but we will let you know in advance if we require access to the property. In most cases, we do not charge an inspection fee. For further information, please ask your home loan specialist.

## **Cost overrun.**

Payments can only be made up to the valuation amount for each stage of construction. If the loan balance plus construction claim exceeds the funds approved, then this is considered a cost overrun.

You are responsible for paying any cost overruns associated with the construction from your own funds. Progress payments may be stopped immediately until this cost overrun has been met.

## **Your contribution.**

You are required to make some contribution from your own funds towards your construction loan. However, the amount that you need to contribute depends on a number of factors. Please contact your home loan specialist for further information.



# STAGE 4

## **Final payment.**

Before your final progressive payment can be made, after the building has been completed, you will need to provide us with the following documents:

- For new homes: a copy of the occupancy certificate or interim occupancy certificate where only external items such as driveway and landscaping (not included in construction valuation) are outstanding.
- For renovations and extensions: a copy of the final inspection certificate.
- A copy of the building insurance/fire policy may also be requested.

The certificates referred to may differ for each state or territory. For further information about the documentation required in your state or territory, please speak to your home loan specialist.

## **Conversion to principal & interest.**

When your interest only period finishes your loan will convert to principal & interest. You will be advised in writing of what your new repayments will be.

If you finish building before the end of your interest only period, you can ask us to vary this contract to bring the interest only period to an end and start your principal and interest repayments. If you want to do this or have any questions about your loan or range of other NAB products, please speak to us.

## **Frequently asked questions.**

### **Can I make any changes and variations to my building contract along the way?**

Any variations to your building contract must be approved by NAB prior to agreeing to any changes with your builder. Where there is an increase in funds required, you may need to fund these purchases yourself. Your home loan specialist can help you throughout this process.

### **What if I need additional funds?**

If you require additional funds from NAB after approval of your loan, you must contact NAB. The new request for finance must be fully assessed in line with normal NAB guidelines and application criteria.

### **What if my costs overrun?**

You can use your own funds to pay for any cost overrun. However, please note, the drawing down of loan funds will be suspended until any cost overruns are met.

As soon as you anticipate costs are likely to exceed the funds approved, please contact your home loan specialist.

### **What is required from my builder to ensure payment is processed quickly?**

Before payments can be made from your loan account, your builder must provide an original and complete tax invoice on official letterhead with their ABN.

### **Is a fee charged for each progressive drawdown?**

A progressive drawdown fee is charged to all construction loans (including 'Package' customers). This fee is applicable for each progress payment following the initial drawdown payment.

To find out more about the terms and conditions, applicable fees, and government charges set out in your loan contract, please speak to your home loan specialist.

## Who do I contact?

If you have a home loan specialist, you can call them to discuss your requirements. Alternatively, visit your nearest branch to speak to a banker or call **13 13 12**. After discussing your needs, they can suggest ways to help save time and money with a NAB Home Loan. You can also find more information at **nab.com.au**

### Important information

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For more information call

**13 13 12**

7am – 9pm EST, Monday to Friday

8am – 9pm EST, Saturday to Sunday

Or visit us at [nab.com.au](http://nab.com.au)



Hearing impaired customers  
with telephone typewriters  
can contact us on **13 36 77**