

Our Easy Guide to Financing your Home





How does finance work when building a new home?

Financing your new home is a little bit different to the way you would finance an established house.

When buying an established house you make one payment when your property settles, but when building a new home things are a little different.

You will be required to make a series of smaller payments as your builder completes each stage of the work on your new home.

These payments meet the materials and labour costs incurred as you progress through each stage of your build and how often you pay your builder will depend on your building agreement. This series of payments are referred to as progress payments.

To protect yourself, it is important to pay your builder only after each stage of work has been completed.

How do progress payments work?

It is normal practice for you to pay a small amount initially to get things started. This allows the builder to prepare your building agreement, finalise your plans and obtain council approval.

Before the builder can start this process, they will need to confirm you have the money available to make your progress payments when they are due.

Progress payment schedules vary but are typically as follows:



1st Payment
Slab



2nd Payment
Frame



3rd Payment
Lock up



4th Payment
Fit Out



5th Payment
Completion

Your builder will issue you with an invoice and a progress claim request that you will need to pay after they complete each stage of your build. These need to be processed on time to make sure work on your home is not delayed.

Borrowing to build

Most people borrow money to build a new home. This type of mortgage loan is different to a standard home loan and it's not as straightforward, because it involves two separate lending transactions (a land loan and a building loan) and multiple progress payments (sometimes referred to as loan drawdowns).

If you are financing your land, be sure to work with your lender to check you will also qualify for the extra money you'll need to construct your home. Owning a block of land and not being able to build will leave you with a mortgage to repay on a non-income producing vacant block of land.

How do I know if I am approved to finance my build?

PRE-APPROVALS:

Most banks will provide you with what is called an 'in-principle approval'. This is an indication that on face value you should qualify for a loan approval in the future. It's important not to confuse this with a formal loan approval. An approval in principle does not bind the lender to advance you the money, so don't commit to building until your finance is formally approved in writing.

FORMAL LOAN APPROVALS:

With very few exceptions, a lender can only provide you with a formal approval once they have valued the home you are building.

To value your new home they will need:

- a copy of your plans;

- a list of your building inclusions and finishes; and
- the quote or tender document from your builder.

Lenders value your home on an "on completion basis". This means they ask the valuer to work out what your home will be worth after the building work has been completed. This is not always a simple addition of the land cost plus the building cost.

Once your loan has been formally approved and you have signed your mortgage documents, your construction loan will settle. The lender will hold back enough money to pay the progress payments and will issue an Authority to Commence Construction (ACC), which authorises the builder to start work.





Which tender should I use for my construction loan?

MyChoice Home Loans now make it easier & more affordable to build your dream home, with the introduction of the MyEasy Home Loan.

Offering a significantly discounted interest rate of 3.13%+p.a (comparison rate 4.07%*p.a) during construction, you won't find any bank, broker or builder in the marketplace that can provide this construction loan solution.

To discover more visit mychoicehomeloans.com.au

You don't need to change banks to change your mortgage

You don't need to use the same institution to manage both your mortgage and bank accounts. Banks prefer to lock customers into multiple services and products they provide, however modern banking practices and technology makes it easier than ever to have your home loan with a different lender if you choose.

Different situations call for different lending strategies

Everybody's circumstances are different. Some people have the time to compare different mortgage options, others seek the support of a professional to help them with their mortgage options and some people do not compare at all.

Lenders are different too! Some lenders will make you jump through hoops while others are easier to deal with. You will never really know how difficult things might get until after you have started your home loan application. Often it is the person inside an organisation you're dealing with that can make all the difference.

You will have unique requirements when it comes to your home loan, so don't be afraid to take the steps necessary to make sure the loan decision you make today provides you with the flexibility to keep your options open in the future.

If you need a hand, we're here to help

Our MyChoice Home Loans service helps to make financing your dream home easy. Rather than leaving you with the responsibility of finding the best deal on your home loan, our experienced representatives will use our network of Australia's most respected financial lenders to find the right fit for you. We will guide you through every step of the building process and provide ongoing support throughout the entire life of your loan.

If you would like assistance in arranging finance for your construction loan, contact us.

We make it easy



**Talk to a
construction loan
expert today.**

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Hunter Region:

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Baulkham Hills NSW 2153
PO Box 7994,
Baulkham Hills NSW 2153
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North Coast:

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Oak Flats NSW 2529
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IMPORTANT NOTICE: + Finance to approved applicants only. Interest rates are correct as at 07/10/2018 but are subject to change. The MyEasy Build Rate reverts to a Standard Loan Interest Rate once construction completes. Construction must commence within 6 months of the loan settling and must be completed within a further 12 months. Rate based on 80% LVR, owner-occupied property, on a Standard Variable Rate Loan, with Principal & Interest repayments commencing on the approved loan amount one month after loan settlement. *4.07% per annum comparison rate is based on a variable rate secured loan of \$150,000 over a 25 year term. WARNING: This comparison rate is true only for the examples given and may not include all fees and charges. Different terms, fees or other loan amounts might result in a different comparison rate. For example, costs such as redraw fees, lenders mortgage insurance, early repayment fees and cost savings such as fee waivers are not included in the comparison rate but may influence the cost of the loan. Credit criteria, fees, charges and terms and conditions apply. MyChoice Home Loans Pty Limited ACN 610 250 578 is an authorised Credit Representative (Number 485273) of Mortgageport Management Pty Ltd ACN 082 753 679 Australian Credit Licence 386360.