

Construction loans

Product overview

Construction is a feature of our basic and offset home loans. A construction feature assists clients with building a residential dwelling (owner occupied or investment) on existing or new land purchases, or structural renovations to an existing dwelling.

Where we rely on the 'on-completion' value for a home improvement or renovation we will control the release of funds through progress payments.

The key product features of our construction loans includes:



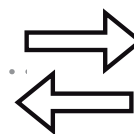
Multiple loan accounts

Up to 6 loan accounts can be established at settlement with unlimited loan accounts post settlement on the offset home loan. **Only one loan account can be set as the construction account in a facility ie the account where progress payments will be made.**



Loan repayments on the construction account

are **interest only variable for two years**, and can remain interest only or change to principal and interest at completion of construction. Any non-construction accounts within the facility can have fixed or variable repayment types.



Offset accounts and redraw

are available during the construction period. Redraw is unavailable on the retained construction amount.

- We can lend up to 90% LVR (including low deposit fee capitalisation). Location and loan amount restrictions apply.
- Up to 5 years interest only can be approved. For loans with an LVR greater than 80% the maximum interest only period is 2 years, to align with the construction phase.
- A one-off construction administration fee of \$1,500 applies and this includes all valuation inspections and progress payments during the construction period.

Summary of lending parameters

- No more than two dwellings are permitted under a construction loan. If two dwellings are being built then one building agreement/contract is required.
- Loans for builders or property developers for speculative investment purposes are not acceptable, e.g. where the principal nature of their business or income generation is reliant on the development and/or future sale of the security property.
- Not available to owner-builders, kit or demountable homes.
- The security property must be zoned for residential use and the dwelling to be erected on that security property must comply with all applicable zoning requirements.
- Only a first registered mortgage can be taken over the relevant security property.
- The building agreement/contract, must be a fixed price and fixed term, industry standard contract and is to be entered into prior to formal loan approval. It also must be signed by all parties and include an acceptable progress payment schedule.
- Council-approved plans and specifications should be provided prior to formal approval. If the plans are not yet approved, a copy of the plans which have been or are to be submitted to the council can be provided instead.
- Commencement of the building works must take place within 3 months after the initial settlement date.
- The maximum allowable construction period is 24 months.

Progress payment schedule

Progress payments are to be made at each stage of construction. An example of an acceptable standard schedule is as follows:

Stage	Milestones	Example
1 Foundations/slab	This is when the foundation/slab is laid down and the deposit is paid to the builder.	20%
2 Frame	The frame stage is when the framework for the house goes up and the windows have been fixed in position.	20%
3 Lock-up/external lining	The lock up stage includes finishing of external walls such as brick work or cladding, the final roof covering and fixing of house doors.	30%
4 Fixing/internal lining	The fixing stage is when most internal works, such as installation of walls, ceilings, bathrooms and kitchen cabinets are completed.	20%
5 Practical completion	Completion. This is the last stage of construction. The home is completed and ready to move into.	10%

Progress payment requirements

- 100% of the construction funds are retained at settlement.
- To request a progress payment, email a completed progress payment form including a copy of the builder's invoice and any other required documents to **constructionpayments@macquarie.com**. Digital signatures are not accepted. Please ensure the email subject lines contains the application reference number e.g. APP-123456.
- A copy of the progress payment form can be found at macquarie.com/broker under 'Mortgage tools'.
- For the first progress payment, in addition to the builder's invoice we'll also require copies of the following documents if not already provided;
 - Builder's indemnity or warranty insurance
 - Builder's contract work insurance
 - Builder's public liability insurance
 - Stamped council approved plans (not required if progress payment relates to payment of a deposit)
- For the final progress payment, in addition to the builder's invoice we'll also require a copy of the insurance policy certificate noting Macquarie Bank Limited as the interested party. We'll also deposit any surplus funds back into the client's loan account.
- If the construction cost is less than or equal to \$400,000 then only the foundation/slab and practical completion stages need to be certified and approved by a panel valuer. Valuer inspections and approval are required for each progress payment where the construction cost is greater than \$400,000.
- The client is required to contribute their own funds upfront prior to progress payments being made.

Tips for submitting construction loans

- The construction loan must have one or more loan accounts, where only **one account is nominated as the construction account**.
- To nominate a construction account, the ABS purpose of the account must be one of the following codes:
 - ABS-121: Constructing house by first mortgage
 - ABS-123: Constructing other dwelling by first mortgage
 - ABS-327: Finance for alterations and additions.
- The construction account must be set to **interest only repayments for a minimum of 2 years**.
- There needs to be at least once **security with a status of "to be built"**
- **If the total purchase or refinance amount is greater than the construction costs, you'll be required to split the construction amount into its own loan account.**
- All other non-construction accounts in the facility can have their own ABS purpose, rate type and repayment type.

Frequently asked questions

Does the client need to pay interest on the entire loan from the start?

No, the client will only pay interest based on the balance of their loan account at any point in time, rather than paying interest on the entire loan amount.

What happens at the final stage of construction?

The maximum allowable construction period is two years. The loan will remain on interest only repayments until the end of the two years, unless they have been approved for a longer interest only period. Client can switch to principal and interest repayments after construction by contacting us at mortgages@macquarie.com or 1800 007 722.

Once the interest only period ends, the loan will convert to principal and interest repayments.

When the final stage of construction is complete, we'll deposit any surplus funds back into the client's loan account, if applicable. These funds are then available for redraw by the client.

Can a client make extra repayments during the construction period?

Clients can make additional payments into their loan, and redraw these additional amounts, even when the loan is in the construction period.

How can a client request a progress payment?

Client is provided with a progress payment form in both the formal approval and settlement email during the application stage. They'll need to email the completed progress payment form to constructionpayments@macquarie.com and include a copy of the builder's invoice and any other required documents. Digital signatures are not accepted on the form. Please ensure the email subject lines contains the application reference number e.g. APP-123456.

Need more information?

If you have any questions please get in touch with your business development manager.

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