

A man and a woman are smiling and interacting with a black dog in a backyard. The man is holding the dog, and the woman is standing next to him. Another black dog is sitting on the ground in the foreground. They are surrounded by construction materials like wood and bricks, suggesting they are building a deck or patio. The background shows trees and a clear sky.

YOUR GUIDE TO
**CONSTRUCTION
LOANS**

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CONSTRUCTION LOANS

TOP 10 THINGS TO KNOW

1

Construction Loans are different to a traditional Home Loan

A Construction Loan enables you to draw down funds progressively to pay your builder at key stages of your build. You only pay interest on the money drawn down during construction, not the whole amount. This could free up cash for other commitments while you're still building.

2

Suitable for new builds and structural renovations

You can use a Construction Loan for a knock-down and rebuild, or a major structural renovation (the kind of renovation where you move a wall, add a room, change the roofline of the property).

3

Make Interest Only repayments during construction

You don't have to start repaying the principal loan amount until after construction has finished. This means your repayments may be lower than they would be if you were paying both Principal and Interest during the build.

4

You'll have 6 months to draw on your loan, 24 months to complete your build

Your first request to draw down on your loan to pay your builder (progressive payment request) will need to be made within **6 months** of receiving your signed Letter of Offer. It's important to finish building within **24 months** from the date of your first drawdown, as any remaining funds may not be available after this end date.

5

Use your own cash before first drawdown

If you plan on contributing any of your own funds, you'll need to use your own cash contribution first before ANZ makes the initial drawdown to your loan.

6

A valuation is conducted to confirm the estimated value of your finished home

Your Lender or Broker will organise a 'Tentative on Completion' valuation as soon as you have building plans and a contract. This is to confirm the projected value of your new home, your likely available equity and how that impacts the amount you can borrow.

Note: If your construction exceeds \$2m a Quantity Surveyor Report (QS) will be required. Talk to your Lender or Broker to learn more.

7

You can link an offset account

If you choose our Construction Loan with a standard variable interest rate, you can use an offset account.

8

Redraw is not available during construction

Redraw is not available while you're building, but once the loan is fully drawn, any additional repayments you make will be available to redraw. To be eligible for redraw, the loan must be a variable rate product and meet eligibility conditions.¹ Redraw is not available on Fixed Rate Loans.

9

You may need a Land Loan

If you want to buy land to build on, you may need a Land Loan as well as a Construction Loan. You can choose to keep the loans separate or you may be able to combine the two, even if you have one with another bank.

10

Chat to us early in your process

It's a good idea to talk to your Lender or Broker about your options. We can help you explore how to finance your deposit and how much you could borrow so you'll have a good idea of your potential budget. We can also help you with getting your loan pre-approved before you've chosen your builder.²

SIMPLE STEPS

TO SORT OUT YOUR LOAN

There are 5 key steps to sort out your construction loan, taking you from application through to finalising your loan and being ready pay your builder.



1. Applying for a Construction Loan

We'll ask you for:

- ☐ Documents showing your income, expenses, assets and liabilities
- ☐ Your building plans (not yet approved by council)
- ☐ Your Fixed Price Building Contract (not yet signed), including the project's specifications and inclusions as well as anything that isn't covered by your contract.

We can issue an Approval in Principle (pre-approval) before you have the above documents, so that you can be confident knowing the amount you are likely to be approved for before you start shopping.²



2. Loan Assessment & Valuation

While assessing your loan, your Lender or Broker will organise a 'Tentative on Completion' valuation to confirm the projected value of your new home, your likely available equity and loan to value ratio (LVR). You don't need to do anything, we organise this.

In some scenarios the bank will also arrange a Quantity Surveyor (QS) report.



3. Signed Building Contract

Once you've signed your plans and building contract you need to send them onto your Lender or Broker to get the full approval on your Construction Loan.



4. Letter of Offer

Once your Construction Loan is approved, you'll receive your Letter of Offer which will need to be signed by you and will form part of your loan agreement. Remember that your signed Letter of Offer is valid for 6 months from the issue date. You can request your builder to get council approval, and once it's available send to the Progress Payment team at ANZ.



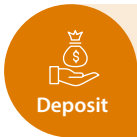
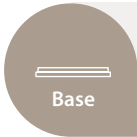
5. Commencement Pack

After ANZ's Progress Payment team has received your approved council plans or building permit, you'll receive a Commencement Pack. This signals that the bank is ready for you to start drawing from your loan. Remember that you have 24 months from the first progress drawdown to complete your build.

GET IN THE KNOW

HOW MUCH TO PAY AT EACH STAGE

The amount that needs to be paid will be outlined in the Progress Payment Schedule in your Building Contract. The amount varies by each stage of construction. Your builder will request payment on completion of each of the 6 stages of construction.

	Building Stage	Progress Payment % of total contract*
	First payment to your builder and includes the payment for council approved plans/building permit.	5%
	The land is prepared, and foundations laid.	10 – 20%
	Walls and roof trusses are constructed.	15 - 20%
	Roof, doors, windows, and external walls are finished so the property is lockable.	20 - 40%
	Plumbing and electrical (including lights and power points) are installed.	20 - 30%
	Painting, cabinetry, tiling and lighting is completed. Construction is complete and you're ready to get the keys.	10%

*The percentage of total building contract outlined for the Progress Payments in the table is an indication of a progress schedule and the percentage may vary depending on your location or builder.

HOW TO PAY YOUR BUILDER

MAKING PROGRESS PAYMENTS

There are 3 steps to complete when requesting ANZ to make a Progress Payment to your builder.

- 1 Request the invoice from your builder.
- 2 Fill in and sign the Progress Payment Instruction form.
- 3 Email the completed Progress Payment Instruction form and your builder's invoice to us at progressdraws2@anz.com. In the email subject line, type your ANZ reference number.

Note: your ANZ reference number will be provided to you in your commencement pack. If you don't have this yet, please use your loan application number instead.

Our team will need 7-10 days to process your request, so make sure you send it in as early as possible.

If you get stuck, remember to contact your Lender or Broker.

Final Payment

Before we can make the final payment at the end of the project, we'll need you to send copies of your Building Insurance Policy/Certificate of Currency - as well as a Certificate of Occupancy if required by your state or territory to the Progress Payment team.

Valuations

To check everything's on track before we release the progress payments, ANZ designated valuers may make inspections during different stages of your build, and at completion. We will let you know if this is needed.

HOW TO MAKE REPAYMENTS ON YOUR CONSTRUCTION LOAN

Here are the things you need to know to make repayments on your Construction Loan:



Your repayments will start once the first progress payment is made to your builder.



When you sign your loan documents, you'll need to nominate from which of your ANZ accounts you would like the Interest Only repayments debited. Interest is calculated daily on the loan balance owing and is charged monthly. Keep in mind that as you progressively draw down funds from your Construction Loan, your monthly repayment will increase.



If you'd like help calculating an estimate of what your monthly repayments are likely to be during your build, talk to your Lender or Broker.



Your repayments are likely to be lower during the build than after your building is complete. This is because your Interest Only repayments during the build are calculated on the loan amount you've progressively drawn down to pay your builder.



Once construction is complete, your repayments will switch over to the loan terms agreed in your Letter of Offer. This usually means you'll start repaying Principal and Interest repayments which will likely be higher than the Interest Only repayments made during the build period.

BE PREPARED

KNOW THE DOCUMENTS YOU'LL NEED AT EACH STAGE

Here is a guide to some of the documents you're likely to need at each stage of your project.

For your Construction Loan pre-approval:

- ☐ Financial information such as income and expense summaries

For your Construction Loan application:

- ☐ Personal Identification (driver's licence or passport)
- ☐ Documents to confirm your income and employment details
- ☐ Documents to confirm your assets and liabilities
- ☐ Details of your expenses
- ☐ Fixed Price Building Contract, plans, specifications and inclusions
- ☐ Quotes for work not included in your builder's contract
- ☐ If you're eligible, apply for a First Home Owners Grant.

Before building starts:

- ☐ Council approved plans, building specifications or building permit
- ☐ Signed Fixed Price Building Contract

Once building's underway, to request Progress Payments:

- ☐ Signed and completed Progress Payment Instruction form
- ☐ Builder's invoice or receipt

Once building's complete:

- ☐ Signed and completed Progress Payment Instruction form for each stage of your build
- ☐ Builder's final invoice or receipt
- ☐ Building Insurance Policy/Certificate of Currency
- ☐ Certificate of Occupancy (or equivalent for your state/territory)

FREQUENTLY ASKED QUESTIONS

1

What types of building contracts are used for Construction Loans?

Fixed Price Building Contracts are most common. In exceptional circumstances Cost Plus and Lump Sum contracts may be considered, but carry additional risks so approval isn't certain.

2

What if I want to manage my construction project myself?

If you choose *not* to get a building contract with a registered builder, you are considered an Owner Builder. Owner Builder projects are subject to a different approval policy and criteria in order to obtain a loan from ANZ. It's best to speak to your Lender or Broker before going down this path.

3

What does my building contract need to include?

Your Fixed Price Building Contract should detail all the work your builder promises to complete as part of the project, as well as a Progress Payment schedule which outlines the costs and amounts payable at each stage of the project. Sometimes the Fixed Price Building Contract will include an addendum outlining the Specifications and Inclusions. Otherwise, your builder will supply these to you separately.

4

How can I use my equity or savings?

If you're planning to use your own savings to pay for part of your project, you'll need to pay this amount directly to your builder before you can start using your Construction Loan. If you're wanting to use equity you have in another property to finance your project, speak to a Lender or Broker to find out your options.

5

What if I already have a Land Loan?

If your Land Loan is already with ANZ, this means we already hold the land as security for the property. You may be able to renew your existing loan and add the funds for the construction, or you can choose to keep the two loans separate. Eligibility criteria will apply. If your Land Loan isn't with ANZ, we'll need to refinance to ANZ. Talk to your Lender or Broker to understand your options.

6

How do I pay for demolition?

If you have enough equity in your property to cover the demolition costs and the new build, you may be able to borrow the funds. Otherwise, you will need to use your own savings to cover the cost of demolition before the construction can commence.

7

How long do I have until I need to start building?

Your signed Letter of Offer is valid for 6 months from the date of issue. It's important to commence your build and request your first drawdown during this time. If you're concerned about meeting this date, contact your Lender or Broker.

8

What happens if there's any money left over in my loan account?

If there are funds remaining after your builder's final payment, we'll be in touch to let you know your options. You'll have 24 months from first drawdown to complete construction and fully draw down all funds from your loan account.

9

What if I go over budget?

If your invoice creates a shortfall of funds for the remainder of the build that is less than \$5000, ANZ may cover this during construction, however you'll need to pay it back at the end of construction. If it's more than \$5,000 you'll need to use your savings to cover the difference.

10

Building has been delayed – does this effect my construction loan?

If you're experiencing long delays while building and are concerned it will take longer than 24 months from first drawdown to complete construction, talk to your Lender or Broker to discuss the terms set out in your Letter of Offer and your options.

11

When do I need to get Home Insurance?

Make sure to get Home Insurance before the final payment stage. ANZ will need to confirm the house is insured before making the final payment to your builder. To show this is complete, send in a copy of your Home Insurance certificate with your final drawdown request.

12

Can I use my Construction Loan to pay for furnishing and decorating?

If you want to borrow money for more than just the build (for curtains, blinds, furniture, appliances and so on), you may need a separate loan. Your Lender or Broker can talk to you about your options.

WE'RE HERE TO HELP.

Whether you're building or doing a major renovation, we can help you take care of the money side of things so you can focus on the build.

Find out more



Visit your [nearest ANZ branch](#)



Visit anz.com/home-loans



Call us on 1800 035 500, Monday to Friday, 8am to 9.30pm (AEST)
Saturday to Sunday, 8am to 4.30pm (AEST)



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YouTube: youtube.com/anzaustralia

Important Information:

1. Terms and Conditions and eligibility criteria apply to ANZ Redraw. Before you can redraw, you'll need to:

- Have an eligible loan account.
- Be registered for ANZ Redraw.
- Satisfy all the conditions for ANZ Redraw, including:
 - your loan must be fully drawn
 - your loan must not be paid out
 - if your loan is guaranteed, the guarantors have consented in writing to ANZ Redraw (applicable to Letters of Offer issued prior to 9 February 2008)
 - there has not been any event of default during your loan term.

For more details on ANZ Redraw please refer to the [ANZ Consumer Lending Terms and Conditions \(PDF 456kB\)](#).

2. ANZ may provide pre-approval (also known as approval in principle or conditional approval) to eligible customers who apply for an ANZ home loan and complete an application form and satisfy any other applicable requirements. Pre-approval is an approval for a loan subject to conditions being met, including that security is satisfactory to ANZ.

The information provided is a guide only and intended as a tool to help you with your construction loan plans. It is provided for illustrative and educational purposes only. This guide is not personal advice and ANZ takes no responsibility for any error or omission. The information in this guide does not take into account your personal needs and financial circumstances and you should consider whether it is appropriate for you and read the relevant terms and conditions, Product Disclosure Statement and the ANZ Financial Services Guide (PDF) before acquiring any product. Applications for credit are subject to ANZ's credit approval criteria. Terms and conditions, and fees and charges apply. Australian credit licence number 234527. Australia and New Zealand Banking Group Limited (ANZ) ABN 11 005 357 522.