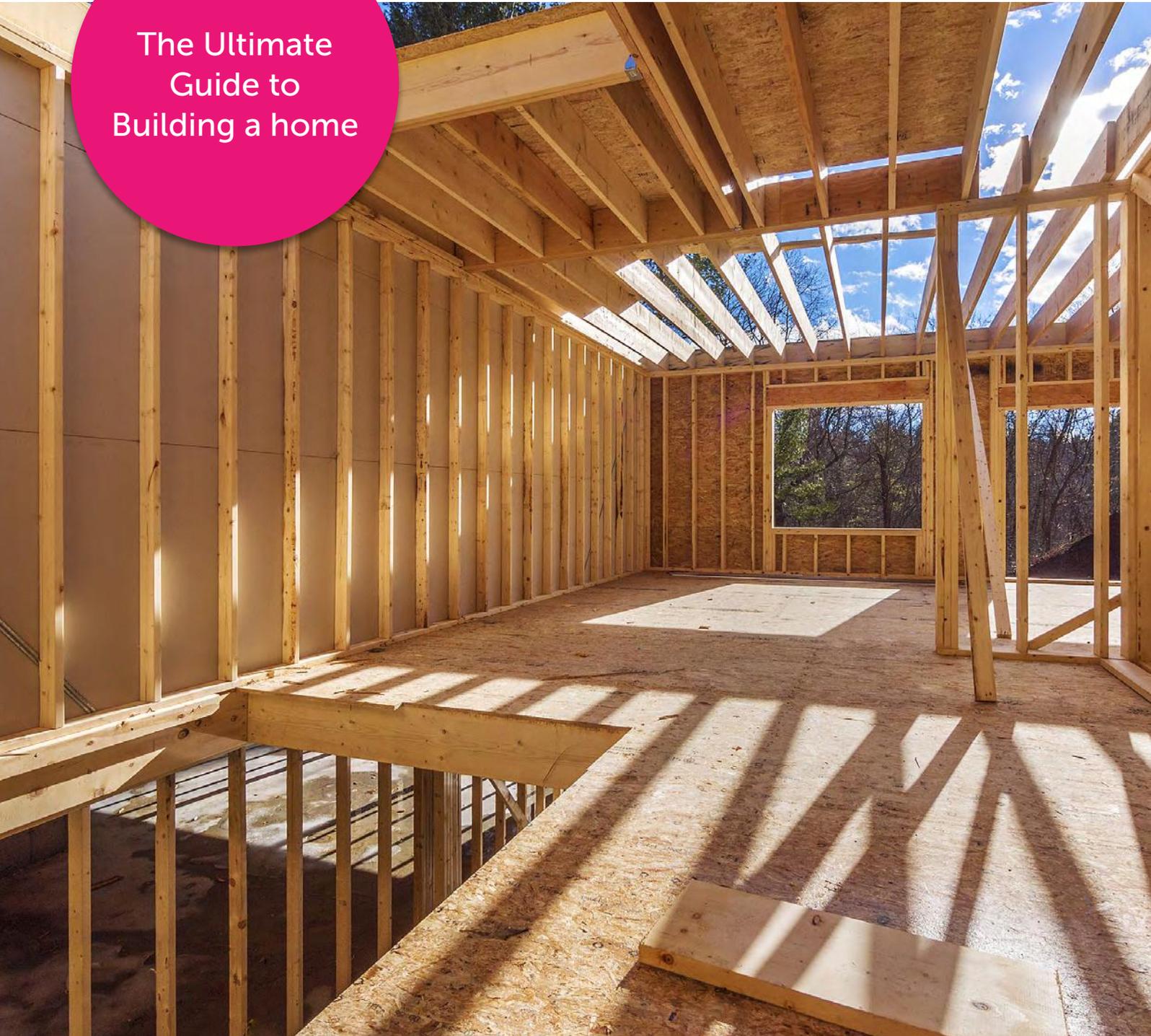


Guide to Building a Home

The Ultimate
Guide to
Building a home



loans.com.au
THE HOME OF SMART MONEY

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WHY GET A CONSTRUCTION LOAN WITH LOANS.COM.AU

This is an exciting time to take out a loan with loans.com.au!

At loans.com.au we are proud to offer one of the most competitive interest rates in Australia for customers who want to build a home.

This means you could save thousands of dollars on your home loan and pay it off sooner.

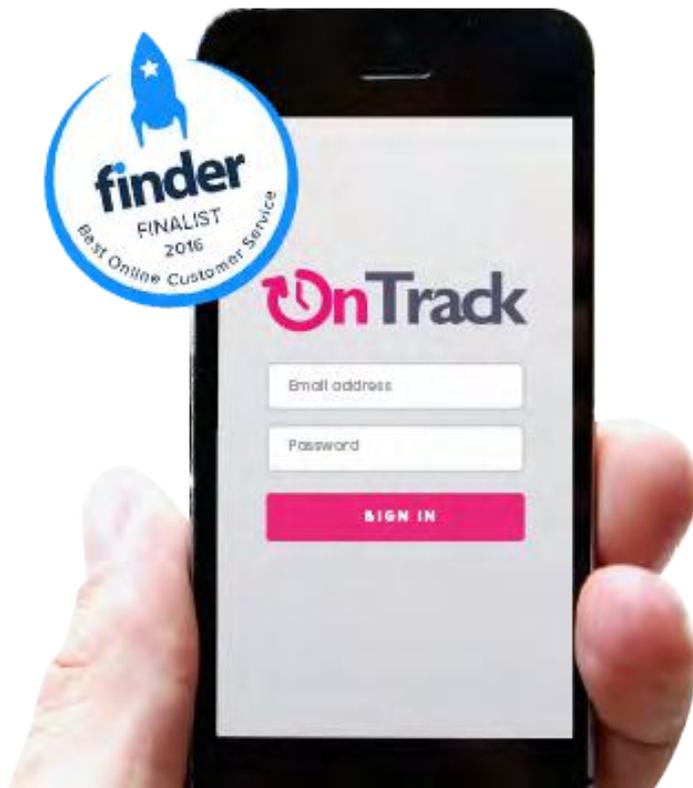
Benefits include:

- Award-winning home loans packed with features
- A game-changing online model saving you money

- Simple online application process with our innovative **onTrack** system
- Borrow safe in the knowledge that we are secure, powered by our associate company **Firstmac**, which has been in business for over 38 years

The simple application process at [Loans.com.au](https://loans.com.au)

1. **Apply online**
2. Talk to a specialist lender in our Australian-based call centre
3. Upload your documents and track the progress of your loan using **onTrack** website plus mobile app
4. Sign and return your Mortgage Documents and Loan Agreement Pack



**2017 Canstar 5
star rating for
outstanding value**

THE onTrack ADVANTAGE

onTrack is our innovative online portal which allows you to complete your home loan application entirely on your handheld device or computer from initial contact through to settlement and beyond.

Using onTrack means that you are able to complete your loan application in your own time. You don't have to wait for a bank branch to open to complete your home loan!

onTrack allows you to download all required forms and documents as well as allowing you to book an appointment with one of our

loan specialists at a time that suits you. You can securely submit your forms and supporting documents.

You can also:

- track the status of your loan, including what you have submitted, what we are doing, and what you need to do next
- communicate with your loan support officer through a real-time messaging system

onTrack is an end-to-end system, making your switch to loans.com.au hassle free and fast.

onTrack gives you more control to fast track your and more knowledge than traditional lending processes.



WHAT IS A CONSTRUCTION LOAN?

Building a home, while daunting, can be very satisfying once you complete the project.

While it's more complex than buying an established home, you are rewarded at the end with a home that is designed to suit you.

Finance to build a home follows a different process as you don't yet have a house to use as security for a loan.

This is the same for a major renovation on a home, where the cost can rise into the hundreds of thousands of dollars.

Thankfully, there is a solution called a construction loan.

Construction loans differ from regular home loans because they are drawn down in what is known as stages, which is explained later in this document. At the completion of each

stage of the build or renovation, we arrange an inspection and then pay the builder for that work.

This protects you because you are not paying the builder upfront for something you haven't yet received, and it protects us as lender at the same time. That means we are working together to make sure you get what you pay for.

Initially you apply for a construction loan, which is in place until your home is completed. Upon building completion, the construction loan will revert to our Offset Variable Loan.

The amount available to borrow will be in part based on the value of the property upon completion of construction.

Construction loans can sound confusing but they really aren't that complicated, in fact, the way they work is common sense. Below, we have outlined the process of building a home using a construction loan from loans.com.au, all the way from applying for the loan, to collecting the keys to your finished home.

THE HOME BUILDING PROCESS

2. How much can you afford?

- Buying by yourself
- Buying with somebody else
- Your deposit saved
- Your income
- Your expenses

4. Getting pre-qualified

- Apply online
- Get pre-qualified
- Know what you can offer to purchase/build



6. Our Construction Loan process

- Apply
- Speak to a specialist
- Upload documents
- Valuation
- Final approval
- Loan documents sent and returned
- Settlement
- Fund the Land
- Fund construction
- Move in and repay your loan

1. Deciding to construct

- Location/suburb of property
- Location
- Buying land
- Buying house/land package
- Renovating an existing home

3. Other costs to consider

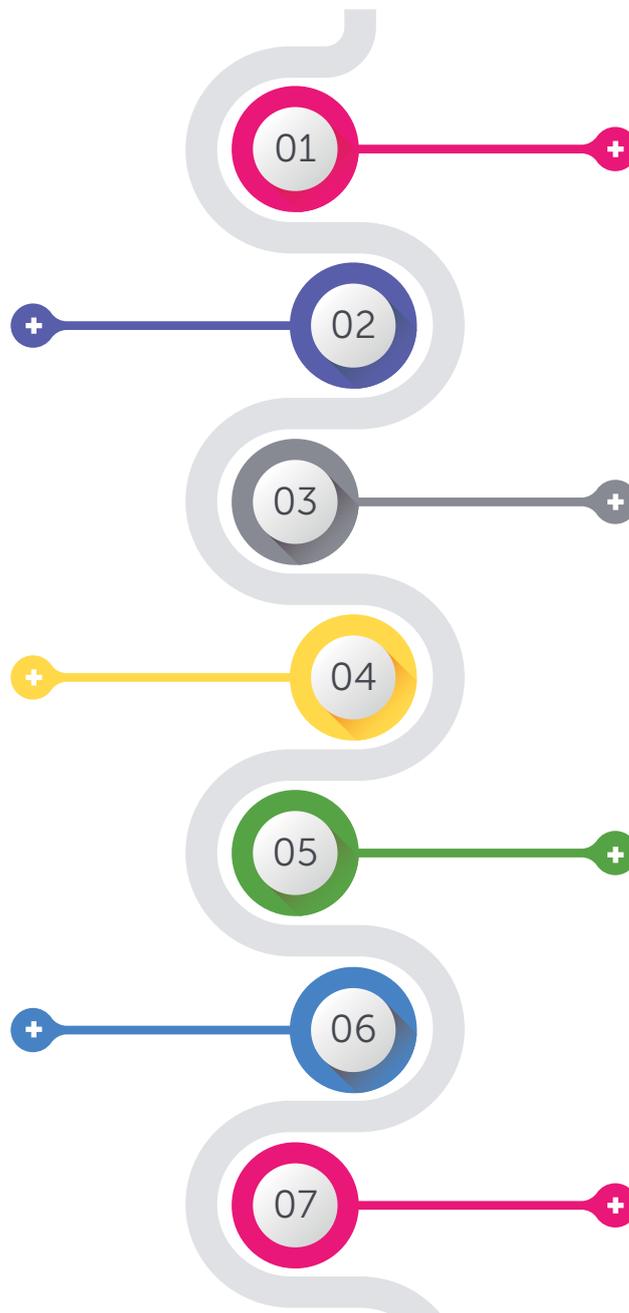
- Stamp duty
- Lenders Mortgage Insurance (LMI)
- Property valuation
- Conveyancing

5. Making an offer / Selecting a builder

- Pre-qualification will help set limits
- Subject to finance clause
- Offer versus auction
- Tips on selecting a builder

7. Repaying your loan

- During construction
- Upon completion
- Online services
- Redraw offset facility
- Activating your visa debit card



1. Deciding to construct

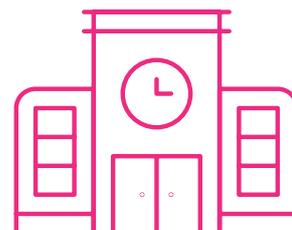
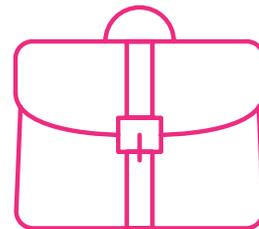
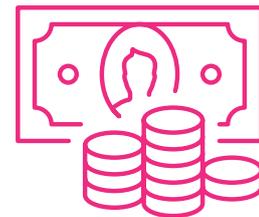
Location/Suburb of property - Before you start searching for a specific home you need to narrow down your criteria. Questions include:

Location – Where do you want to buy? Ideally you'll want to buy in an area that suits your needs and lifestyle, close to work, public transport, schools and shops. Proximity to family is also a consideration.

Buying Land – Vacant blocks of land are hard to come by close to the city so you will usually need to buy and demolish an existing home or buy a block released for sale in a new housing estate or sub-division on the city fringe. A key benefit of this approach is that it gives you the freedom to choose your own architect and builder. However, if you decide to project manage construction yourself, you will need to manage a variety of relationships like the builder, designer, and architect.

Buying House/Land Package - House and land packages are new properties sold off the plan, with a range of customisable home designs to choose from. These properties are usually located in land estates, where property developers buy land released by the government and set up infrastructure and facilities to create a new community. This simplifies the process of buying land and choosing an appropriate design. These packages also typically come with a fixed price contract.

Renovating an existing home - Renovating an existing home can be a lot of fun and lets you incorporate the features and styles you've always wanted. As with building a home, renovating can sometimes be stressful or the final result may be different to what you originally planned. This approach gives you more choice over the area you live in and can be more cost-effective if you already own a home.





2. How much can you afford

Buying by yourself – if you are buying by yourself the amount you can borrow will be determined by your finances alone.

Buying with somebody else – if you are buying with somebody else, be it a spouse, partner or family member, the amount you can afford to borrow will be determined by both of your finances.

Your deposit saved - when you come to buy a home the size of your deposit is very important for several reasons:

100% loans are not available anymore. Most lenders will want you to put down at least 10% of the purchase price of the property. The rest – 90% of the purchase price of the property - can be financed using a home loan.

A larger deposit may mean a lower

interest rate. The larger the deposit the lower the risk to lenders so they may charge you less.

Avoid paying Lenders Mortgage Insurance - If you can put down a deposit of 20% or more, you can often avoid paying 'Lender's Mortgage Insurance' (LMI). LMI protects the lender – not you, if you cannot repay your loan so avoid it if you can.

Income – The size of your income has a big influence on how much you can borrow because the more you earn the more you can afford to repay. Make sure you include and document all of your sources of income when you apply for a loan including salary, rent, interest, and business income.

Expenses – Your lender will also want to know your expenses because it helps them assess how much you have left over to make loan repayments.

3. Other costs to consider

Building a house isn't just about paying the price of the property. There are some extra costs all buyers should be aware of.



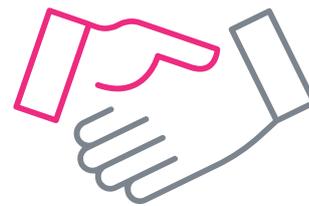
> 20%
DEPOSIT

Stamp duty – When you buy a property you have to pay a state tax called stamp duty within 30 days of the property settlement. Stamp duty is decided by separate state and territory governments, rather than the Federal Government, so rates vary. Some states give special discounts for First Homeowners who meet certain criteria.

Lenders Mortgage Insurance - Lender's Mortgage Insurance is an insurance policy that protects the lender from financial loss in the event that the borrower can't afford to keep up their home loan repayments. Most lenders make it a condition of borrowing that you pay for a lender's mortgage insurance policy if you have less than 20% deposit.



Valuation – You will need to pay for a valuation at each construction stage of the property you are using as security when you apply for a loan. As a rule of thumb, loans.com.au assumes a 5-stage construction. If you have agreed to add extra stages with the builder, you will be paying for more valuation fees.



Conveyancing - Conveyancing is the process of transferring ownership of a legal title of land (property) from one person or entity to another. When you buy a property you should appoint a conveyancer or solicitor to handle the conveyancing for you.



4. Getting pre-qualified

You can save yourself a lot of time and heartache if you get a preliminary loan approval before you start looking for land or a house and land package.

Apply online - You can apply for a preliminary approval from loans.com.au in just a few minutes by visiting our website.

Get pre-qualified - A pre-qualified loan with loans.com.au is an offer to lend you a certain amount, subject to full approval. It remains valid for four months. To gain full approval you will need to supply more supporting documents and updated information.

Know what you can afford to purchase/build - Once you have preliminary approval you know what you can pay to build your home. This means you can avoid wasting time looking at options in the wrong price range.

5. Making an Offer/Selecting a Builder

Pre-qualification will help set limits

– Once you are pre-qualified you will know how much you can spend on your home and land so you can plan with confidence.

Offer Versus Auction - There are number of ways to buy land and build a home in Australia. You can make an offer to purchase land via a contract, by bidding at an auction, or by contracting with a developer for a house and land package.

Private sale - Most residential properties in Australia are sold by making a private offer via a contract to purchase. Using this method, the owner sets the price they would like to get for their property. You put in an offer, which is usually below the asking price and negotiate as necessary with the seller from there by writing your

offer on the contract and giving it to their agent. Offers pass back and forth until you and the buyer agree on price and terms and exchange contracts. You pay a deposit, typically 10 per cent of the selling price, and there is a cooling-off period. The cooling-off period allows you to complete final legal, building and financial checks but if you do back out of the sale you will most likely forfeit a small part of your deposit.

Auction – A land auction is a public sale usually conducted by an agent acting as an auctioneer. It is governed by strict rules. The auction is advertised for a specific place, time and date. Prospective buyers bid and the land is offered to the highest bidder. There is an advertising campaign with inspections for several weeks leading up to the auction date. When land is sold at auction, the owner sets a reserve price – the minimum for which they will sell the land – and prospective buyers make their bids, with the land going to the highest bidder over the reserve price. The most important thing to remember is that there is no cooling-off period. You will also need to provide a substantial deposit on the day of the auction if you are the winning bidder. This is usually paid by cheque.

House and land – Buying a House & Land Package, also called “buying off the plan”, means buying a block of land in a new development and then finding a builder to construct your new home. You’ll need to pay a 10% deposit and stamp duty on the land only. Most developments and new home builders offer a choice of display homes you can visit, often onsite. There you will talk with salespeople, view the land and see examples and models of potential home designs, negotiate a price with the developer, and sign a contract. If

they have not already done so they will then register the land title with the state government. This is a prerequisite for you to get a loan.

Subject to Finance Clause - When you buy through private treaty, including a house and land package, you will typically also include a clause for finance. This allows you to cancel the purchase without penalty if you cannot get acceptable finance.

Tips on Selecting a Builder – A builder is only as good as their track record. Seek word of mouth recommendations from people you trust and ask to look at examples of the builder's past work. They should be able to make past clients available for you to talk with. It is vitally important to make sure they are registered and insured. Check to see if your builder is registered by asking the Housing Industry of Australia (HIA) or the Master Builders of Australia (MBA) for their list of members.

You'll be also able to find a list of builders that are licensed and insured from your state or territory's relevant department of fair trading or consumer affairs.



OUR CONSTRUCTION LOAN PROCESS TO SETTLEMENT



Step 1: Apply

Visit loans.com.au and fill out an online application. It only takes a few minutes to complete. You will then be prompted to book a quick phone appointment with one of our loan specialists to review your application and lodge it. You will also receive login credentials for **onTrack**, our easy-to-use online portal. You can use **onTrack** on any computer or mobile device including your mobile phone.

What you do	What we do
<ul style="list-style-type: none">• Fill out an application online• Book an appointment with a loan specialist	<ul style="list-style-type: none">• Contact you at the requested time to discuss the information you provided

Step 2: Speak to a specialist

Talk with one of our loan specialists. They will review your application and help you choose the most appropriate loan for your needs.

What you do	What we do
<ul style="list-style-type: none">• Be prepared with your financial information such as income and expenses• Tell us your key financial goals	<ul style="list-style-type: none">• Verify the information you provided• Tailor a loan product to achieve your goals• Provide access to our onTrack application portal

Step 3: Login and upload your documentation

Once you have applied, you will need to supply some supporting documents. You can do this using **onTrack**.

You will need:

- Evidence that you have your deposit
- A contract of sale for the land (or proof that you own it)
- A fixed price building contract from a registered builder

What you do	What we do
<ul style="list-style-type: none">• Log in to onTrack• Start uploading supporting documents to your application checklist	<ul style="list-style-type: none">• Verify the information you provide• Contact you to assist with the application process.

Step 4. Valuation

We will arrange for a property valuation to be done on the home you are building.

What you do	What we do
<p>If a valuer needs to visit the site:</p> <ul style="list-style-type: none">• Nominate a time for the valuer to come• Attend the valuation or arrange for a contact to attend	<ul style="list-style-type: none">• Order the valuation• Review the valuation

Step 5: Final Approval

If the valuation falls within the expected range, and our credit assessment is positive, we will approve your loan. At this stage you will receive through onTrack:

What you do	What we do
<ul style="list-style-type: none">• Check onTrack for application status	<ul style="list-style-type: none">• Notify you of your success

Step 6: Loan Documents sent and returned

At this stage you will receive through onTrack:

- Your Mortgage documents and Loan Agreement pack

What you do	What we do
<ul style="list-style-type: none">• Complete your loan documents and return to us	<ul style="list-style-type: none">• Call you to make sure you have received the documents and everything is in order

Step 7. Settlement

We will contact your conveyancer or solicitor to arrange settlement of the land purchase.

What you do	What we do
<ul style="list-style-type: none">• Arrange necessary deposits to be transferred to your conveyancer• Notify your conveyancer that we will be your lender for settlement• Arrange conveyancer to contact us to book in settlement	<ul style="list-style-type: none">• If further legal documents are required for settlement we will contact your conveyancer

Step 8: Fund the Land

We will use a portion of the approved loan amount to complete your purchase of the land.

What you do	What we do
<ul style="list-style-type: none">• Arrange for you portion of the purchase price to be paid by your conveyancer	<ul style="list-style-type: none">• Pay our contribution towards the land from your loan funds

Step 9. Fund Construction

Now we start to pay for each stage as it is completed. As each stage is finished, we arrange a progressive inspection and then, if everything is in order, we pay the builder directly.

The stages of a construction loan are:

Stage	Typical Components
Deposit	Paid to the builder to commence work
Base	Concrete slab complete or footings and base brickwork complete
Frame	House frame complete and approved by inspector
Lockup	Windows/doors, roofing, brickwork, insulation
Fixing	Plaster, kitchen cupboards, appliances, bathroom, toilet, laundry fittings/tiling, heating, fixing/internal doors, etc., plumbing, electrical, painting
Practical completion	Fencing, site clean-up, final payment to builder

What you do	What we do
<ul style="list-style-type: none">• Sign the invoice from your builder• Send it to us	<ul style="list-style-type: none">• Order an inspection• Pay the invoice if the stage has been satisfactorily completed.

The different stages of a construction loan

1

Before you apply you'll need:



1. Finalised purchase



2. A licensed builder



3. Building plans



4. Building contract



5. Builder's insurance

2

Once your loan is approved the 6 construction stages are:



1. Deposit



2. Slab down



3. Frame up complete



4. Lock up



5. Fixing



6. Practical completion

3

Once construction is about to finish, and before final payment, you'll need:



1. A copy of your Occupancy Certificate



2. A copy of your home building insurance



3. Your signed authorisation, so the builder can fix anything that isn't up to scratch before the final payment is made.

Final payment

Once the final payment has been made we'll convert your dream home loan construction to a dream home loan offset variable.

Step 10. Move in

Once the home has reached practical completion we will make the final payment to the builder. You can then collect your keys and move in.

What you do	What we do
<ul style="list-style-type: none">• Send us the final invoice• Insure the house• Provide us with a copy of the occupancy permit• Collect your keys	<ul style="list-style-type: none">• Make the final payment

7. Repaying your loan

After you have started to draw down your loan amount you will start to make repayments.

During Construction - A construction loan is always set up with 12 months of interest-only repayments. During this period you will pay interest only on the money that we have used to fund construction.

Upon Completion - Your Construction Loan will convert to our Offset loan product. This features an redraw offset facility. Your repayments will convert to Principal & Interest, unless you request to extend the interest-only period.

Online Services - You will now be able to manage your loan through our online service platform.

Redraw offset facility - You may request a Visa Debit card that is linked to your redraw offset facility.

Activating your visa debit card - You can activate the card through the Online Services portal.

Congratulations! You have now built yourself a home!

JARGON BUSTER

Terms	Description
Construction loan	A loan specifically for the purpose of funding the building of a new dwelling. Can also apply to major renovations of an existing property.
Final approval	This is the formal approval of your loan. Once you have final approval we have committed to lend you the money. At this stage, you will be issued with mortgage documents which you have to sign and return to make the contract binding.
Fixed-price contract	A building contract where the cost to you is fixed at the start and will not increase, even if building costs go up.
Loan-to-Value-Ratio (LVR)	Indicates how much of your own money is invested in your property compared to how much you have borrowed.
onTrack	Our online application portal. You can manage your loan right through from application to settlement using onTrack . It works on all computers and mobile devices.
Preliminary approval	Also known as “pre-approval”, this is an offer to lend you a certain amount pending full approval. It does not guarantee that the loan will be approved.
Progress payments	These are payments to your builder after they complete each part of the work. These payments are set out in advance in the Progress Payment Schedule in the Building Contract.
Repayment	The amount you pay back to service your loan each month
Valuation	An assessment of the market value of your property.

ABOUT LOANS.COM.AU

Loans.com.au is an award-winning online lender that is proudly Australian and based in the heart of Brisbane, with offices in other capital cities.

Since we were founded in 2011, we have grown to become an industry leader with thousands of happy customers in every state and territory.

From our local call centre, our service team helps hundreds of customers around the country apply for and manage their loans, every day.

Home buyers are choosing us because we don't have expensive bricks-and-mortar branches and we pass the savings on to them through super-low interest rates.

But we are more than just a great low rate.

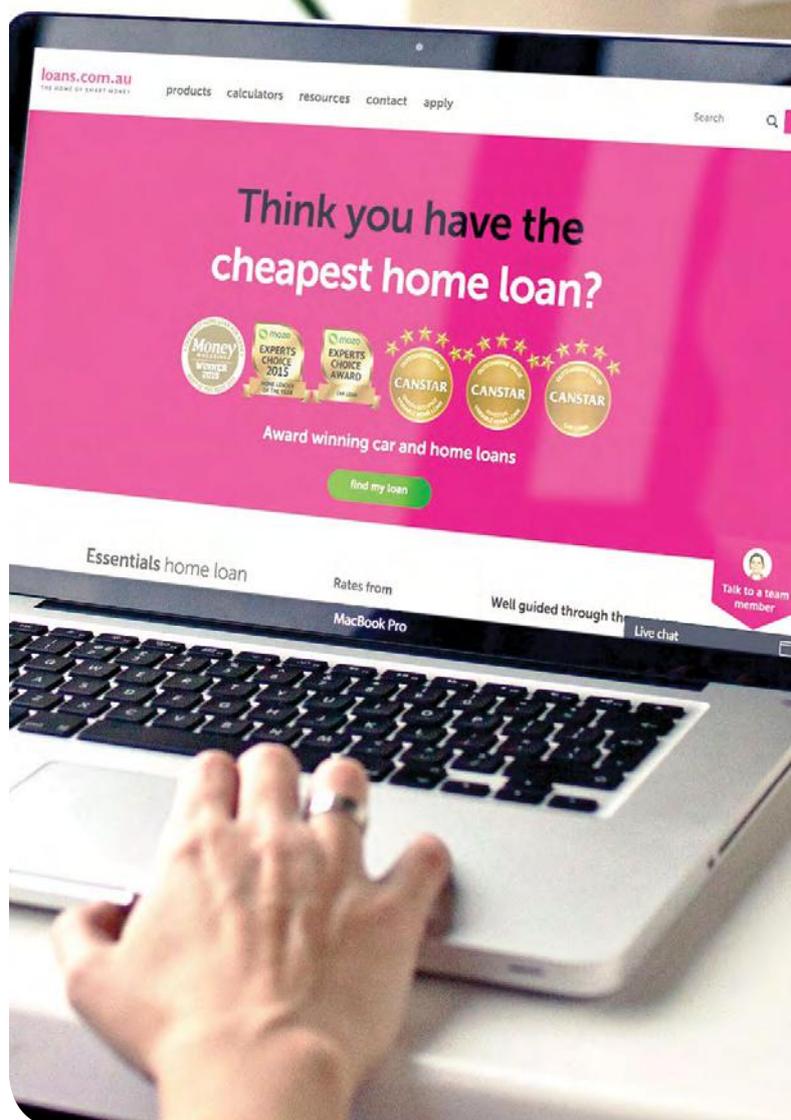
We have taken the hassle out of getting a home loan by cutting through the old-fashioned processes of traditional lenders to put you in control.

With the support of our local service team you can move through your online application at your own pace and with full knowledge of what is happening at each stage.

You can borrow from **loans.com.au** secure in the knowledge that we are regulated by the Australian government.

Our operations are covered by the National Credit Code which is enforced by the financial services watchdog, the Australian Securities and Investments Commission.

We are powered by the financial



strength of **Firstmac**, which is Australia's largest non-bank lender. **Firstmac** has been operating successfully for 38 years and it has more than \$8 billion in mortgages under management.

If you follow rugby league you may have heard of **Firstmac** because it is a Premier sponsor of NRL team, the **Brisbane Broncos**.

Loans.com.au is Australian-owned-and-run, has a long track record of success, and has super-low rates that can save you thousands of dollars. That's why we are the Home of Smart Money.

CONTACT



Call us on 13 10 90 7am - 7pm, Monday to Friday.
AEST Alternatively (+61 7 3017 8899)



Email: customercare@loans.com.au



Or visit our website at loans.com.au to chat online.



Super low interest rates
 save on the cost of branches, we pass on in the form of lower interest rates for our customers.



thousands of [^]
 HAPPY CUSTOMERS

Powered by
Firstmac



MORE THAN
\$8 BILLION
 IN MORTGAGES 



AWARDED
 *2015 Home Lender of the year in Mozo's Expert Choice Award
 *5 star ratings for our variable rate home loans from Canstar plus many others



Great value
 ALL CLICKS
 NO BRICKS

7-7 AEST
 am-pm
MON-FRI
 phone support




The home with
SMART MONEY



FAST TRACK APPLICATION

secure 

256 SSL encryption
 AND
 a firewall mechanism



Hassle FREE
 Apply online in just five steps

We hope you find this guide valuable.
For more info visit www.loans.com.au

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THE HOME OF SMART MONEY

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