

# Vacant land and construction loan fact sheet

Effective March 2020

<b>General Information</b>	
Description	<ul style="list-style-type: none"> <li>• Ideal for purchasing residential vacant land with intention to construct residential dwelling.</li> <li>• Variable rate loans to provide flexibility.</li> </ul>
Target market	<ul style="list-style-type: none"> <li>• Owner occupiers.</li> <li>• Investors.</li> <li>• Home owners wishing to perform renovations.</li> <li>• Second home buyers.</li> </ul>
Benefits	<ul style="list-style-type: none"> <li>• Eligible for lower rates on lower LVRs.</li> <li>• No set timeframe to construct residential dwelling when purchasing residential vacant land.</li> <li>• For land and construction loan: Ability to advance an amount equal to approved government grant (e.g. FHOG) for use at vacant land settlement. Refer to FHOG section for further details.</li> </ul>
<b>Loan Details</b>	
Loan purpose	<ul style="list-style-type: none"> <li>• <b>Vacant land loan:</b> <ul style="list-style-type: none"> <li>- Purchase of residential vacant land to construct dwelling for owner occupied or investment.</li> </ul> </li> <li>• <b>Construction loan:</b> <ul style="list-style-type: none"> <li>- Construction of residential dwelling for owner occupied or investment.</li> <li>- Construction must <b>commence</b> within 12 months of settlement.</li> <li>- Construction must be <b>completed</b> within 12 months of first progress draw down.</li> <li>- Can be used to construct up to 3 residential dwellings where evidence of plan of sub-division is provided at time of loan approval.</li> </ul> </li> </ul>
Borrowers	<ul style="list-style-type: none"> <li>• Individuals.</li> <li>• Partnerships.</li> <li>• Companies.</li> <li>• Trusts.</li> </ul> <p><i>Must be Australian citizens or permanent residents AND reside in Australia, or be entities incorporated in Australia.</i></p>
Maximum LVR	<ul style="list-style-type: none"> <li>• <b>Vacant land:</b> 95% including LMI capitalisation</li> <li>• <b>Construction:</b> 90% including LMI capitalisation</li> </ul> <p><i>Note: Where loan is subject to Lenders Mortgage Insurance (LMI), LMI insurer criteria such as security location, LVR and maximum loan amounts apply.</i></p>
Loan set up	<ul style="list-style-type: none"> <li>• Recommended that separate loans be set up for the vacant land portion and the construction portion.</li> </ul>
Loan term	<ul style="list-style-type: none"> <li>• 25 or 30 years.</li> </ul> <p><i>Note: Construction must be completed within 12 months of first construction progress draw down.</i></p>

Security	<ul style="list-style-type: none"> <li>Registered 1st mortgage.</li> <li>Security property must be located in the acceptable security location in the Credit Guidelines Booklet.</li> </ul>
Interest rate	<ul style="list-style-type: none"> <li><b>Vacant land loan:</b> <ul style="list-style-type: none"> <li>Variable rate only.</li> </ul> </li> <li><b>Construction loan:</b> <ul style="list-style-type: none"> <li>During construction: <ul style="list-style-type: none"> <li>Variable rate only.</li> </ul> </li> <li>Completion of construction: <ul style="list-style-type: none"> <li>Variable rate loan. At this stage, ability to convert to fixed rate is available.</li> </ul> </li> </ul> </li> </ul>
Repayment type	<ul style="list-style-type: none"> <li><b>Vacant land loan:</b> <ul style="list-style-type: none"> <li>Interest only up to 10 years for residential investments.</li> <li>Interest Only up to 5 years for Owner Occupied (or)</li> <li>Principal and Interest.</li> </ul> </li> <li><b>Construction loan:</b> <ul style="list-style-type: none"> <li>During construction: <ul style="list-style-type: none"> <li>Interest only on balance of drawn loan.</li> <li>Interest capitalisation not allowed.</li> </ul> </li> <li>Completion of construction: <ul style="list-style-type: none"> <li>Upon successful completion of construction loan converts to Principal and Interest payments.</li> </ul> </li> </ul> </li> </ul>
Repayment method	<ul style="list-style-type: none"> <li>Direct debit from nominated bank account only.</li> </ul>
Repayment frequency	<ul style="list-style-type: none"> <li>Monthly.</li> </ul> <p>Note: Upon completion of construction weekly, fortnightly or monthly options are available.</p>
Additional repayments	<ul style="list-style-type: none"> <li><b>Vacant land loan:</b> <ul style="list-style-type: none"> <li>Available but any redraw of additional payments must be requested manually by completing the Redraw Requests &amp; Transfers form.</li> </ul> </li> <li><b>Construction loan:</b> <ul style="list-style-type: none"> <li>During construction: <ul style="list-style-type: none"> <li>Available but any redraw of additional payments must be requested manually by completing the Redraw Requests &amp; Transfers form.</li> </ul> </li> <li>Completion of construction: <ul style="list-style-type: none"> <li>Allowed when loan converts to variable rate Principal and Interest loan, with redraws available through StarNet.</li> </ul> </li> </ul> </li> </ul>
Interest calculation	<ul style="list-style-type: none"> <li>Calculated daily on outstanding balance.</li> <li>Charged on last day of the month.</li> </ul>
Progress payments	<ul style="list-style-type: none"> <li>Borrowers must use their financial contribution prior to any release of loan funds.</li> <li>Progress payments completed upon receipt of signed Progress Payment Claim Form.</li> <li>Valuations performed as outlined within "Valuations" section.</li> <li>No minimum draw down amount.</li> <li>Direct credit option only to builder's pre-nominated account.</li> <li>Payments will be made within 5 business days of receipt of all necessary documents.</li> </ul>
FHOG	<ul style="list-style-type: none"> <li>Approved FHOG amounts to be released at the completion of first progress payment.</li> <li><b>For approved land and construction loans:</b> Ability to advance an amount equal to approved government grant (e.g. FHOG) for use at vacant land settlement. Amount will be advanced from the approved construction loan and is only to be used at land settlement. At first progress payment stage, approved government grant will be credited to construction loan to ensure adequate construction loan funds are held to meet construction costs. To apply we must process the government grant application on behalf of applicant, application is noted for this option to apply and all government approvals must be held prior to land settlement.</li> </ul>

<b>Documentation Requirements</b>	
Construction contract	<ul style="list-style-type: none"> <li>• Copy of signed industry standard* fixed price building contract for construction portion.</li> <li>• For conditional approvals – estimates can be provided.</li> <li>• Contract variations must be advised of immediately. Reassessment of loan may be required including a new valuation.</li> </ul> <p><i>*Such as Master Builders' Association or Housing Industry Association.</i></p>
At approval	<ul style="list-style-type: none"> <li>• Full credit package and accompanying documents.</li> <li>• <b>Vacant Land:</b> <ul style="list-style-type: none"> <li>– Purchase: Contract of sale.</li> <li>– Refinance: Last 6 months' loan statements, copy of rates notice (paid and up to date) or copy of title, water rates (paid and up to date), signed discharge authority of outgoing lender.</li> </ul> </li> <li>• <b>Construction:</b> <ul style="list-style-type: none"> <li>– Copy of industry standard* signed fixed price building contract.</li> </ul> </li> </ul> <p><i>*Such as Master Builders' Association or Housing Industry Association.</i></p>
Prior to first progress payment	<ul style="list-style-type: none"> <li>• Copy of stamped council approved plans and specifications.</li> <li>• Copy of Builder's All Risk Insurance (either on insurer's letterhead or certificate of currency).</li> <li>• Copy of Owner's Warranty Certificate.</li> </ul>
For each progress payment	<ul style="list-style-type: none"> <li>• Progress Payment Claim Form signed by borrower(s) authorising payment.</li> <li>• Copies of building invoices.</li> <li>• Acceptable valuation – refer to valuations section.</li> </ul>
Final Payment	<ul style="list-style-type: none"> <li>• Copy of Occupancy Certificate – for new homes only (not applicable for WA).</li> <li>• Copy of Building Insurance Policy.</li> <li>• Acceptable valuation confirming all works have been completed as per plans and specifications.</li> </ul>
<b>Valuations</b>	
Valuation requirements	<ul style="list-style-type: none"> <li>• <b>Vacant land - Required at:</b> <ul style="list-style-type: none"> <li>– Approval: Full valuation performed on an "as is" basis.</li> </ul> </li> <li>• <b>Construction - Required at:</b> <ul style="list-style-type: none"> <li>– Approval: Full "on completion" valuation using copy of building contract, copy of plans and specifications and other schedules for extras where builder is not completing.</li> <li>– First progress payment request.</li> <li>– Construction close up (i.e. lock up).</li> <li>– Final progress payment request.</li> </ul> <p><i>Note: valuations must show construction is being completed in accordance with cost to complete schedule as per the building contract. If there is a shortfall between the valuation and the cost to complete schedule, this may be met by the borrower or negotiated with the builder.</i></p> </li> <li>• Additional valuations may be required subject to the nature of the property construction.</li> <li>• Valuations are performed for the lender's own purposes. It is not for construction supervision or quality control purposes.</li> </ul>
<b>Key Fees*</b>	
Loan Processing Fee	\$395 one off fee payable at settlement for processing and settling a new loan.

\*Please refer to the Fees and Charges Guide for details of all fees payable.

For further information about our products, please refer to our product fact sheets.

**Contact your BDM for further information  
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