

## Construction loans – building your home

### What are construction loans?

Construction loans are used to finance the progressive payments of your building costs as your home is constructed.

While there are many variables, the construction loan process can be summarised in five typical steps.

#### Step 1

##### Pre-approval of finance for land and construction

Obtaining loan pre-approval of finance for the land and construction is an important first step. You want to be sure you can obtain the finance to complete the entire project, before committing to the purchase of land and builders' contracts.

#### Step 2

##### Purchase of land

The purchase of the land is formally approved and settled with the lender. Your loan is now activated.

#### Step 3

##### Sign builder

You select the builder you wish to use and sign contracts. The finance for the construction is now formally approved with the signed builder contracts, and construction commences.

#### Step 4

##### Construction and progressive payments

The construction of your home is now underway. Rather than pay the entire builder costs upfront, your construction loan will be structured for the lender to make progressive payments to the builder, at specific stages identified in your building contract. Typically there are five stages for a single-storey property: slab down, walls up, roof on, lock up, completion, but this can vary. The lender may conduct inspections to ensure the work has been completed.

#### Step 5

##### Completion

Your home is now complete. The construction loan now typically reverts to a standard home loan.

### Obtaining finance approval for construction loans

To obtain formal finance approval, typically you will need to provide the following documents:

- Fixed-price building contract with a licensed builder
- Proof of builder's insurance
- Proof of council or planning permits

### Get personalised advice

Everyone's circumstances are unique. Speak with your Smartline Adviser for more information and to get personalised advice that matches your requirements.

