

# Construction and renovation

A construction and renovation loan assists the customer to build a home or undertake extensive renovations to an existing property that is used as security. The following outlines the general requirements and is to be used as a guide only.

## Definitions

- **Building Plans** - Usually completed by an architect, draftsman or the builder. A detailed set of drawings outlining what is to be built.
- **Fixed Price contract / Construction Tenders** - A contract that specifies what work the builder will undertake for a fixed amount. There are no rise and fall clauses associated with changes in labour or material costs.
- **Prefabricated / kit / modular and transportable dwellings** - Dwellings where the major components are constructed in a factory away from the building site and delivered to site for assembly and permanently affixed to site.
- **Mobile/relocatable homes:** A dwelling that is manufactured in a workshop in one modular part, that is constructed on and transportable by means of its own chassis. May be affixed to the land on concrete blocks and stabilising bolts.
- **Progress Payment Schedule** - a schedule that outlines the percentage or amounts that the builder is to be paid upon reaching various milestones. Home Building contracts generally include the following milestones: Base / pad. Frame, Roof, Lock up and final. Monthly progress draws for the construction of a residential property are unusual. Refer to Credit for guidance in these instances.
- **Specifications** - A detailed listing of the items to which the builder has agreed to include in the minimum fit out of the property e.g. door handles, power points, drive way access and landscaping.
- **Variations** - Any agreed amendments (adding or deleting items) to the original building contract.

## Policy application

Use this policy for:	Don't use it for:
<ul style="list-style-type: none"><li>• Building / renovation undertaken by a registered builder;</li><li>• Construction of multiple dwellings regardless of whether the subdivision</li></ul>	<ul style="list-style-type: none"><li>• Off the plan purchases. Refer Off the plan purchases and developer sales.</li></ul>

Use this policy for:	Don't use it for:
<p>occurs pre or post completion of the building process;</p> <ul style="list-style-type: none"> <li>Renovations to a property held as security that structurally changes external walls and is subject to council approval.</li> </ul>	<ul style="list-style-type: none"> <li>The construction of more than four residences in a grouped dwelling.</li> <li>Properties that upon completion will not be a house, unit, town house, or rural lifestyle property. Refer Maximum Loan to Value Ratios (LVR's);</li> <li>Properties where the maximum living space is &lt;50sqm including a balcony and carpark.</li> <li>Loans not subject to progress payments Refer Cash out</li> <li>The construction of 'granny flats' refer to Ancillary dwellings.</li> <li>The construction of Offsite built homes refer to Offsite built homes policy.</li> </ul>

## Business rules

- Building contracts must be for a fixed price.
- Cost Plus building contracts are not acceptable.
- The borrower's contribution towards the construction cost must be used before the Bank's loan funds.
- A Retail Loan cannot be approved for applications where the dwelling will be sold upon completion.

## Minimum lending parameters

Criteria	Requirements
<b>Servicing capacity</b>	Must meet the Bank's serviceability test.
<b>LMI</b>	Refer Lenders Mortgage Insurance (LMI).
<b>Documentation requirements</b>	<b>Single and Multiple dwellings</b>

	<ul style="list-style-type: none"> <li>• The offer and acceptance / contract of sale for the land portion (if done as a block and build loan);</li> <li>• The building plans and specifications;</li> <li>• The Fixed price building contract / Construction Tender*;</li> <li>• The Progress Payment Schedule, and</li> <li>• For multiple dwellings (only) a copy of the Council approved plan of subdivision (either formal or indicative).</li> <li>• Builders licence or registration</li> </ul> <p><b>*NSW and the ACT</b>, an unsigned copy of the building contract is sufficient for unconditional approval. Colleagues must obtain a signed copy of the building contract prior to disbursal. Colleagues should check to ensure that there have not been any material changes.</p> <p><b>For all other states and territories</b>, a copy of the signed Fixed Price building contract is not required to obtain conditional approval. A signed copy is required prior to the Bank issuing an unconditional approval.</p> <p>Prior to final payment being released:</p> <ul style="list-style-type: none"> <li>• Building insurance policy</li> </ul>
<b>Maximum LVR</b>	Refer Maximum loan to value ratios (LVR's).
<b>Valuation</b>	Refer to Valuations policy.

**Effective:** 02 May 2024