

03.06 Construction Loans

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1. About this policy

1.1 Why this policy?

Purpose	<p>A construction loan, also known as a building loan or a TBE (To-Be-Erected) loan, is a specialised lending option that provides a borrower and their builder, funding throughout the process of constructing or renovating a property.</p> <p>This policy identifies the structure required for a home loan where the borrowers would like to use the funds for residential building purposes.</p> <p>The loan proceeds can be used to fund the construction of one or more residential dwellings (subject to Acceptable Security Collateral) or undertake home improvements (renovations) to an already established property, where the property is also security for the proposed loan.</p>
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	<p>The main feature is the loan proceeds are paid in progressive payments to the builder during the construction phase. The frequency and percentage / amount of the progress payment being advanced can be affected by the type of security property and nature of the building contract.</p> <p>The construction can be completed by way of a Licensed Builder or an Owner Builder.</p>
Applicable to	Consumer mortgage applications where a borrower is seeking a new loan
Policy exclusions	<p>This policy does not apply to :</p> <ul style="list-style-type: none"> • Bridging ICAP loan with no end debt • Loan increase • "Turn Key" House and Land Packages or Multi Unit Residential Developments
Reading this policy	Unless specifically stipulated otherwise, the content applies to both non-mortgage insured (non-MI) and mortgage insured (MI) consumer mortgage loan applications
Associated policies	<p>You may also need to refer to other lending policy rules, including but not limited to:</p> <ul style="list-style-type: none"> • Loan to Value Ratio (LVR) • Acceptable Security Collateral • Security Collateral Value Assessment • If the application requires mortgage insurance, refer to: <ul style="list-style-type: none"> ◦ Lenders Mortgage Insurance

2. Rules you must apply

2.1 Responsibility to inform borrowers

For both Licensed Builder (Fixed Price or Cost-plus contracts) and Owner Builder applications, Lenders must ensure borrowers are aware that :	<ul style="list-style-type: none"> • Their own funds must be used in full prior to the release of any loan funds. Refer : • Borrower's Contribution • 03.25 Genuine Savings, Equity and Customer Contribution > 2.3.1 Evidencing customer contribution
	<ul style="list-style-type: none"> • Borrowers have the sole responsibility to ensure the construction complies with Local Council approval conditions and that the construction of their dwelling meets their satisfaction before submitting each request for progress payment.
	<ul style="list-style-type: none"> • The Bank and / or its valuer, has no responsibility for the quality of work undertaken by the borrower's builder / contractors
	<ul style="list-style-type: none"> • They are encouraged to engage an independent party (at their expense) who is suitably qualified, to monitor progress of construction.
	<ul style="list-style-type: none"> • A Quantity Surveyor (QS) report may be required. Refer to Quantity Surveyor (QS) reports for further details.
	<ul style="list-style-type: none"> • The first drawing is to be within 12 months of the offer date in the Terms and Conditions letter.
	<ul style="list-style-type: none"> • The loan is to be fully drawn within 24 months of the offer date in the Terms and Conditions letter.
	<ul style="list-style-type: none"> • The 24-month construction term, or any longer period as agreed by us in writing, is separate to the loan term that commences post construction (Refer Maximum Loan Term and Exit (Repayment) Strategy)
For Licenced Builder Fixed Price Contract and Cost-Plus	<ul style="list-style-type: none"> • all progress payments will be paid to the builder direct and not to the borrower/s • if a building contract is varied after loan drawdown/s have commenced and:

Contract only	<ul style="list-style-type: none"> upgrades are made with the build contract price increased then the customers must ensure that they have access to sufficient funds to pay for the increase. For example the customer has sufficient savings or an approved increase in lending. down-grades are made with the layout or finish changing including quality of fixtures and fittings changing or the build contract cost reducing, then the customers must notify the Bank as the variations to the contract may impact the valuation of the property. For example original building contract included ducted air-conditioning and the customers ask the builder to not proceed with purchase and installation of the air-conditioning
For Owner Builders only	<ul style="list-style-type: none"> funding in advance is <u>not</u> available. Funds are released against the cost to complete as advised by the Bank's panel valuer. Release of funds is based on the items being affixed to the site. E.g. The borrower wishes to purchase the bricks ready to construct the walls. Payment can only be made after the bricks are affixed in place. For any variation to cost estimates after the Loan's first advance, borrower/s should ensure they have sufficient funds to cover the difference from the original contract (where there is an increase in costs to construct) The panel valuer may request additional documentation to support the 'Construction' valuation and this will be set out in the valuation report. This may include: <ul style="list-style-type: none"> a Quantity Surveyor (QS) reports Engineer's details re slab / footings Pest treatment or pest prevention confirmation Roof truss details from manufacturer for properties located in NSW: <ul style="list-style-type: none"> Before the final progress payment the Bank requires a copy of the updated Survey Report showing the position of the improvements in relation to the boundaries, and that all improvements comply with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering) or a copy of the Certificate of Occupancy. Prior to the first progress payment the Bank may request to sight the survey report showing the location of the footings / slab (or the pegged out survey) In all cases the Broker is to ascertain the borrower/s experience and background to undertake the construction and provide notes in their submission accordingly. Lender/Broker is to comment on any large variations between Owner Builder cost estimate and Panel Valuer check costs shown on the valuation report. Check costs are the Valuer's estimates of the cost of the project under contract builder conditions. There should be a demonstrable cost benefit for the Owner builder project v's completing the transaction via a Licensed builder.
For Kit Home applications	<ul style="list-style-type: none"> the Bank will <u>not</u> advance any funds for purchase or delivery of the kit against value of the (unassembled) kit or, offsite construction costs.

2.2 Unacceptable Building Types

<ul style="list-style-type: none"> Split Contract constructions (both single residential and multi-unit residential developments) are not permitted.
<ul style="list-style-type: none"> Kit homes where funding of the kit is required up front or prior to installation
<ul style="list-style-type: none"> Transportable homes where funding of the dwelling is required prior to the dwelling being transported, fixed on site, and all services connected.
<ul style="list-style-type: none"> Owner builder loans where funding are in advance (refer Owner Builder).
<ul style="list-style-type: none"> Any home proposed to be built from unconventional building materials. Example Mud Brick, straw bale, polystyrene, log cabin.
Refer to Loan to Value Ratio (LVR) and the Acceptable Security Collateral policies for further information.

2.3 Acceptable Building Types - Definition

Acceptable Building Types	Definition
<ul style="list-style-type: none"> <i>Licensed Builder - Fixed Price Contract</i> 	<p>A fixed price contract is where the customer and the Licensed Builder agree to a set price for the cost of building a home or undertaking renovations prior to commencing any building work.</p> <ul style="list-style-type: none"> If the contract is not a fixed price building contract, refer to Cost-Plus Contracts If a borrower is constructing with a house / land package refer to House / land Packages Deals for further information.
<ul style="list-style-type: none"> <i>Licensed Builder Cost - Plus (Non-fixed price) contract</i> 	<p>Cost plus contracts can be identified because they do not state the total cost of the build and may only provide a 'budgeted cost to complete', 'Cost plus a percentage' or may show the cost of the works plus allow a margin for labour or even building material cost increases.</p> <p>The amount due to the builder is the actual cost incurred by the contractor plus a percentage or the cost incurred plus an hourly rate for the contractor.</p> <p>As materials are not a fixed price, the overall cost of the contract can vary. This can result in a significant increase in the contract price prior to/or during construction and therefore may adversely affect the Bank's lending and security position.</p>
<ul style="list-style-type: none"> <i>Owner Builder</i> 	<p>The Bank will treat the following application and borrower types as Owner Builders:</p> <ul style="list-style-type: none"> Anyone who takes on the responsibility of managing their own residential building project. This includes where the borrower(s) takes on the tasks of coordinating and contracting roles usually undertaken by an architect or builder, regardless if they do or do not hold qualifications in the building industry or related trades (e.g. electrician, plumber). Any portion of the construction is carried out by the owner The borrower(s) are Directors / Proprietors of the entity undertaking the construction <p>Exception : If the entity is a Pty Ltd company (PLC) and,</p> <ul style="list-style-type: none"> there is a standard fixed price building contract between PLC as the builder and the borrower as the customer, refer to Licensed builder fixed price contract or Licensed builder Cost-plus contract Kit Homes (even where the construction is completed by an unrelated licensed builder contract)
<ul style="list-style-type: none"> <i>Renovation / Home Improvement loans</i> 	<p>A renovation to an established residential property can be completed by way of a Licensed Builder, Owner Builder or using multiple external tradespeople and will be assessed according to builder type and value of construction.</p> <p>In some cases we may be able to release equity against the current value of an existing property, refer to 'Progress payments not required' for eligibility criteria.</p> <p>Where the 'TBE' (To Be Erected) value is to be relied upon for security value and the Bank requires progress payments, then:</p> <ul style="list-style-type: none"> the Bank must control the release of funds to ensure the renovations / Home Improvements work is completed, and all quotations from all subcontractors (including proposed finishes and specifications) must be provided to the Bank prior to ordering the full valuation report (Construction long form or Construction short form valuation).
<ul style="list-style-type: none"> <i>Kit Homes</i> 	<p>A construction option wherein most of the components of the home are prefabricated and are brought to the site / location of construction where it is assembled.</p> <p>A Kit Home can be either:</p> <ul style="list-style-type: none"> Wholly or partially constructed offsite (i.e. in manufacturer's premises to a specific stage) then delivered to borrower's land for affixing to the borrower's land; or

	<ul style="list-style-type: none"> All building materials necessary to construct the home are delivered to the borrower's land for constructing on site.
<ul style="list-style-type: none"> <i>Multiple Dwellings</i> 	Residential building loans where more than one dwelling is being constructed i.e. duplex, townhouses or units are considered to be multiple dwelling developments.
<ul style="list-style-type: none"> <i>Transportable Homes</i> 	<p>Transportable homes are defined as:</p> <ul style="list-style-type: none"> A dwelling transported to site and permanently affixed in place. Require connection to services (e.g. water, gas, electricity, sewerage). Is not able to be easily moved again. Is not to be confused with a relocatable home, which is not acceptable for bank lending purposes.
<ul style="list-style-type: none"> <i>House / land package</i> 	<p><u>Standard house and land package</u></p> <p>Borrowers choose a block of land and house from a range of building plan options offered by the builder. Borrowers may have a choice of builders if the land is being purchased from a developer. The builder may be completing additional items like air-conditioning, carpeting, landscaping etc. When determining the market value on a 'To be Erected (TBE)' basis, the valuation will reflect separate values for the land and improvements.</p> <p><u>"Turn Key" House and Land Packages or Multi Unit Residential Developments</u></p> <p>With a "Turn Key" style house and land package the property is purchased as one parcel and contracts can be entered into for the purchase either on completion of the home before construction commences or once construction is complete.</p> <p>The borrower is not able to choose their own builder and settlement does not take place until after completion of construction.</p>

2.4 Acceptable Building Types – Requirements

The following table lists the prerequisites for each acceptable building type.

Requirements	Licenced Builder - Fixed price Contract. Also see 2.5 Additional building work outside of the primary builder's fixed price contract	Licenced Builder Cost- Plus (Non-fixed price) contract	Owner Builder	Renovation/Home Improvement loans	Kit Homes	Multiple Dwellings	Transportable Homes
<ul style="list-style-type: none"> View the building contract to ensure there are no cash backs or incentives within the contract. The value of any cash back or incentive is to be subtracted from the estimated value of the property 	√	√				√	

<ul style="list-style-type: none"> Approval is subject to compliance with Security Collateral Value Assessment policy) 	√	√	√	√	√	√	√
<ul style="list-style-type: none"> Evidence of the borrower's funds to complete is held prior to formal approval (refer to Borrower's contribution) 	√	√	√	√	√	√	√
<ul style="list-style-type: none"> For maximum LVR's refer to Loan to Value Ratio (LVR) 	√	√	√	√	√	√	√
<ul style="list-style-type: none"> Applications are not eligible for Mortgage Insurance where the borrower(s) are Directors / Proprietors of the entity undertaking the construction, including where the building entity is a Pty Ltd company. 	√						
<ul style="list-style-type: none"> Progress inspections will be required at each progress payment request, the cost of these progress inspections are not covered by the Bank. 		√	√		√		
<ul style="list-style-type: none"> A completed Independent Adviser's Inspection Report, which includes written evidence from a recognised local building advisory service / architect / quantity surveyor / independent licensed building inspector that all the following aspects have been verified and are satisfactory: <ul style="list-style-type: none"> The cost benefit of the borrower completing the project on an owner-builder basis The total cost to complete project (from beginning to end) Where a Quantity Surveyor report is held the provision of the Independent Adviser's Inspection Report, is not required. 			√				
<ul style="list-style-type: none"> Are assessed in line with Owner Builder policy 			√		√		

<ul style="list-style-type: none"> When construction is completed by way of a Licensed Builder contract, a schedule of payments is required 	√	√			√	√	
<ul style="list-style-type: none"> The Bank will not advance any funds for purchase or delivery of the kit against value of the (unassembled) kit or, offsite construction costs 					√		
<ul style="list-style-type: none"> Mortgage insurance is not available 					√		√
<p>Multiple dwelling applications:</p> <ul style="list-style-type: none"> Are only acceptable where the construction is being completed by a Licensed Builder - fixed price contract or Cost - plus contract. Owner builder applications are not acceptable More than 2 dwellings on a single title is an exception to policy and outside of a lenders/assessor authority to approve. Credit may consider to a maximum of 4 dwellings on 1 title as an exception, generally with lower LVR's All other requirements will continue to apply as for single dwelling construction For further information refer to Licensed Builder - fixed price contract or Licensed builder Cost - plus contract. <p>These types of Loan Applications attract higher valuation costs, as such applications are to be referred to Credit for In Principal Approval (IPA) prior to a 'Construction' valuation being ordered.</p> <p>Refer to Loan to Value Ratio (LVR) and Acceptable Security Collateral policies for details of Multiple dwellings.</p>						√	
<ul style="list-style-type: none"> Funds can be advanced against: 							√

<ul style="list-style-type: none"> the value of the land where the borrower has sufficient equity available, or the value of the land plus the transportable home only after a progress inspection to confirm the dwelling is fixed on site and services connected (i.e. power and water). <u>No funds will be made available against the value of the transportable home when the dwelling is off site e.g. under construction in a factory.</u> 							
Further requirements :							
Documentation required from borrower	Licensed Contract builder	Cost plus contracts	Owner builder	Renovation/Home Improvement loans	Kit Homes	Multiple Dwellings	Transportabl Homes
<ul style="list-style-type: none"> Quantity Surveyor (QS) Reports 	√	√	√	√	√	√	√
<ul style="list-style-type: none"> Progress Inspections 	√	√	√	when a Construction Valuation is used	√	√	√
<ul style="list-style-type: none"> Progress payments 	√	√	√	√	√	√	√
<ul style="list-style-type: none"> Acceptable Security Collateral 	√	√	√		√	√	√
<ul style="list-style-type: none"> Glossary for a definition of 'Construction' valuation 				√			
<ul style="list-style-type: none"> Licensed builder fixed price contract 				√		√	
<ul style="list-style-type: none"> Licensed builder Cost - plus contract 				√		√	
<ul style="list-style-type: none"> Owner builder 				√	√		
<ul style="list-style-type: none"> Construction loans using 'Construction' valuations where there is additional building work outside the builders fixed price contract 				Refer to Process > Construction loans using 'Construction' valuation where there is additional building work outside of builder's fixed price contract			

2.5 Additional building work outside of the primary builder's fixed price contract

A Licensed Builder's fixed price contract may incorporate the completion of all required building work. However, it is acceptable for the applicant to provide separate contracts or quotes for additional work to be completed as a part of the

loan application.

If these works are being funded by the Bank and the valuer has considered these improvements when arriving at a 'TBE' (To Be Erected) valuation figure of the property, the Bank must control funds to ensure this work is completed.

The following items are examples of additional works which may be completed by an external contractor other than the primary builder:

- Air conditioning
- Carpets
- Curtains
- Driveways
- Fences
- Flooring
- Landscaping
- Paving
- Pergolas
- Security System
- Swimming Pool
- Window furnishing

External Tradespeople quotes above fixed price build contract or renovations using multiple builders or contractors:

A maximum of 5 quotes can be accepted without referral to Credit, where the applicant:

- Has a fixed price contract with a single licensed builder to manage the construction or renovation, **and**
- The construction or renovation is less than or equal to \$1m*, **and**
- External tradespeople / contractors are used for additional work outside of the fixed price contract

OR

- Is sourcing individual tradespeople to complete renovations rather than engaging a single builder to manage renovations.

*For fixed price contract greater than \$1m, there is no limit to the maximum number of quotes as each progress payment (including quotes) requires a progress inspection, refer [Progress Inspections](#)

Note: If more than 5 quotes the application is to be referred to Credit to consider any additional requirements (e.g. treat as owner builder in terms of this policy).

For further requirements refer to:

- [Process > Renovation / Home Improvement loans using 'Construction' valuation](#)
- [Process > Construction loans using 'Construction' valuation where there is additional building work outside of builder's fixed price contract](#)

2.6 Documentation Required From Borrower

The following table lists the documents required prior to ordering a valuation, prior to formal approval and post formal approval.

Licensed Builder - Fixed price contracts (Including - Renovations where progress payments are required, Multiple Dwellings and Transportable Homes)

Document type	Required to order a valuation (must be given to the valuer)	Prior to formal approval	Required prior to progress payments commencing	Required prior to final progress payment being made
Signed tender dated < 12mths; or Fully Executed Contract < 12mths Tender or contract must: <ul style="list-style-type: none"> • include address of the (security) property on which construction is to occur • be for the cost of building in accordance with plans and specifications 	√			

<ul style="list-style-type: none"> include the builder's business name and Builders licence number be a firm tender that is current and valid as of the date of application and will not expire prior to settlement / loan drawdown. Loan will not be drawn based solely on a tender. I.e. full building contract is required. 				
Copy of plans, specifications and Schedule of payments	√			
External Tradespeople Quotes Where additional building work outside of the primary builder's fixed price contract AND the valuer is being asked to consider these improvements when completing a 'Construction' valuation.	√			
Land contract of sale including all annexures and special conditions (if applicable)	√			
Title Search	√			
Builder's Risk Insurance <ul style="list-style-type: none"> (including Public Liability). The insurance should cover the minimum replacement cost. It must remain current during construction. 			√ Not required when the progress payment request is for an initial deposit (as advised by the progress payment instruction) to formalise the builder's contract with the customer. The document will be required at the next progress payment stage.	
Evidence of funds to complete (borrower contribution)		√		
Council approved plans and specifications <ul style="list-style-type: none"> If changes have been made to the council approved plans that the Bank used to formally approve the loan, refer to Changes to council approved plans 			√	
Copy of the fully executed contract (if tender previously provided) including any variations			√	
Receipt of satisfactory valuation report		√		
The Progress Payments Team must have issued a Builders pack. This occurs once title has been certified & settlement requirements met & there is no evidence of shortfall.			√	

Application for Progress Payment applicable for the stage of construction that has been completed (These forms are issued with the Builders Pack and must not be pre-signed)			√	
If requested by the original valuer (NSW only), a copy of the Survey Report identifying the land and showing where the foundations/slab are located in relation to the boundaries is to be provided			√	
<ul style="list-style-type: none"> • NSW properties: Certificate of Occupancy or Updated Survey Report evidencing that all improvements comply with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering). • ACT, Victoria, NT only - Certificate of Occupancy & Compliance • QLD properties - Certificate of Completion/Occupancy 				√
Certificate of House Insurance				√

Owner Builder, Kit Homes and Licenced Builder Cost-Plus contracts

Documents Required	Required to order a valuation (must be given to the valuer)	Prior to formal approval	Required prior to progress payments commencing	Required prior to final progress payments
Council Approved Plans and Specifications or Privately Certified Plans <ul style="list-style-type: none"> • If changes have been made to the council approved plans that the Bank used to formally approve the loan, refer to Changes to council approved plans 	√			
Independent Adviser's Inspection Report <ul style="list-style-type: none"> • Not required if a Quantity Surveyor report is held 	√			
Signed tender dated < 12mths; or Fully Executed Contract <12mths For Kit home and licenced builder cost plus contract Tender or contract must: <ul style="list-style-type: none"> • include address of the (security) property on which construction is to occur 	√			

<ul style="list-style-type: none"> be for the cost of building in accordance with approved plans and specifications include the builder's business name and Builders licence number <p>Be a firm tender that is current and valid as of the date of application and will not expire prior to settlement / loan drawdown.</p>				
Copy of plans, specifications and Schedule of payments For Kit home and licenced builder cost plus contract	√			
Copy of quotations from all subcontractors (including proposed finishes and specifications)	√			
Land contract of sale including all annexures and special conditions (if applicable)	√			
Builder's Risk Insurance / Construction Insurance <ul style="list-style-type: none"> (Including Public Liability). The insurance should cover the minimum replacement cost. It must remain current during construction. 			√ For Licensed Builder Cost - Plus contracts only: Not required when the progress payment request is for an initial deposit (as advised by the progress payment instruction) to formalise the builder's contract with the customer. The document will be required at the next progress payment stage.	
Title search	√			
The panel valuer may request additional documentation to support the 'Construction' valuation and this will be set out in the valuation report. This may include: <ul style="list-style-type: none"> Engineer's details regarding slab/footings Engineer's Certificate re slab/footings Pest treatment or pest prevention confirmation Roof truss details from manufacturer 	√			
Evidence of funds to complete (borrower contribution)		√		
Receipt of satisfactory valuation report		√		
Receipt / sighting of Council approved plans & specification must be confirmed by the Bank's (original) valuer			√	

A Survey Report (showing the location of the completed footings/slab identifying the land and showing where the foundations/slab are located in relation to the boundaries)			√	
Current Owner Builder's licence/permit (not required when Cost-Plus construction completed by licensed builder)			√	
<ul style="list-style-type: none"> • NSW properties: Certificate of Occupancy or Updated Survey Report evidencing that all improvements comply with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering). • ACT, Victoria, NT only - Certificate of Occupancy & Compliance • Qld properties - Certificate of Completion/Occupancy 				√

2.7 Borrower's contribution

<p>Before utilising any loan proceeds for progress payments, the borrower's contribution must be fully utilised (or allocated) to the Construction stage.</p> <p>For OBP Applications, where either :</p> <ol style="list-style-type: none"> 1. The Application involves a single loan for both land purchase/refinance AND construction with progress payments or; 2. The Application comprises separate loans, where the first is for land purchase/refinance and the second is for construction with progress payments; <p>then the borrower's contribution for the initial land settlement will be utilised based on Application Loan To Value Ratio (LVR)*. Subsequently, the remaining portion of the borrower's contribution will be entirely used for the construction loan before initiating loan proceeds for progress payments.</p>		
Owner Builder	Transportable	All Other
<p>Funding in advance is <u>not</u> available. The Bank will not advance funds for work yet to be completed but will only reimburse Owner Builders for work completed. <u>This means borrowers need to hold sufficient funds to allow them to cover the most expensive stage of construction.</u></p> <p>The cost of the most expensive stage may be greater than the difference between the Owner Builder cash flow statement and loan amount. Evidence of Borrower contribution held in a savings account is required prior to the Bank issuing a Builders Pack.</p>	<p>In determining the borrowers contribution, consider the difference between the loan amount and costs related to the purchase of the 'house'. For a transportable this may also include the costs of transportation, transit insurance and site fixing.</p>	<p>Where the loan amount applied for / approved, is less than or equal to the costs/tender (including quotes), borrowers will be required to have the difference between the tender / contract and loan amount available in a savings account, prior to or concurrent with the Bank authorising commencement of construction.</p>
<p>Insufficient building funds (shortfall) to complete security collateral</p> <p>When a shortfall is identified by the Progress Payments Team, the Lender/Broker will be advised and are required to address before loan funds can be drawn. The calculation used to identify a shortfall is as follows:</p>		

- Borrower's Contribution + Loan Amount (less any fees) is less than the Building Price.
The Building price includes the contract plus any additional quotes used to achieve the 'To Be Erected (TBE)' valuation figure.

Following this assessment of the borrower/s' position, the Broker must notify the Progress Payments team of the outcome, so that an amended schedule can be issued.

2.8 Changes to council approved or privately certified plans

Before the borrower makes any changes to council approved plans, they must inform the Bank and obtain consent. If there are changes, such as to the structure or the projected costing, details must be provided in writing.

A Construction Valuation (short form or long form) is required to confirm the property's value against the new (amended) Council Approved Plans and Specifications.

Subject to the nature of the change the application may need to be re-assessed and a new approval issued (including new loan offer documents and progress payment schedules). The re-assessment is required to ensure the transaction, security and resulting LVR remain acceptable to the Bank.

2.9 Progress Inspections

Build Type	Progress Inspection Required
Licensed Builder fixed price contract is less than or equal to \$250k	If LVR is less than 80% <ul style="list-style-type: none"> • at practical completion is required
	If LVR is equal to or greater than 80% <ul style="list-style-type: none"> • 1st at frame stage • 2nd at practical completion
Licensed Builder fixed price contract is greater than \$250k but less than or equal to \$1m	<ul style="list-style-type: none"> • 1st at frame stage • 2nd at practical completion
Owner Builder or Licensed Builder fixed price contract is greater than \$1m; or Cost-Plus contract; or Kit Homes	<ul style="list-style-type: none"> • Every time a progress payment is requested
Transportable	<ul style="list-style-type: none"> • To confirm dwelling is fixed on site with services connected, additional inspections based on LVR or build/contract type.

2.10 Progress Payments

Definition	Refer 03.28 Glossary .
Conditions	<ul style="list-style-type: none"> • All required documentation is to be received by the Bank at the appropriate stages for the loan and progress payments to be drawn. • Any shortfall of funds (Insufficient building funds (shortfall) to complete security collateral) will require Lender/Broker follow up. The Lender/Broker will need to evidence the borrower has sufficient funds to complete and send a confirmation email to the Progress Payments Team. • The Progress Payments Team must have issued a Builders Pack. This occurs once the certificate of title has been certified, settlement requirements have been met and there is no evidence of shortfall.

	<ul style="list-style-type: none"> A Progress Inspection Report may be requested from the original valuer. Refer to Progress Inspections Process : Refer to Process > Progress Payments. 										
Owner Builder	<ul style="list-style-type: none"> Owner Builder progress payment stages are not pre-determined. When the borrower requests a progress payment, an inspection by the Bank's panel valuer is required to determine the value of the work completed to date, prior to any payment being released. <p>At all times, sufficient loan funds are retained to ensure practical completion of the dwelling based on the owner builder's original cost to complete and valuer's assessment of completed work.</p> <ul style="list-style-type: none"> Assessment is based only on works completed / materials fixed to site, and not materials purchased or delivered to site. For example the Owner Builder may have just completed the pouring of the slab and request the first progress payment. In addition they have purchased the bricks and roof tiles and had them delivered to the construction site. The Bank will only reimburse the customer for the slab because the bricks and roof tiles have not been installed and are not fixed to site. 										
Licensed Builder contracts – Standard Schedule of payments	<p>Progress payment schedules are considered to be 'Standard' where the valuer makes a comment within the valuation commentary to indicate they are 'to industry standard', or makes no comment.</p>										
Licensed Builder contracts – Non-Standard Schedule of payments	<p>If the valuer comments the schedule of payments are 'not to industry standard', then you must request a new schedule of payments from the Builder when the below conditions apply:</p> <ul style="list-style-type: none"> The schedule already held does not meet the table 1 below and: <ul style="list-style-type: none"> The application is Mortgage Insured; or The application is Non-mortgage insured loan with any risk rating ≥ 4 <p>No action is required when the valuer comments 'not to industry standard' but the above conditions are not triggered.</p> <p>When required to obtain a new schedule of payments, all of the below applies:</p> <ul style="list-style-type: none"> They must correspond with the completion basic stages of construction, which can be: <ul style="list-style-type: none"> Deposit Foundations Frame External Lining Lockup / Internal Lining Practical Completion The schedule of payments must comply with the below table: <table border="1"> <thead> <tr> <th>¹ Progress Payment Stage</th><th>% of Contract</th></tr> </thead> <tbody> <tr> <td>Maximum at Foundation Stage (including deposit)</td><td>20</td></tr> <tr> <td>Minimum at Practical Completion Stage</td><td>10</td></tr> <tr> <td>Other individual stages limited to</td><td>≤ 35</td></tr> <tr> <td>All Stages must total</td><td>100</td></tr> </tbody> </table> <p>The above table ensures that a builder allocates the appropriate level of funds at each stage of the build, ensuring the construction is completed.</p> <p>The application must not proceed to formal approval until a compliant schedule of payments is held.</p>	¹ Progress Payment Stage	% of Contract	Maximum at Foundation Stage (including deposit)	20	Minimum at Practical Completion Stage	10	Other individual stages limited to	≤ 35	All Stages must total	100
¹ Progress Payment Stage	% of Contract										
Maximum at Foundation Stage (including deposit)	20										
Minimum at Practical Completion Stage	10										
Other individual stages limited to	≤ 35										
All Stages must total	100										

2.11 Progress Payments not required

Eligibility criteria	<ul style="list-style-type: none"> If the loan LVR is based on the 'as is' market value in either, an acceptable existing valuation or a new valuation, the loan may be eligible to be drawn as a single drawdown without progress payments. Refer to: <ul style="list-style-type: none"> the 'Progress Payments not required' table below for maximum loan amounts and any additional requirements. Loan to Value Ratio (LVR) policy for Maximum LVR Glossary for definition of 'as is' valuation Brokers and Assessors are required to identify and record the purpose of all loan funds, refer Eligibility > Suitability Assessment under Responsible Lending The residential property improvement amount is to be reflected in ApplyOnline. 		
	Progress Payments not required		
	Scenario	Non-mortgage insured	Mortgage Insured
	Renovations to an already established property* Non-owner builder	<ul style="list-style-type: none"> May be drawn as single drawdown where the loan amount or increase is less than \$250,000 Additional requirements <ul style="list-style-type: none"> Can meet either definition of 'Renovations' or 'Additions' as per Glossary. 	<ul style="list-style-type: none"> May be drawn as single drawdown where the loan amount or increase is less than \$100,000 Additional requirements <ul style="list-style-type: none"> Must meet definition of 'Renovation' as per Glossary.
	Additions to an already established property* Non-owner builder	<ul style="list-style-type: none"> Can meet either definition of 'Renovations' or 'Additions' as per Glossary. 	Not acceptable to process as a single draw down. Progress payments are required.
	Owner Builder	<ul style="list-style-type: none"> May be drawn as single drawdown where the loan amount or increase less than or equal to \$25,000 Additional requirements <ul style="list-style-type: none"> Can meet either definition of 'Renovations' or 'Additions' as per Glossary. 	Mortgage insured not permitted
<p>*Note: Where the below scenarios occur the loan must be completed with progress payments:</p> <ul style="list-style-type: none"> the new loan or increase is required to cover cost overruns / rectification of sub-standard work, or the 'TBE' (To Be Erected) value is to be relied upon for security value, or Work to be completed will reduce the living space or floor plan of the property 			

2.12 Quantity Surveyor (QS) Report

Definition of a QS	A professional who specialises in the field of construction and property development, with the primary responsibility to accurately estimate the costs associated with construction projects, from the initial planning stages to the final completion.
When is a QS report	For all Acceptable Building Types, the Valuer at their discretion may request a QS report. Note: when the valuer has requested a QS report, this cannot be waived.

required?	<p>Common instances when this may occur include (but are not limited to):</p> <ul style="list-style-type: none"> • Owner builder constructions • Building sites with complexities (e.g., site access complication, steeply sloping environmental issues / flooding). • High build cost per square metre • Building contracts with non-industry standard progress schedules e.g. <ul style="list-style-type: none"> ◦ A progress schedule that is time based (e.g., monthly payments to the builder that do not relate to work completed) ◦ A progress schedule that requires payments to be paid, for partially completed works / stages. • Constructions with unusual designs (e.g. where valuer has few peers in the building market to draw reasonable rate cost conclusions). For further information as to what is considered 'unusual' refer to Assessing Security Collateral > rules you must apply > <i>Assessing security requirements - standard real estate</i> > Residential dwelling to be erected.
Who pays for a QS report?	A QS is to be engaged and paid for by the borrower/s in all instances. This includes the QS report at the initial TBE Valuation and at all Progress Inspection stages.
Conditions	<ul style="list-style-type: none"> • The QS engaged by the borrower/s must be a member of Australian Institute of Quantity Surveyors. • Whenever a progress payment is requested, if the valuer requires a QS report, the customer must provide this to the bank. <p>A QS Report must include:</p> <ul style="list-style-type: none"> • The cost benefit of completing the construction on an owner builder basis. • The total cost to complete the project. • The site stages must add up to the total cost of the project. <p>The QS Report provided at progress inspections is to cover:</p> <ul style="list-style-type: none"> • Evidence that work completed is according to industry standards. • Cost of work completed to date. • A comparison with original costing. <p>When the QS report has been provided, the broker / assessor must archive a copy with the loan file and provide a copy to the valuer.</p>
Additional Conditions	If Mortgage Operations identifies that the cost to complete the project on the QS report exceeds the building contract or remaining undrawn loan balance, the application will be referred to the Broker to confirm how any additional costs will be met. Refer to insufficient building funds (shortfall) to complete security collateral .

2.13 Settlement period - building loans

'Settlement' for all building loans is defined as the first draw down (i.e. for land settlement) or where no initial draw is to occur, satisfactory completion of all the Bank's legal requirements to register a mortgage over the land and funds are ready to be made available.

For Construction Loans (Contract Builder/Owner Builder):

- Initial draw down is to occur within 12 months of the Loan offer date and;
- Completion of construction and/or final progress payment is to be made within twenty four (24) month of the loan offer date

3. Process to follow

3.1 First Home Owners Grant (FHOG)

Comply with state specific First Home Owner Grant (FHOG) requirements to ensure the correct supporting documentation is provided.

3.2 Licensed Builder Fixed Price less than or equal to \$1m

	Using a 'Construction' Valuation	Using an "as-is" Valuation
When loading application into ApplyOnline	<ul style="list-style-type: none"> • ABS/Loan Purpose = Construction of Real Estate • Sub-category = as relevant • 'Progress Draws' to be selected 	<ul style="list-style-type: none"> • DO NOT load as 'ABS/Loan Purpose' = Construction of Real Estate • DO NOT load as Progress Draws • Load as appropriate Property Type, i.e. 'House (Detached)'

3.3 Construction loans using 'Construction' valuations where there is additional building work outside the builder's fixed price contract

Also see [Rules > Additional building work outside of the primary builder's fixed price contract](#)

Where work is to be undertaken under a 'Construction' valuation over and above the fixed price building contract, and the valuer has included these additional works in arriving at a figure for the 'To Be Erected (TBE)' value of the property, then the Bank must control funds to ensure this work is completed.

Brokers are required to determine the type of additional work and note in the loan application comments accordingly. Complete loan application via ApplyOnline, selecting progress draws to apply.

External Tradespeople quotes:

- When constructions less than or equal to \$1m and external tradespeople/contractors are used for additional work:
 - Add the value of the additional quotes to the Construction value in ApplyOnline.
- Where additional quotes are held, a progress inspection (PI) may be required where quotes type is:
 - Carpets - PI not required
 - Curtains - PI not required
 - Driveway/Pergola/Carport - PI required
 - Air-Conditioning - PI not required
 - Swimming Pool - PI required
 - Fence/Sheds - PI required
 - Other <=\$5,000 - PI not required for non-mortgage insured loans
 - Other >\$5,000 - PI not required for non-mortgage insured loans
 - Other <=\$2,000 - PI not required for mortgage insured loans
 - Other >\$2,000 - PI required for mortgage insured loans

Renovations using multiple builders/contractors:

- ApplyOnline requirements are the same as Fixed Price ≤ \$1m
- Refer to [Fixed Price greater than \\$1m Process](#) for progress inspection requirements

3.4 Licensed Builder Fixed Price greater than \$1m

Fixed Price contracts greater than \$1m may require progress inspections at each progress drawdown at customer cost. The Terms and Conditions letter and "Your Guide to Progress Payments" sections provides information needed to ensure payments proceed without delay.

	Using a 'Construction' Valuation	Using an "as-is" Valuation
When loading application into ApplyOnline	<ul style="list-style-type: none"> • ABS/Loan Purpose = Construction of Real Estate • Sub-category = as relevant • 'Progress Draws' to be selected • Market Value to be used as determined by Loan to Value (LVR) > LVR Calculation Policy 	<ul style="list-style-type: none"> • Not permitted to rest on an 'as is' valuation where the value of the building contract is >\$1m.

3.5 Licensed Builder Cost - Plus

Licensed Builder Cost-Plus constructions may require progress inspections at each progress drawdown at customer cost. The Terms and Conditions letter and "Your Guide to Progress Payments" section provides information needed to ensure payments proceed without delay.

	Using a 'Construction' Valuation	Using an "as-is" Valuation
When loading application into ApplyOnline	<ul style="list-style-type: none"> • ABS/Loan Purpose = Construction of Real Estate • Sub-category = as relevant • 'Progress Draws' to be selected • Market Value to be used as determined by Loan to Value (LVR) > LVR Calculation Policy 	<ul style="list-style-type: none"> • DO NOT load as 'ABS/Loan Purpose' = Construction of Real Estate • DO NOT load as Progress Draws • Load as appropriate Property Type i.e. 'House (Detached)'

3.6 Owner Builder

Owner Builder constructions may require progress inspections at each progress drawdown at customer cost. The Terms and Conditions letter and "Your Guide to Progress Payments" sections provides information needed to ensure payments proceed without delay.

	Using a 'Construction' Valuation	Using an "as-is" Valuation
When loading application into ApplyOnline	<ul style="list-style-type: none"> • ABS/Loan Purpose = Construction of Real Estate • Sub-category = as relevant • 'Progress Draws' to be selected • Market Value to be used as determined by Loan to Value (LVR) > LVR Calculation Policy 	<ul style="list-style-type: none"> • DO NOT load as 'ABS/Loan Purpose' = Construction of Real Estate • DO NOT load as Progress Draws • Load as appropriate Property Type i.e. 'House (Detached)'

3.7 Renovation / Home Improvement loans using 'Construction' valuation

Also see [Rules > Renovations / Home improvement loans](#)

Brokers are requested to ascertain the type of work to be completed, i.e. internal renovation, new kitchen, bathroom, pool, extension etc. and note in loan application comments accordingly.

Process as per policy for licensed builder either less than or equal to \$1m or greater than \$1m contract price noting progress draws to apply.

3.8 Kit Homes

Often Kit Homes may have two contracts which are to be supplied:

1. Contract to purchase Kit Home
2. Contract with Licensed builder to construct (in this case a schedule of payments is required)

Regardless of licensed builder to contract, owner builder Maximum LVR applies.

Kit Home constructions may require progress inspections at each progress drawdown at customer cost. The Terms and Conditions letter and "Your Guide to Progress Payments" sections provides information needed to ensure payments proceed without delay.

	Using a 'Construction' Valuation	Using an "as-is" Valuation
When loading application into ApplyOnline	<ul style="list-style-type: none"> • ABS/Loan Purpose = Construction of Real Estate • Sub-category = as relevant • 'Progress Draws' to be selected • Market Value to be used as determined by Loan to Value (LVR) > LVR Calculation Policy 	<ul style="list-style-type: none"> • DO NOT load as 'ABS/Loan Purpose' = Construction of Real Estate • DO NOT load as Progress Draws • Load as appropriate Property Type i.e. 'House (Detached)'

3.9 Multiple Dwellings

Process as per policy for licensed builder either less than or equal to \$1m or greater than \$1m contract price.

3.10 Transportable Homes

Process as per policy for licensed builder either less than or equal to \$1m or greater than \$1m contract price.

For Transportable Homes progress payments are only available after the dwelling has been transported to site and services connected, (a progress inspection to confirm dwelling is on site is required prior to release of progress draw).

3.11 House / land package

Process as per policy for licensed builder either less than or equal to \$1m or greater than \$1m contract price.

3.12 Progress Payments

As each stage of construction is completed:
<p>1. Borrowers may complete and sign a Verbal Payment Authority form if they wish to request progress payments via telephone. If borrowers do not wish to request progress payments over the phone, each borrower must complete and sign the Request for Progress Payments for each progress payment. This form states that they are satisfied with the work completed</p>
<p>2. Request for progress payment forwarded to Progress Payment Team for processing</p>
<p>3. Each drawing is to be a minimum of \$5,000.00</p>
<p>4. Where the construction is greater than \$1m a Quantity Surveyors report may be required at each progress payment and is to cover:</p> <ul style="list-style-type: none"> Describe the standard of work completed to date and confirm compliance with the relevant building construction guidelines and Certify the cost of work completed to date and provide a comparison with original costing and Provide an estimate of the amount required to complete the project. <p>Mortgage Operations will:</p> <ul style="list-style-type: none"> Validate that the Quantity Surveyor cost to complete is acceptable. The Quantity Surveyor Report will be acceptable if the cost to complete does not exceed funds remaining after the claim is paid. If the Quantity Surveyor report is acceptable, attach the Quantity Surveyor Report to the valuation order and proceed with ordering the progress inspection. If the Quantity Surveyor report is not acceptable, refer to request to Credit for direction.
<p>5. Where the loan is 'Owner Builder' prior to the release of any progress payment, an inspection by the Bank's panel valuer is required</p>

Note: Redraw is not available during the progressive draw period of the loan.

3.12.1 Customer and Rental Support Agreement (CARS)

When dealing with Customer and Rental Support Agreement (CARS), these types of agreements are acceptable provided the following is held and verified by Mortgage Operations Progress Draws prior to payment:

- CARS agreement signed by the customer and agent.
- If the authorised agent in Australia is a company, a Power of Attorney from the company authorising a specific individual from the company to sign the building contract.
- The individual from the company must provide a statutory Declaration confirming name, employee of the agent and signature.

Note, only the building contract signed under a CARS agreement is acceptable. Progress draw claims signed under a CARS agreement are not acceptable and must be signed by the customer.

3.12.2 Multiple Stage Payments

Where multiple stage payments (more than one stage payment at a time) are received, the Mortgage Operations Progress Payment Team will contact the borrower, and confirm that work has been completed.

3.12.3 Frequent builder payment

Where the builder requires frequent payment, e.g. monthly, and it is a licensed builder fixed price contract less than or equal to \$1m then progress inspections may be required at each progress drawdown at customer cost. The Terms and

Conditions letter and "Your Guide to Progress Payments" section provides information needed to ensure payments proceed without delay.

Change History

Amendment number	Amendment issue date	Description of changes
1	3 November 2021	First OBP issue online for Brokers on the OKA platform.
2	20 February 2022	<p>Change 1 Updated 'Documentation required from borrower' for ' Licensed Builder – Fixed price contracts (Including – Renovations, Multiple Dwellings and Transportable Homes) ' to specify that 'Builder Risk Insurance' and 'Council Approved Plans and Specifications' are not required when the progress payment request is for an initial deposit (as advised by the progress payment instruction) to formalise the builder's contract with the customer. The document will be required at the next progress payment stage</p> <p>Change 2 Updated 'Documentation required from borrower' for ' Owner Builder, Kit Homes and Licensed Builder Cost-Plus contracts ' to specify that for Licensed Builder Cost-Plus contracts only 'Builder Risk Insurance' is not required where the progress payment request is for an initial deposit (as advised by the progress payment instruction) to formalise the builder's contract with the customer. The document will be required at the next progress payment stage</p> <p>Change 3 The following clarification has been added to sections:</p> <ul style="list-style-type: none"> • 3.4 Licensed Builder Fixed Price > \$1m • 3.5 Licensed Builder Cost – plus • 3.6 Owner Builder • 3.8 Kit Homes <p>Under table heading of "using a construction valuation"</p> <ul style="list-style-type: none"> • Market Value to be used as determined by Loan to Value (LVR) > LVR Calculation Policy
3	3 April 2022	<p>Change 1 Update to 2.19 Progress payments not required > Renovation to an already established property - Mortgage Insurance does not apply and Loan amount or increase is: from ≤\$100,000 to ≤\$250'000</p> <p>Change 2 Update to section 2.13 Documentation required from Borrower, tables > License Builder – Fixed price contracts and Owner Builder, Kit Homes and License Builder Cost – Plus Contracts.</p> <p>Addition of Certificate of Occupancy (NSW Properties) as acceptable verification for Final Progress Payment</p> <p>Old NSW properties: Updated Survey Report evidencing that all improvements comply with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering)</p> <p>New NSW properties: Updated Survey Report evidencing that all improvements comply with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering) or Certificate of Occupancy</p>
4	22 May 2022	<p>Update to section 2.13 Documentation required from Borrower, tables > License Builder – Fixed price contracts and Owner Builder, Kit Homes and License Builder Cost – Plus Contracts.</p> <p>now shows as; NSW properties: Certificate of Occupancy or Updated Survey Report evidencing that all improvements comply with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering)</p>

5	2 October 2022	<p>Change 1 Update to content in 2.1 Lenders responsibility to inform borrowers</p> <p>Old wording</p> <ul style="list-style-type: none"> The 24-month construction term, or any longer period as agreed by us in writing, is separate to the loan term that commences post construction (Refer Maximum Loan Term) <p>New wording</p> <ul style="list-style-type: none"> The 24-month construction term, or any longer period as agreed by us in writing, is separate to the loan term that commences post construction (Refer Maximum Loan term and Exit (Repayment) Strategy)
6	20 November 2022	<p>Change 1 Updated wording in section 2.4 Licensed builder – fixed price contract</p> <p>Old wording</p> <ul style="list-style-type: none"> Approval is subject to the receipt of a satisfactory residential 'Construction' valuation (refer to Security Collateral Value) <p>New wording</p> <ul style="list-style-type: none"> Approval is subject to the receipt of a satisfactory residential full valuation report (Construction long form or Construction short form valuation) refer to Security Collateral Value Assessment policy. <p>Change 2 Updated wording to 2.6 Cost – Plus (non-fixed price) Contracts</p> <p>Old wording</p> <ul style="list-style-type: none"> Approval is subject to the receipt of a satisfactory 'Construction' valuation (refer to Security Collateral Value) <p>New wording</p> <ul style="list-style-type: none"> Approval is subject to the receipt of a satisfactory residential full valuation report (Construction long form or Construction short form valuation) refer to Security Collateral Value Assessment policy. <p>Change 3 Update to wording in 2.7 Owner Builder</p> <p>Old wording</p> <ul style="list-style-type: none"> Approval subject to receipt of a satisfactory residential 'Construction' valuation (refer to Security Collateral Value) <p>New wording</p> <ul style="list-style-type: none"> Approval subject to receipt of a satisfactory residential full valuation report (Construction long form or Construction short form valuation) refer to Security Collateral Value Assessment policy. <p>Change 4 Update to wording in 2.8 Renovations / Home improvement loans</p> <p>Old wording</p> <p>Where the 'TBE' (To Be Erected)' value is to be relied upon for security value and progress payments are required, then, all quotations from all subcontractors (including proposed finishes and specifications) must be provided to the Bank prior to ordering the 'Construction ' valuation.</p> <p>New wording</p> <p>Where the 'TBE' (To Be Erected) value is to be relied upon for security value and progress payments are required, then;</p> <ul style="list-style-type: none"> the Bank must control the release of funds to ensure the renovations / Home Improvements work is completed, and all quotations from all subcontractors (including proposed finishes and specifications) must be provided to the Bank prior to ordering the full valuation report (Construction long form or Construction short form valuation). <p>Change 5 Updated wording in section 2.11 Transportable Homes</p> <p>Old wording</p> <ul style="list-style-type: none"> Approval subject to receipt of a satisfactory residential 'Construction' valuation (refer to Security Collateral Value) <p>New wording</p> <ul style="list-style-type: none"> Approval subject to receipt of a satisfactory residential full valuation (Construction long form or Construction short form valuation) refer to Security Collateral Value Assessment policy. <p>Change 6 Update to content in section 2.13 Documentation required from Borrower</p> <p>Old wording for table</p> <p>Licensed Builder - Fixed price contracts (Including - Renovations, Multiple</p>

Dwellings and Transportable Homes)

New wording for table

Licensed Builder - Fixed price contracts (Including – Renovations where progress payments are required, Multiple Dwellings and Transportable Homes)

Change 7

Update to content in section 2.15 Changes to council approved or privately certified plans

Old wording

- A short-form valuation is required to confirm the property's value against the new (amended) Council Approved Plans and Specifications.

New wording

- A full valuation (short form or long form) is required to confirm the property's value against the new (amended) Council Approved Plans and Specifications.

Change 8

Change to requirements for section 2.19 Progress Payments not required as follows:

Old wording

If the loan is based on an existing or new valuation with 'as is' market value it may be eligible to be drawn without progress payments and as a single drawdown. Maximum loan amounts and any additional requirements are as per the table below 'Progress Payments not required'.

- Applicants are required to provide details of work being completed e.g. loan purpose, as per Responsible lending requirements.
- For applications decisioned in OBP, the residential property improvement amount is to be loaded in the system

Note: Applicants seeking an equity release (greater than the amounts appearing in the table below) against the current "as is" value of an existing property in order to undertake full or partial demolition and construction / renovation of the property without progress payments, are outside of a lenders authority to approve.

Credit may consider these scenarios where the applicants are able to show the proposed funding is sufficient to complete the project within reasonable time frames. Funding includes the customers contribution and proposed loan proceeds and should be sufficient to cover demolition, construction costs and any subdivision costs if applicable.

	Progress payments not required
New Construction	<p>May be drawn as single drawdown if:</p> <ul style="list-style-type: none"> • Non-mortgaged insured loan amount or increase \leq \$50,000; or • Mortgaged insured loan amount or increase \leq \$25,000 provided there is no full or partial demolition or change to existing floor plan; and <p>The loan is not required to cover cost overruns / rectification of sub-standard work</p>
Renovations to an already established property	<p>May be drawn as single drawdown if:</p> <ul style="list-style-type: none"> • Mortgage Insurance does not apply and Loan amount or increase is \leq \$250,000, or • Mortgage Insurance applies and Loan amount or increase is \leq \$25,000 provided there is no full or partial demolition or change to existing floor plan; and <p>The loan is not required to cover cost overrun or rectification of substandard work</p>
Owner Builder	<p>May be drawn as single drawdown if:</p> <ul style="list-style-type: none"> • increase \leq \$25,000 and • The loan is not required to cover cost overruns/rectification of sub-standard work

New wording

Eligibility criteria

- If the loan LVR is based on the 'as is' market value in either an acceptable existing valuation or a new valuation, the loan may be eligible to be drawn as a single drawdown without progress payments. Refer to:
 - the 'Progress Payments not required' table below for maximum loan amounts and any additional requirements.
 - *Loan to Value Ratio (LVR)* policy for Maximum LVR
 - Glossary for definition of 'as is' valuation
- Lenders and Assessors are required to identify and record the purpose of all loan funds, refer Eligibility > Suitability Assessment under Responsible Lending
- The residential property improvement amount is to be reflected in ApplyOnline.

Progress Payments not required		
Scenario	Non - Mortgage insured	Mortgage Insured
Renovations to an already established property* <i>Non-owner builder</i>	<ul style="list-style-type: none"> • May be drawn as single drawdown where the loan amount or increase is \leq \$250,000 Additional requirements <ul style="list-style-type: none"> • Can meet either definition of 'Renovations' or 'Additions' as per Glossary . 	<ul style="list-style-type: none"> • May be drawn as single drawdown where the loan amount or increase is \leq \$100,000 Additional requirements <ul style="list-style-type: none"> • Must meet definition of 'Renovation' as per Glossary
Additions to an already established property* <i>Non-owner builder</i>		Not acceptable to process as a single draw down. Progress payments are required.
Owner builder*	<ul style="list-style-type: none"> • May be drawn as single drawdown where the loan amount or increase \leq \$25,000 Additional requirements <ul style="list-style-type: none"> • Can meet either definition of 'Renovations' or 'Additions' as per Glossary 	Mortgage insured not permitted
*Note: Where the below scenarios occur the loan must be completed with progress payments: <ul style="list-style-type: none"> • the new loan or increase is required to cover cost overruns / rectification of sub-standard work, or • the 'TBE' (To Be Erected) value is to be relied upon for security value, or • Work to be completed will reduce the living space or floor plan of the property 		

Change 9

Update to wording in section **3.7 Renovations / Home Improvement loans**

		<p>using 'Construction' valuation</p> <p>Old wording</p> <p>Where work is to be undertaken under a 'Construction' valuation, then the Bank must control funds to ensure the renovations / Home Improvements work is completed. Lenders are requested to ascertain the type of work to be completed i.e. internal renovation, new kitchen, bathroom, pool, extension etc., and note in loan application comments accordingly.</p> <p>Process as per policy for licensed builder either ≤ \$1m or > \$1m contract price noting progress draws to apply.</p> <p>New wording</p> <p>Also see Rules > Renovations / Home improvement loans</p> <p>Brokers are requested to ascertain the type of work to be completed i.e. internal renovation, new kitchen, bathroom, pool, extension etc., and note in loan application comments accordingly.</p> <p>Process as per policy for licensed builder either ≤ \$1m or > \$1m contract price noting progress draws to apply.</p>
7	19 February 2023	<p>Change 1</p> <p>Section 2.13: Documentation Required from Borrower:</p> <p>Remove: "and the Bank must be noted as the mortgagee" from requirements of what the Insurance Policy or Certificate of Currency (of Insurance) must include</p>
8	2 July 2023	<p>Change 1</p> <p>Policy re-write to:</p> <ul style="list-style-type: none"> re-format and re-wording of policy to improve readability <p>Change 2</p> <ul style="list-style-type: none"> clarification on 2.6 – Documentation Required from Borrower – Owner Builder, Kit Homes & Licenced Builder Cost-Plus contracts table – remove Council approved plans and specifications (prior to formal approval) row 12 and add 'and specifications' to Council Approved Plans 'and specifications' or Privately Certified Plans (Required to order a Valuation) row 1 due to duplication.
9	20 August 2023	<p>Change 1</p> <p>Clarification on 2.6 – Documentation Required from Borrower : Licenced Builder – Fixed Price Contracts (Including - Renovations where progress payments are required, Multiple Dwellings and Transportable Homes)</p> <p>Under document type Signed tender dated < 12mths or Fully Executed Contract < 12mths, removed the word 'approved' from plans and specifications there is no requirement for plans and specifications to be Council approved when ordering a valuation at Application stage.</p>
10	19 November 2023	<p>Change 1</p> <p>Updated the wording in "Responsibility to inform borrowers"</p> <p>Old wording</p> <ul style="list-style-type: none"> if a building contract is varied after loan drawdown/s have commenced and: <ul style="list-style-type: none"> upgrades are made, then the customers must ensure that they have access to sufficient funds to pay for any increase in the cost of construction. For example the borrower wants to substitute a more expensive type of tap wear. down-grades are made, then the customers must notify the Bank as the variations to the contract may impact the valuation of the property. For example original building contract included ducted air-conditioning and the customers ask the builder to not proceed with purchase and installation of the air-conditioning <p>New wording</p> <ul style="list-style-type: none"> if a building contract is varied after loan drawdown/s have commenced and: <ul style="list-style-type: none"> upgrades are made with the build contract price increased then the customers must ensure that they have access to sufficient funds to pay for the increase. For example the customer has sufficient savings or an approved increase in lending. down-grades are made with the layout or finish changing including quality of fixtures and fittings changing or the build contract cost reducing, then the customers must notify the Bank as the variations to the contract may impact the valuation of the property. For example original building contract

		included ducted air-conditioning and the customers ask the builder to not proceed with purchase and installation of the air-conditioning
11	27 March 2024	Spelling correction
12	7 April 2024	Change 1 Uplift on utilisation of borrower's contribution for Land purchase and Construction loan with progress payments in one OBP Application
13	30 June 2024	Change 1 Clarification on additional building work outside of the builder's fixed price contract or for renovations. Rule on more than 5 quotes received requiring Credit referral added back into policy for constructions and renovations less than or equal to \$1m (taken out in July 2023 Policy vs Procedure re-write) Change 2 Clarification of requirements for builders Risk Insurance not required when paying deposit Added for Licenced Builder (fixed Price and Cost Plus) Building Contracts – "Not required when the progress payment request is for an initial deposit (as advised by the progress payment instruction) to formalise the builder's contract with the customer. The document will be required at the next progress payment stage. "

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Published Date 30/06/2024

