

## Construction Loans

The following information is provided to assist you in ensuring your loan to purchase vacant land and to construct a home on that land, runs as smoothly as possible.

**To gain full approval from the lender for your loan, we will require the following documentation as soon as possible:**

- Copy of the land purchase contract signed by both the vendor and purchaser/s;
- Copy of the fixed price building contract from the builder you plan to use;
- Plans and specifications of the home you wish to construct;
- A building schedule and detailed costing;
- Copy of the Soil/Engineers report;
- Copy of Council approval, if available at the time of application;
- Copy of the Builder's Indemnity Cover; and
- Copy of fixed price quotes for any work not being done by the builder, e.g. carpets, air conditioning, etc.

Once we have this information the project will be valued by the lender and formal approval granted. Please note that if all of this information is not provided in sufficient time prior to the land settlement date then you may have to apply for just the loan on the land and then do the construction loan at a later date. The downside of this is that two application fees will usually be payable and in some cases you may end up with two separate loans.

**Other information to note is as follows:**

- You must use your cash contribution (deposit) towards the project before the lender will advance any loan funds. This will usually happen on settlement of the land component.
- Any variations increasing the fixed price building contract generally must be covered by your own funds. It is difficult to increase the loan approval limit mid-project and will generally incur further fees from the lender.
- Any variations decreasing the fixed price building contract will generally require reassessment of the loan application as this may affect the overall valuation of the project.
- The lender does not accept any responsibility for the quality of construction of the dwelling or supervision of the building contractors. It may be worth your while to have an independent building inspector inspect the construction at various stages.
- When calculating progress payments at each stage of completion, the lender does not include materials on site which have not been used or installed in the building.
- All progress payments will be made directly to the builder and will only be made providing the payment request is in accordance with the payment schedule in the contract. All borrowers to the loan will need

to sign and approve the payment. The lender will also conduct a progress inspection to ensure the work being claimed for has in fact been completed and the construction will be completed with the remaining funds to be drawn.

- Once construction is completed and you have taken possession you will become responsible for the building insurance. You are required to take out a policy for the replacement value of the building with a reputable insurer, noting the lender as an interested party (mortgagee). The lender will require a copy of the insurance Certificate of Currency for their records.

Whilst construction is proceeding your loan will draw down progressively. Interest will accrue on the outstanding balance only. The lender will require you to make monthly payments, however, in most cases you will only be required to make interest only payments on the outstanding amounts. Normal principal & interest repayments will not be required until the loan is fully drawn. However, during the construction phase it would be a good idea to make payments, if possible, as though the loan was fully drawn as this will put you in front on the loan and help repay the debt sooner.

If you have any further queries regarding the construction of a home please contact your Accredited Mortgage Consultant, who will be only too happy to assist you further.



**Importantly, the service provided by Bernie Lewis Home Loans is at no cost\* to you.**

\* Except some private mortgage lenders, some personal loans and some leasing/hire products for business purchases.

**Head Office**

200 South Road  
Mile End SA 5031  
Tel (08) 8300 8300  
Fax (08) 8300 8399

**City Office**

115-117 Pirie Street  
Adelaide SA 5000  
Tel (08) 8223 8223  
Fax (08) 8223 8299

**Northern Office**

42 Commercial Road  
Salisbury SA 5108  
Tel (08) 8182 2000  
Fax (08) 8182 2099

**North Eastern Office**

501 North East Road  
Hillcrest SA 5086  
Tel (08) 8369 9111  
Fax (08) 8369 9199

**Eastern Office**

140 Payneham Road  
St Peters SA 5069  
Tel (08) 8132 8600  
Fax (08) 8132 8699

**Southern Office**

30 Beach Road  
Christies Bch SA 5165  
Tel (08) 8186 8186  
Fax (08) 8186 8199

**Freecall 1800 200 900**

info@bernielewis.com.au  
[www.bernielewis.com.au](http://www.bernielewis.com.au)  
Bernie Lewis Home Loans Pty Ltd  
ABN 22 008 284 544