Construction Loans – Guidelines

Construction finance is available to purchase land and then build a residential property for either owner occupation or investment purposes.

Construction finance is not available for:

- Owner Builders
- Split contracts
- Costs plus contracts
- Any building contract that allows progressive payment for construction beyond work completed (e.g. simple works contracts) are unacceptable.
- Renovations

In addition to standard fees, a Progress Payment Fee (at each progress payment) of $300 or at cost will be debited to the loan account. These fees may vary depending on the property to be inspected.

Key Points

- The property is valued on a completed basis.
- The costs to complete construction must be retained by the lender. Clients should be made aware that any variations after approval should be discussed with the lender prior to committing, as they may have an impact on the amount & timing of funds to be contributed by the borrower.
- A valid fixed priced building contract and council approved plans are required.
- Payments are paid progressively to the builder upon presentation of a progress payment invoice.
- The builder must be acceptable to the lender and provide evidence of insurance throughout construction and Home Owners warranty insurance (or equivalent).
- Construction must be completed within 12 months of loan settlement.
- A valuation inspection is required at Frame and at Final stage and may be required to validate work completed at other stages at the lender's discretion.

Products

Construction loans may be variable rate Principal & Interest or Interest only up to 5 years, but in all cases will be Interest Only until construction has been completed. The borrower is able to make voluntary additional repayments during construction if they choose. At each stage, the lender will retain adequate funds to complete construction. The remaining funds available from the loan will be paid to the builder according to the approved building contract payments schedule and requirements below.

Load Settlement	Progress Payment 1	Progress Payment 2	Progress Payment 3	Progress Payment 4	Final Progress Payment
• Cost to complete construction (incl fees) retained by Finsure Breeze • Signed Progress Payment Authority Form received with loan documents from borrower • Authority to commence construction issued to builder by lender	• Fixed priced Building Contract • Builders All Risk Insurance & registration • Home Owners warranty • Stamped council approved plans • Progress payment invoice • Valuation report if required	• Progress payment invoice • Valuation report if required	• Progress payment invoice • Valuation report if required	• Progress payment invoice • Valuation report if required	• Progress payment invoice • Valuation report if required • Certificate of occupation • Building insurance (noting Finsure Breeze)

Progress Payment Authority Form

Dear Sir/Madam,

Re: Property at ____

Certificate of Title Volume ____________________________ Folio: ____________________

I/we ____

Passport numbers: ____

being the Mortgagor/s Debtor/s to Brighten Home Loans of the above property hereby irrevocably authorise you to make payments directly to [Builder] in accordance with the progress payment scheduled outlined in the fixed priced building contract signed by us on the ________, ________, ________, provided:

(a) The builder provides a progress payment claim to Finsure breeze, requesting payment and confirming that work for the stage has been completed and

(b) Where deemed necessary by the lender, but at a minimum at Frame and Final stage, a valuer appointed by Finsure Breeze has inspected the work and confirmed the building work has been completed in accordance with the contract.

I/We acknowledge that any valuation/ inspection carried out by or on behalf of the Lender before the Lender makes a payment is carried out solely for the benefit of the Lender.

I/We authorise the Lender (if requested) to provide the builder, during course of construction, details of the total amount drawn or balance amount available on my/our loan account from time to time.

I/We acknowledge that progress payment and inspection fees may be debited from my/our account for the above request.

In granting the authorisation I/we hereby irrevocably release the Lender from, and indemnify the Lender against any action, claim, loss or damage in respect of the said house which might now or in the future arise or be incurred as a consequence of faulty construction, omission, subsidence or from the Lender's assessment of the stage of completion of the construction prior to any payment or from any other cause.

Signature 1:

Full name: ____________________

Date: ____ ____ ______

Signature 2:

Full name: ____________________

Date: ____ ____ ______

Final Council approval certification / Certificate of Occupancy, together with general Building Insurance (for an amount not less than), ____________ noting Finsure Breeze as interested party or mortgagee, must be emailed to **clientservices@brighten.com.au** prior to release of the final progress payment.

Progress Payment Authority information for your builder

Please ensure the following items are included with the request for payment, if:

1. You are requesting your FIRST PROGRESS PAYMENT; please ensure you provide the following documents if not already submitted:

   - [ ] Signed Fixed Price Building Contract;
   - [ ] Council Approved Plans and Building Permit; Approval from the relevant Council to build the property or a permit issued by the Council for the builder to build the property. The approval stamp must be legible and must show the correct property address.
   - [ ] Builders All Risk Insurance; amount of cover should be for at least the amount of the Fixed Price Building Contract; OR equal or greater than 80% of the higher of Estimated improvements/Replacement Value on Completion. If not State or Australia wide coverage, it should include the address of the property and, if possible, should note the correct names of the borrowers and Finsure Breeze as an interested party/mortgagee.

     If the policy is provided on insurance broker's letterhead, the following additional pieces of information are required — Start date and expiry date of policy; Stated policy number; Name of builder; insurer who is underwriting the policy (Acceptable insurers only — refer to the Australian Prudential Regulation Authority's list of insurers Authorised to Conduct New or Renewal Insurance Business in Australia); broker ABN and contact details. Hand-written certificates of currency are unacceptable.

     Finsure Breeze reserves the right to request a copy of the Builder's All Risk Insurance Policy on Insurance Underwriter's letterhead for any cause that arises for this to occur.

   - [ ] Home Building Compensation Fund Certificate (formerly known in NSW as Home Owners warranty) must show the correct borrowers' names and the address of the security property. It must be for an amount not less than the Fixed Price Building Contract including variations. This warranty protects the owner against faulty workmanship for approximately 6 -7 years — refer table below.

     VIC

     Domestic building insurance. endorsed by HIA 6-7 years

     NSW

     HPCF certificate. endorsed by HIA 6-7 years

     QLD

     Home warranty insurance. endorsed by BSA 6.5 years

     SA

     Building Indemnity insurance, endorsed by HIA 5 years

     WA

     Home indemnity insurance. endorsed by HIA 6 years

     ACT

     Housing indemnity insurance or Fidelity certificate from an approved fidelity fund scheme. endorsed by HIA 5 years

   - [ ] The builder's progress claim (or invoice), showing the stage of construction that is being claimed or a copy of the builder's receipt if the claim has already been paid. The claim should include the builder's banking details including the account name, BSB, and account number.

2. The progress payment is OTHER than First, Frame or Final, the invoice should be accompanied by certified photographic evidence of the stage of construction of the property.

3. You are requesting your FINAL PROGRESS PAYMENT; please ensure you provide the following documents if not already submitted:

   - [ ] The builder's progress claim (or invoice),
   - [ ] Final Council approval certification / Certificate of Occupancy, (SA and WA Excluded);
   - [ ] General Building Insurance (for an amount not less than stated in the valuation report and notes Finsure Breeze as interested party or mortgagee as outlined in your authority form).

Failure to supply these documents may result in unnecessary delays. All documents should be emailed to progresspayments@brighten.com.au

Lender: Brighten Home Loans Pty Ltd ACN 620 839 983

Servicer: Brighten Financial Pty Ltd Australian Credit Licence 512386