Building a home or considering structural renovations

Our construction loan is flexible to suit your needs – whether you're building or undergoing structural or major renovations.

Unlike a loan to purchase an existing home, a construction loan has a different structure. Payments are released to your builder as they complete each stage of your construction. These payments are often referred to as progress payments.

During construction phase interest is only charged on the outstanding balance of your construction loan. This means if you have drawn down $200,000 of a $400,000 loan total, then your interest only repayments will be based on $200,000.

Additional documents you need to supply

(Specifically for a construction loan)

- Council-approved plans
- Fully executed industry standard fixed price building contract
- Copy of the builder's licence
- Copy of the builder's risk and indemnity insurance policy
- Copy of the home warranty insurance certificate

The building contract

Your building contract will contain important information including the cost, terms of construction, and progress payment schedule for payments to be made to your builder.

Your progress payment schedule for construction will generally have 6 stages:

Stage	Payment to builder
Deposit	Deposit
Slab	Foundation slab is poured
Frame	Exterior frame or walls in place
Lock up	External doors and windows in place
Fit-out	Internal fittings and fixtures installed
Completion	Construction finished

As each stage is completed, your builder will request payment for that particular stage. To make these funds available, you will need to authorise the payment and provide the required documents stated below.

Documents required for progress payment:

- A signed and completed 'Progress payment request' form from you
- The builder's tax invoice for that particular stage on official letterhead with their ABN

Additional requirements prior to the final progress payment:

- A satisfactory inspection report from our valuer
- A building insurance policy with Teachers Mutual Bank Limited noted as the financier
- A certificate of occupancy confirming the completed building is legally approved for occupancy and use

Things you should know

Your contribution	You may be required to make some contribution from your own funds towards the construction loan. The amount that you need to contribute can depend on a number of factors.
Construction timeframe	Construction should be completed within 12 months from the date of the Offer and Loan Contract.
Progress Inspections	During construction, we will require a progress inspection of work completed. Our valuer will inspect at: ▸ Slab stage ▸ Completion stage
Payment percentages per stage	▸ Base/foundation/slab (inc deposit) - maximum 20% (cumulative cannot exceed 20%) ▸ Frame – maximum 25% (cumulative cannot exceed 45%) ▸ Lock up/enclosed/external lining – maximum 35% (cumulative cannot exceed 70%) ▸ Fit-out/internal lining – maximum 35% (cumulative cannot exceed 90%) ▸ Practical completion - minimum 10% (cumulative cannot exceed 100%)
Changes to your building contract	These will need to be approved by us prior to any variation. This includes any post contract variation items (either adding or removing items from the initial building contract). Please contact us to discuss.
First Home Owners Grant (FHOG)	If you're eligible for a FHOG payment, please submit your FHOG application to the Bank at least 10 days prior to loan funding. We will submit your FHOG application to the Office of State Revenue on your behalf.
Repayments	Once construction has been completed and the loan is fully drawn down, we will give you the option to switch over to an eligible principal and interest loan product. We will send you a Notice of Agreed Change to outline your new repayments.

Important Information

- This fact sheet has been prepared by Teachers Mutual Bank Limited without consideration of your individual objectives, financial situation or needs. You should consider its appropriateness to your circumstances and seek professional, financial and taxation advice relevant to your needs before making a decision on this information.
- Membership eligibility applies to join the Bank. All applications for credit are subject to our responsible lending criteria. Fees and charges apply. You can find our Consumer Lending terms and conditions available online or from any of our offices.
- This fact sheet is subject to change without notice.