

Guide to St.George Residential Construction Loans

This guide will outline what you need to know about building/renovating your home with a St.George Construction Loan.

You've got questions? We've got time to talk.



133 330



stgeorge.com.au



Talk to your St. George Lending Manager or Mortgage Broker



Visit us in branch

Accessibility support

St. George welcomes calls through the National Relay Service. If you are deaf, hard of hearing, or have speech/communication difficulty, choose your access option detailed on accesshub.gov.au/about-the-nrs.

Where English is a second language, contact us and a banker can arrange a language interpreter.

Visit stgeorge.com.au/accessibility for further information on our more accessible products and services for people with disability, who are neurodivergent or where English is a second language.

Thank you for choosing St. George for your new Construction Loan

Building a new home is an exciting time and this brochure outlines what you need to consider:

- when organising your budget,
- when choosing a builder,
- to avoid budget overruns and disappointment by understanding your obligations in managing drawdowns and Builder deliverables.

St. George is here to help at all times throughout your consideration and building phase.

Please get in touch with our Lending specialists anytime to chat about any question or concerns you may have.

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1. Borrower's guide to St.George Construction Loans – licensed builder

a. Choosing a builder

It is wise to take your time in selecting both the design and builder of your new home. If you're using your own plans, it is advisable to select several licensed builders to quote on the work. The Housing Industry of Australia (HIA) or the Master Builders of Australia (MBA) can provide member lists as a starting point.

If you're not buying a standard design from a building firm, your builder will need to take away a copy of your plans and specifications. Write down exactly what the builder is to quote on and have each builder quote on the same document. Otherwise, one quote may vary greatly from another, due to extra work that one builder has included, which another has not.

Ensure you receive an itemised quote for construction from every builder you engage.

When you've selected a builder, you should seek independent legal and professional advice to assist in finalising the building contract. For example, speak with a Lawyer with building contract experience. If required, please refer to the HIA or MBA websites where you'll find standard, proforma construction contracts which are accepted throughout the industry.

Does your builder have a current builder's licence?

Prior to entering into a building contract, you must confirm that your chosen builder is a licensed builder. You can check this by contacting the relevant Fair Trading or Consumer Affairs departments in your State or Territory.

b. The Construction Loan application process

Once you've discussed your requirements with your St.George lending specialist and have established that a St.George Construction Loan is suitable for your requirements, you may lodge your formal application.

i. Documents required for your Construction Loan application:

As with any home loan application, your income, expense and personal identification documents will be requested by your lending specialist.

You'll also be required to provide the following documents relating to your building contract:

- Council approved plans and specifications (or, if the plans are not yet approved, a copy of those which have been, or are to be submitted to Council for approval),
- Signed & dated building contract, including the building stages and schedule of payments,
- Variations/quotes if applicable,
- Quantity Surveyor Report if applicable (see Specialist Construction Requirements on page 7).

ii. Loan assessment and approval

St.George will assess your application to determine if it meets our lending criteria.

We'll also need a satisfactory valuation of your proposed new construction. This valuation will be conducted by a registered valuer nominated by, and on behalf of, St.George.

If your loan is approved, St.George will issue you with a:

- Loan Offer,
- 'You & Your Loan' Terms and Conditions booklet,
- Any other documents required as part of your loan agreement.

c. Documents required before the first payment to be made to your builder:

Prior to the first payment that the Bank makes to your builder, the following final documents are required:

- Council approved plans and specifications (if not already provided),
- Builders Risk Insurance – you must provide a current copy of your builders “Public Liability Insurance” prior to funds being released.

d. Commencing construction and progress payments

We'll inform you and your builder when construction can commence by issuing a “Builder’s commencement letter”, which contains information and documents required during the building phase of your new home/renovation.

A progress payment may be requested as soon as:

- You’ve met all the conditions of your Loan Offer,
- St.George has received all required documents,
- The customer (your) contribution requirement has been met.

There are various ways progress payments can be requested and these are advised within the “Builder’s commencement letter”.

Please note:

- The payment amounts should align with the original schedule of payments supplied.
- There could be delays with processing a progress payment request if the amount of payment differs from original schedule (see “Changes to original Scope of Work” in section 3a).

e. Progress inspections and valuations

If your Builder’s commencement letter indicates that a progress inspection (valuation) is required, we'll arrange it for you.

In this case, the valuer inspects the site and certifies that the building works have been completed as per the approved Building stage and in accordance with the approved plans and specifications provided. St.George will not make any progress payments (including the first and the final) unless the valuer certifies.

When a progress inspection is required, please allow an additional three working days to the time it normally takes to assess your request for invoice payment.

f. Final progress payment

Congratulations, your new home is complete!

Please send through your authorised final progress drawdown request and contact your St.George lending specialist to arrange the following:

- A satisfactory final inspection from our valuer confirming that construction has been completed as per the original plans and specifications,
- A new building insurance policy quote,
- How to distribute surplus funds, if any.

g. How the progress payment system works (licensed builder)

The St.George Construction Loan progress payment system is simple and efficient. It aims to ensure that the borrower retains control of their finances and that the builder receives prompt payment.

The building process is split into standard construction stages. Each construction stage and payment amount is represented as a percentage of the total construction cost you give us when you apply for your

loan. The Progress Payment Schedule will outline these stages and percentages and the payments to be made to the builder.

Note: Borrowers must contribute any money they have agreed to contribute towards the construction **BEFORE** St.George makes any progress payments to the builder.

The following example, based on a builder's tender/contract price of \$324,300 and a loan of \$320,000 may be useful.

Example

Loan approved:	\$320,000
Less: Fees to be deducted from the loan (e.g. \$300)	(300)
Net St.George payments to builder*	\$319,700
Contract (tender) Price:	\$324,300
Less: *Net St.George payments to builder (total loan amount):	(\$319,700)
Borrower's contribution required:	\$4,600

Note: If there are any leftover/surplus funds between the approved loan amount and the construction costs, these will be available only after the final drawdown.

h. Stages of construction

As each stage of construction is completed, all borrowers must ensure that the building work has been carried out to their satisfaction before authorising invoice payments to the builder.

Methods of requesting invoice payments are explained within the Builder's commencement letter.

The following tables set out St.George's guidelines regarding payment percentages for each stage and provides examples of schedules.

Guidelines regarding payment percentages per stage in all States, except Northern Territory (NT):

Deposit/Base - stage 1	Maximum of 20%
Middle construction stages 2-6	No single stage exceeding 35%
Practical completion/final stage	Minimum of 10%

Note: Any deviation from the proposed payments, outside the above percentages, is to be referred to St.George for consideration.

Example of a five-stage schedule:

Stage	Building stage	% of funds required
Stage 1	Foundations/Slab (including deposit)	20%
Stage 2	Frame	20%
Stage 3	External lining	30%
Stage 4	Lock-up/Internal lining	20%
Stage 5	Practical completion/final stage	10%
Total		100%

Example of a six-stage schedule:

Stage	Building stage	% of funds required
Stage 1	Foundations/Slab (including deposit)	20%
Stage 2	Frame	20%
Stage 3	External lining	25%
Stage 4	Plaster set	5%
Stage 5	Second fixing carpentry	20%
Stage 6	Practical completion/final stage	10%
Total		100%

There will be situations where the percentages set out above may not suit a specific type of dwelling or construction situation. For example, an unusual or large architect-designed home, pole house construction or major extensions/renovations. In these situations, the valuer may indicate that a quantity surveyor report is necessary. Where the valuer determines a quantity surveyor report is required, it must be obtained.

When these standard construction (or percentage) stages are not suitable, the builder or architect must provide the stage works and percentages prior to St.George arranging the initial valuation. These should be provided to us when you lodge your loan application. The independent valuation will determine whether or not they are acceptable.

i. Specialist Construction requirements: Additional inspections

Where the valuer determines a quantity surveyor report is required, St.George will require the quantity surveyor report regarding the total cost of construction prior to the first drawdown of your construction loan.

Furthermore, a valuer may determine that a quantity surveyor report is required at any stage of the construction. In this instance, St.George will require that a quantity surveyor inspects the site and certifies that the building works have been satisfactorily completed to the agreed extent and in accordance with the approved plans and specifications provided. (You must provide any additional information or documentation reasonably required by the valuer or QS). St.George need not make any loan advance (including the first and the final loan advances) unless the valuer or QS so certifies.

Quantity Surveyor requirements:

- Must be a member of the Australian Institute of Quantity Surveyors.
- St.George will arrange a progress inspection by St.George's nominated valuer, if required, when a payment is made to your builder. Where the valuer indicates that a QS report is required, you'll need to provide an updated QS report with the progress payment request indicating the cost to complete the construction.

Note: Where the QS report is required with the initial loan application and other construction documents, you'll need to pay all costs direct to your chosen QS.

2. Borrower's Guide to St.George Construction Loans – owner builder

If you're building your own home rather than using a contract builder, St.George can lend to you, however, there are a few additional requirements you'll need to know.

- You'll need to engage the services of an Independent Adviser to complete required costings and ongoing inspections.
- Progress inspections will be required at each stage.

a. Documents required for your Owner Builder application

- A fully completed Independent Advice Form (MPC019) by qualified person i.e. local building advisory service/architect/quantity surveyor/independent licensed building inspector detailing costings of project and projected site stages. This form is available from your local St.George branch.
- Council/private certifier approved plans and specifications along with any conditions of approval specified by the local council.
- Owner/Builder Construction Risk Insurance.

b. Purchasing materials while you're building

Some Owner Builder construction projects exceed the planned timeframe and budget.

One of the main reasons owner builders suffer lengthy delays is due to unplanned purchases of building materials.

Impulse purchases are best avoided by drawing up a schedule of purchases, co-ordinated with your schedule of progress payments, and sticking to it. This will ensure that you know what materials you need, when you need them and how much money you've to pay for them.

Please note:

- Progress payments can't be made for materials on site that are not affixed to the building.
- We can't use receipts for materials to establish customer contribution/cost to complete. Funds are released strictly against the cost to complete provide by the St.George nominated valuer.

c. Requesting progress payments

A progress payment may be requested as soon as:

- You've met all the conditions of your Loan Offer,
- St.George has received all required documents,
- The customer contribution requirement has been met.

There are various methods of requesting progress payments and these are advised within the "Builder's commencement letter".

The payment amounts should align with the original schedule of payments supplied.

There may be delays with processing a claim if it differs from the original schedule (see "Changes to original Scope of Works" in section 3a).

In addition, your Independent Adviser will need to complete an Owner/Builder Progress Inspection report (MPC020), available from your lending specialist, for each stage detailing:

- works completed to date,
- estimated cost to complete project.

Note: These two figures should total the full cost of the project. St.George will order a progress Inspection via our nominated valuer. Funds will be released against the cost to complete as advised by the valuer i.e. St.George will retain a sufficient amount to cover the balance of construction as advised by the valuer.

Example 1

Progress Payment request	\$50,000
Funds remaining in loan	\$100,000
Valuer report - cost to complete advised	\$50,000

Funds will be released (after releasing \$50,000 claim, there will still be \$50,000 left in loan account to cover the cost to complete as advised by the valuer).

Example 2

Progress Payment request	\$50,000
Funds remaining in loan	\$100,000
Valuer report – cost to complete advised	\$75,000

We can only release \$25,000 (in order to retain the required \$75,000 in loan to cover the cost to complete as advised by the valuer.)

Note: Payment will be paid directly to your account and not to sub-contractors. It is the owner/builders (your) responsibility to disburse funds for their trades as required.

d. The final progress payment

To request the payment for a final progress draw for an owner builder, please complete the following:

- Your authorised final progress drawdown request,
- A completed Independent Advisor Progress Inspection report,
- Contact your St. George lending specialist to arrange:
 - A satisfactory final inspection from our valuer confirming that construction has been completed as per the original plans and specifications.
 - A new building insurance policy quote
 - How to distribute surplus funds, if any.

Note: The project must be completed within 24 months of the Offer date, or any longer period agreed by us in writing.

3. Additional information

a. Changes to original scope of work

We need to know immediately if the price of the original building contract/variations/quotes changes before or during construction. Documentation will need to be supplied and, if changes are significant, a new valuation may be required.

b. Change of Builder

We need to know immediately if for any reason you sign a contract with a different builder.

We'll require a fully signed & dated building contract for the new builder, confirmation that there are no changes to the original plans and specifications, a copy of the new builders Public Liability insurance and any legal documentation relating to the original builder i.e. Termination of Contract.

A new valuation may be required along with credit approval to proceed with new builder.

4. Contact us

If you have any further questions on Construction Loans, please get in touch with us:

New Home Loan applications:

- Your St. George Lending Manager, Mortgage Broker, or
- The Customer Contact Centre on 133 330

Existing applications:

Once your loan is in progress, please call our Mortgage Contact Centre if you have any further questions:

- Progress Drawdowns/payments: 1300 367 483
- Loan changes/restructuring: 132 558



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