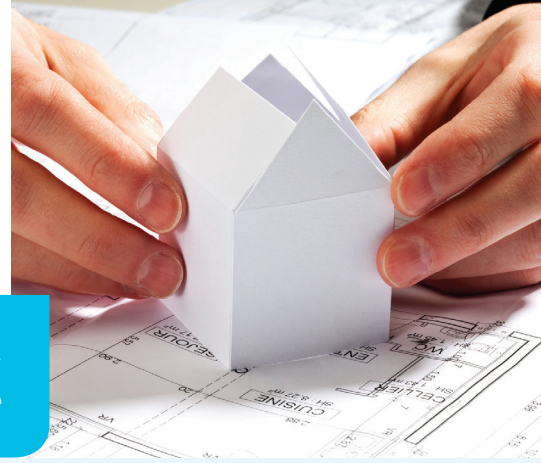




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Construction – What Next

Your construction loan is ready to settle, what happens next?

1. Once the loan settles the file will be sent to the progress payment team
2. The progress payment team will ensure they have all documents required to make the progress payments (e.g. Council approved plans, all insurances, FHOOG approval, builder receipts for deposit)
3. The progress payment team will also calculate any extra funds you will need to pay the builder before the bank will start making payments. All of your contributions towards the construction need to be paid first.
4. Once this process is complete, the bank will issue a commencement letter to the builder so the builder can go to site. (if the builder goes to site before this letter is issued please note that there could be a hold up on the first progress payment until all of the banks requirements are met)
5. Once the slab is poured, the builder will send you an invoice for the first construction payment (please note you would have already paid the 5% deposit prior to this), all applicants of the loan will need to sign the invoice and forward to us. Some lenders also have progress payment forms that need to be signed and sent in with the builders invoice. (If you still have funds to contribute towards the construction, you will need to pay the funds to the builder prior to submitting the claim for any additional funds for the bank to pay. Please pay the builder directly and get the receipt for the payment sent to us with the signed invoice for any outstanding funds)
6. When all other invoices for progress payment claims get sent to you, please sign and forward to us to arrange payment by the lender ASAP. Please note most builders have strict 7 day terms for these payments to occur. If the payments take longer than this, you could incur penalty interest as per your building contract (check terms for details).
7. Before the bank will make the first and last progress payments they will require a valuation. You should expect this payment to take at least 5 working days depending on the valuers access to the site and the banks progress payment queue
8. All other progress payments should occur within 72 hours of the bank receiving the signed progress claim

OTHER POINTS TO NOTE

1. You will only be paying interest on the funds drawn – as the construction progresses your repayments for the loan will increase
2. The first home owners grant is paid to the bank on the first progress draw
3. Any excess funds in the construction loan will be paid to you at the completion of construction
4. Make sure you have allowed enough in your budget for window coverings, kitchen appliances and landscaping as most building packages do not include these items
5. As part of the final progress draw, many lenders will require you to provide a certificate of currency for home insurance – after handover the property is your responsibility.
6. The final valuation cannot be booked until all of the items in the building contract are completed – if you send a valuer to site before this you may be required to pay for an additional valuation.
7. For the final progress payment, it is possible with many lenders to pick up a bank cheque from a local branch, this allows you to deliver the bank cheque to the builder for handover and collect the keys.
8. Don't forget if this is an investment property, it is a good idea to get a quantity surveyor to complete a depreciation schedule for tax purposes before you get a tenant to move in.

If you have any other questions, please feel free to give us a call.



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