

Guide to Residential Building Loans

Effective: 17 May 2020

This guide will outline almost everything borrowers and builders need to know about a St. George building loan. If you have any questions regarding St. George Residential Building Loans, just contact our **Lending Service Centre** on **13 33 30** 8am to 9pm (EST), seven days a week.

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How the progress payment system works (Contract builder loans)

The St. George Residential Building Loan progress payment system has been specially designed to be simple and efficient. It ensures that, at all times, the borrower has 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 detail these stages and percentages together with the actual payments to be made to the builder by the borrowers and/or St. George.

Please note: Borrowers must contribute any money they have agreed to contribute towards the construction before St. George makes any progress payment to the builder.

The following example shows how this system works, based on a builder's tender/contract price of \$124,300 and a loan of \$120,000.

Example

Loan approved	\$120,000
Less: Fees to be deducted from the loan and any Lender's Mortgage Insurance Premium, say	<u>(300)</u>
Net St. George payments to builder	\$119,700

Contract (tender) Price	\$124,300
Less: Net St. George payments to builder	<u>(\$119,700)</u>
Borrower's contribution required	\$4,600

Example of St. George Progress Payments

Stage No.	Tender/ Contract Price	%	Payment Due	Borrower's Contribution	Bank Progress Payment
1	\$124,300	20	24,860	4,600	20,260
2		20	24,860	—	24,860
3		30	37,290	—	37,290
4		20	24,860	—	24,860
5		10	12,430	—	12,430
Totals		100%	124,300	4,600	119,700

Upon the completion of each stage of construction each borrower must ensure that work has been carried out to their satisfaction before signing the Application for Progress Payment form corresponding to the stage completed. This is the borrower's authority to us to pay their builder. This signed form is given to the builder to also sign and forward to the Progress Payments Department for processing.

The following tables set out the guidelines regarding payment percentages per stage and provides an example of standard schedule. It generally reflects the same construction stages set out in a Building Agreement.

Guidelines regarding payment percentages per stage

Single & Double Storey - All construction types

Maximum foundation/stage 1 of 20%

Minimum completion/stage 5 of 10%

Flexibility for remaining stages, with no single stage exceeding 35%

Any deviation from standard schedule and proposed payments outside above percentages to be referred to St.George

Example of standard schedule

Single & Double Storey - All construction types

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	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.

When these standard construction (or percentages) stages are not really 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 valuer will determine whether or not they are acceptable and report to St.George. If your loan application is approved, the Progress Payment Calculation Schedule and Application for Progress Payment forms, which accompany the Loan Agreement, will reflect these non-standard stages.

On settlement of the loan, the Bank's mortgage preparers will issue an authority to Commence Building Operations to the borrower and the builder.

Prior to any funds being advanced or made available St.George requires:

1. You to complete all requirements as set out in "Our requirements before we make a loan advance/funds available" clause of the Loan Agreement General Terms and Conditions; and
2. You to complete all requirements as set out in "Our additional requirements if you have a building loan/sub-account" clause of the Loan Agreement General Terms and Conditions. These include providing St.George with a copy of the:
 - Signed contract with the builder
 - Council or Private Certified Approved Plans and Specifications (if not previously provided to us); and
 - Any additional items that have been specifically requested by our valuer.

The Bank's mortgage preparers will send a list of requirements specific to your Loan Agreement to your solicitor. If any of the above documentation cannot be provided prior to any land settlement, the Bank may agree to defer

receipt of that documentation until prior to the first progress payment.

Please note that funds will not be released for the construction prior to receipt of all requisite and outstanding documentation.

Final Progress Payment

Before St.George releases the final progress payment, we require the following:

1. A signed Application for Progress Payment form authorising payment to the builder.
2. A satisfactory, final inspection report from the St.George appointed valuer confirming all work is complete. This will be arranged by the Progress Payments Department when you or your builder contacts them on completion of construction.
Please allow 48-72 hours notice for an inspection to be ordered.
3. A Householder's Insurance Policy, with St.George noted as mortgagee, for the minimum amount of cover stated in the Loan Offer. (Cover notes and Brokers Certificates are unacceptable.)
4. For properties located in VIC, NT and ACT only: Certificate of Occupancy and Compliance.
5. For properties located in QLD, St.George may require a property inspection report from council.

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

Borrower's Guide to Residential Building Loans

Choosing a builder

It is wise to take your time in selecting both the design and builder of your new home. If you are using your own plans, select at least three 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 are not buying a standard design from a building firm, your builder will need to take away a copy of your plans and specifications. It is a good idea to write down exactly what the builder is to quote on. Otherwise, one quote may vary greatly from another, due to extra work that one builder has included, which another has not. You will find most builders will supply an itemised quote for construction.

Ask to see some of the builder's most recent jobs and ask the owners questions about the builder's workmanship standards and professionalism. Make absolutely sure your builder is licensed and qualified to do the work.

When you have made your choice, ask your solicitor to help you with all the details in the building contract. The HIA and the MBA have standard, proforma construction contracts that are most useful and accepted throughout the industry. You may care to use these.

Please ensure your chosen builder has a copy of this St. George "Guide to Residential Building Loans" and discuss with them the standard

progress payment percentages. You may obtain a copy of this Guide from any St.George branch or have one sent to you by calling 13 33 30.

Lodging your formal application

Once you have talked with your St.George lender and have established that you are eligible for a St.George Residential Building Loan, you may lodge your formal application.

As part of the formal application, St.George will require a valuation of your proposed new construction. This valuation will be conducted by a registered valuer nominated by, and on behalf of, St.George. To complete the valuation, the valuer will require the following documents, a copy of which you must supply:

- Council or Private Certified 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); and
- Fully itemised Tender/Contract.

Obtaining a loan approval

St.George processes your application after the valuation is completed and returned to your St.George lender. If there are no unusual circumstances, St.George issues a Loan Offer, Loan General Terms and Conditions and any other documents we issue as part of your loan contract.

With your Loan Agreement, you will receive:

- a Progress Payment Calculation Schedule
- Application for Progress Payment forms for each of the stage payments detailed in the

Progress Payment Calculation Schedule.

You will also receive the following documents that are to be given to your builder:

- a letter addressed to your builder
- a Builder's Copy of the Progress Payment Calculation Schedule.

Before accepting our Loan Offer, please read the documents and call your St.George lender or your solicitor if you are uncertain about any of the contents.

Completing legal requirements

St.George's legal requirements are set out in any Loan Agreement we may issue. The Bank's mortgage preparer will send a list of requirements specific to your loan to you or your solicitor. St.George allows up to four weeks for all the legal requirements to be completed, however, this may vary depending on the location of your property. It is in your best interests to have all your legal work completed as soon as possible to avoid delays in building your home. This is particularly important when you consider that delays could mean a significant increase in the building costs, due to price increases on both materials and labour.

You will need to attend your solicitor's office to sign the mortgage and any other documents. Your solicitor should telephone you when the documents are ready for you to sign. You should liaise closely with your solicitor at all times.

If at any time you feel concerned about when these documents will be ready, simply telephone your solicitor and make an enquiry.

When can construction commence?

After St.George's legal requirements are satisfactorily completed, we will inform you and your builder when construction can commence.

Surplus funds

St.George may agree to make available to you all, or part, of any approved amounts in excess of the total bank progress payments if you have a sufficient amount of equity in your property at the end of the construction. If you would like funds earlier please contact the Progress Payments Team to discuss.

Borrower's responsibilities

Insurance is compulsory for all building works greater than a certain value depending on your State or Territory. As the borrower, you should ensure that your builder has discussed this with you before signing any building contract. You can find out more about this by contacting the relevant Fair Trading or Consumer Affairs department in your State or Territory.

Before your construction commences you must ensure that your builder is fully insured and holds a Contractor's Risk Insurance policy (in SA it's called a "Builders Indemnity Insurance", in WA "Builder's Risk Insurance" and in NSW it is referred to as "Home Warranty Insurance".)

We recommend that you check that the insurance covers the construction period until practical completion of your home.

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.

Plans and specifications

You must provide a set of council or private certified approved plans and specifications to us prior to the construction commencing.

Building Contract

You must provide St. George with a copy of your signed contract with the builder.

How to ensure quality of construction

It is your responsibility at all times to ensure that you are satisfied with the quality of construction. This will require regular checks on workmanship. If unsure what to look for, make a point of finding out, or appoint a suitably qualified person to attend on your behalf. If substandard workmanship or materials is detected and advice is needed, you should contact our Progress Payment Department or your lender immediately. The builder should also be informed of your dissatisfaction immediately and your solicitor may need to be informed if the matter is serious. Ensure quality of construction from the start.

We recommend that you retain a suitably qualified person to regularly inspect construction as it progresses, but especially for completion of the frame stage.

Having a qualified person inspect for you

You can elect to have a qualified person conduct inspections at your expense. If you elect to obtain inspections by a qualified person, you should ensure that the reports are satisfactory before signing the Application for Progress Payment form authorising payment to the builder.

Prior to any progress payment being paid to the builder, St.George will require a signed Application for Progress Payment form for the applicable stage of construction. All borrowers must sign this application. Borrowers must not pre-sign the applications.

Inspections

St.George may require a frame inspection. If this is the case, the inspection will be ordered upon receipt of a signed request or your instruction.

When construction is complete, and prior to releasing the final progress payment, St.George requires a satisfactory, final inspection to be carried out by the St.George nominated valuer or quantity surveyor. This inspection should be arranged by contacting the Progress Payments Department on 1300 130 586 and select option 3.

Please note: we may require at any stage that the valuer or quantity surveyor nominated by us, 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 to us. We need not make any progress payments (including the first and the final) unless the valuer or quantity surveyor so certifies.

First progress payment

In addition to the signed Application for Progress Payment form, you must provide St.George with items detailed in the Loan Agreement and Authority to Commence Build letter and any other documentation required but not yet provided, prior to the first progress payment being made.

Final progress payment

In addition to the signed Application for Progress Payment form, St.George requires the following before releasing the final progress payment:

1. A satisfactory, final inspection from our valuer – this is organised by contacting the Progress Payments Department after the final stage of construction is complete.
2. Householder's Insurance Policy, with St.George noted as mortgagee, for the minimum amount of cover stated in the Loan Offer. This insurance can be arranged through any St.George branch.
3. For properties located in VIC, ACT and NT: Copy of the Certificate of Compliance and Occupancy. This should be organised by the builder.
4. For properties located in QLD, St.George may require a certificate of completion/occupancy issued on behalf of the local council. This should be organised by the builder.

Builder's Guide to Residential Building Loans

Refer to the section "How the progress payment system works (contract builder loans)" for an overview of the St. George progress payment system.

As the borrower's chosen builder, you will receive from the borrower a Progress Payment Calculation Schedule which details the progress payment amounts to be paid at each stage of construction. If the borrower is to make any financial contribution towards the construction of the new home, it must be paid first. This amount is deducted from the first payment to you and is detailed in the Progress Payment Calculation Schedule.

When can I start?

Once St. George's legal requirements are satisfactorily completed, we will inform you in writing that building may commence.

If construction commences before you receive this, you may experience delays in receiving progress payments.

If at any time you have any questions regarding St. George Residential Building Loans, just contact our Lending Service Centre on 13 33 30, 8am-9pm (EST), seven days a week.

How do I get paid?

A pre-completed Application for Progress Payment form for each stage of construction is supplied to the borrower with their copy of the Progress Payment Calculation Schedule.

When works to the agreed stage are completed, you should request the borrowers to sign the appropriate Application for Progress Payment form for that stage. This must be done before you sign it and claim a payment. The signed Application for Progress Payment form is to be sent to:

St.George Progress Payments Department

Fax: 02 9055 3112

Email: progresspayments@stgeorge.com.au

Address: St.George Progress Payment
Department
Locked Bag 1
Kogarah
NSW 1485

Once the Progress Payments Department has received the signed Application for Progress Payment form you will be paid by direct credit to your nominated Bank account.

If you do not require a payment at a particular stage, you must complete all the work in the following stage before your next payment.

Please note that St.George will not make progress payments between stages.

When signing the Application for Progress Payment form, the borrower is acknowledging that the construction has successfully reached that stage indicated by the builder and is authorising payment.

Borrowers have been informed that, under no circumstances, should they sign an Application for Progress Payment form prior to the builder completing the necessary work.

Inspections

St.George may require a frame inspection. If this is the case, the inspection will be ordered upon receipt of a signed request or your instruction.

When construction is complete, and prior to releasing the final progress payment, St.George requires a satisfactory, final inspection to be carried out by the St.George nominated valuer or quantity surveyor. This inspection should be arranged by contacting the Progress Payments Department on 1300 130 586 and select option 3.

Please note: we may require at any stage that the valuer or quantity surveyor nominated by us, 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 to us. We need not make any progress payments (including the first and the final) unless the valuer or quantity surveyor so certifies.

Builder's responsibilities

Builder's Insurance

You must supply to the borrowers a copy of your Contractor's Risk Insurance policy (in SA it's called a "Builder's Indemnity Insurance", in WA "Builder's Risk Insurance", in NSW it is referred to as "Home Warranty Insurance") or a certificate of currency. The insurance must cover the period until practical completion of the proposed dwelling.

Builder's Licence

You must supply to the borrower a copy of your current Builder's Licence.

First progress payment

Prior to the first progress payment being made, in addition to the signed Application for Progress Payment form, the borrowers must supply St.George with items detailed in their Loan Agreement and any other documentation required but not yet provided. The borrower may ask you to supply these items. Refer to section "How the progress payment system works" for an example of items you may be asked to provide.

Before releasing the final progress payment, in addition to the signed Application for Progress Payment form, St.George requires the following:

1. A satisfactory, final inspection report from the St.George appointed valuer – contact the Progress Payment Department on 1300 130 586 and select option 3 to arrange.
2. For properties located in VIC, NT and ACT: Copy of the Certificate of Compliance and Occupancy – arranged by you.
3. For properties located in QLD, St.George may require a certificate of completion/occupancy issued on behalf of the local council – arranged by you.
4. Borrower(s) must supply proof of a Householder's Insurance Policy, with St.George noted as mortgagee, for the minimum amount of cover stated in their Loan Offer.

Owner Builder's Guide to Residential Building Loans

If you're building your own home rather than using a contract builder, St.George can lend to you. However, there are a few things you will need to know.

1. The value of the finished construction will determine how much we can lend to you and will be based on the lower of:
 - the land value plus the total of the Owner Builder Estimate of Construction Cost form, and
 - the on-completion value of the property as determined by the valuer.
2. Any Loan Agreement we issue sets out our other requirements for building loans.

To help us determine how much we can lend to you as an owner builder, in addition to us assessing your repayment capacity, there are a few things you must bring with you when you visit your St.George lender, to support your loan application:

- A fully completed Owner Builder Estimate of Construction Costs form. This can be obtained from any St.George branch.
- Your (written) schedule of progress payments. This schedule should show how much money you will progressively need as you build, and when. It should also detail the works you intend completing at each stage to explain the purpose of these payments. St.George will review the schedule and it will assist our valuer to assess the projected cash flow. Progress payments will be subject to negotiation and final approval by St.George.

- Council or private certified approved plans approved plans and specifications along with any conditions of approval specified by the local council. If you have not yet submitted these to Council for approval, to complete our assessment, conduct a valuation of the property and progress your loan application, we will require a set identical to those, to be or which have been submitted to, Council. You will be required to provide Council's approval along with any conditions of approval specified by them before we release any funds for construction to you.
- Written details of all work that is to be carried out by you as owner builder or family, friends and sub-contractors. This should include all trades such as plumbing, electrical work, bricklaying, carpentry, roof tiling, wall and floor tiling, gas fitting, painting, concreting.

Highlight the works to be carried out at no cost, and detail any works to be completed at a discounted rate by yourself, your family or friends. We also need a complete costing of the works to be sub-contracted to qualified tradesmen. Please include copies of written quotes.

If you have already started

If you need finance after already starting, but have not completed the internal linings, you must also supply written details of:

- The total cost of the whole job, including labour and materials.
- The total costs incurred to date.
- Materials on hand and paid for, but not yet in position (receipts required).
- Evidence that the work in position has been inspected and approved by council.

- Copies of council approved plans and specifications, along with any conditions of approval specified by the local council.

Inspections

There will be at least four inspections carried out by our nominated valuer during construction and before each progress payment is made. The cost of each inspection may vary depending on the State/Territory in which the property is located.

For properties in all States/Territories, compulsory progress inspections are required at the following stages:

- Completion of slab/footings piers.
- Completion of frame including roof.
- Completion of brickwork and external lining.
- On completion.

Obtaining a loan approval

Once the valuation is complete and is received by your St.George lender, your application will be processed. If there are no unusual circumstances, St.George issues a Loan Offer, General Terms and Conditions and any other documents as part of your Loan Agreement.

The Loan Agreement will also include a Progress Payment Calculation Schedule. This schedule sets out details of each progress payment at the stages determined by you and agreed by St.George. This schedule is a guide only. Actual progress payments to be made available for each stage are based on amounts recommended by the valuer on completion of each progress inspection.

Completing legal requirements

St.George's legal requirements are set out in the Loan Agreement's General Terms and Conditions. The St.George mortgage preparers will send a list of requirements, specific to your Loan Agreement, to your solicitor. St.George generally allows up to four weeks for all the legal requirements to be completed (this may vary depending on the location of your property). However, it is in your best interest to have all your legal work completed as soon as possible to avoid delays in building your home. This is particularly important when you consider that delays could mean a significant increase in your building costs, due to price increases on both materials and labour.

You will need to attend your solicitor's office to sign the mortgage and any other documents. Your solicitor should telephone you when the documents are ready for you to sign. You should liaise closely with your solicitor at all times.

If at any time you feel concerned about when these documents will be ready, simply telephone your solicitor and make an enquiry.

When can I start?

After St.George's legal requirements are satisfactorily completed, we will inform you in writing when construction can commence. If you commence construction works before receiving our authority to commence, you may experience delays in receiving payments from us which may result in delays in the progress of the construction of your home.

Progress payments

The Progress Payment Calculation Schedule sets out details of each Bank progress payment at the stages determined by you and agreed by St.George. This schedule is a guide only. Actual progress payments made available for each stage are based on amounts recommended by the valuer on completion of each progress inspection.

An up-front advance may be possible once our legal formalities have been completed, provided there is sufficient equity in the land. This is determined using the following calculation:

Example

Land Value	\$50,000
x 75% (maximum allowable loan to value ratio)	\$37,500
Less: outstanding loan balance	\$30,000
Up-Front Advance	\$7,500

All progress payments are made by the St.George Progress Payment Department and only after a receipt of a satisfactory inspection from the Bank's nominated valuer.

Prior to any funds being advanced or made available St.George requires:

All requirements as set out in the Loan Agreement General Terms and Conditions under the following sections are to be met:

1. "Our requirements before we make a loan advance/funds available" section.
2. "Our additional requirements if you have a building loan/sub-account" section.

These include:

- A current owner builder's licence/permit.
- A satisfactory Survey Report showing the location of the completed footings/slab identifying the land and showing where the foundations/slab are located in relation to the boundaries (a copy is acceptable at this point).
- Builder's All Risk Insurance (Contractor's Risk Insurance including Public Liability). The insurance should cover the minimum replacement cost. It must remain current during construction, cover the period to practical completion and St. George must be noted as the mortgagee.
- Council or Private Certified Approved Plans and Specifications - if not previously provided.

3. Those items detailed in the Loan Agreement General Terms and Conditions, and any items that have been specifically requested by our valuer. For example:

- Engineer's Certificate re: slab/footings.
- Engineer's Certificate for structural beam.
- Pest Certificate or Pest Prevention Confirmation.

Purchasing materials while you are building

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

Payment will not be made for materials on site that are not affixed to the building.

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 have to pay for them.

Extra purchases will slow the project while you arrange for an unplanned, and unbudgeted, valuer's inspection, which might wipe out any savings you had originally made.

Changing plans

Before you make any changes to council approved plans, you must inform St.George and obtain our consent. If there are significant changes, such as to the structure or the projected costing, we will require the details in writing. This may require an additional review by our valuer, the cost of which will be payable by you.

The final progress payment

Before releasing the final progress payment, St.George will require:

- A satisfactory, final inspection report from the St.George valuer.
- A Householder's Insurance Policy, which shows St.George as mortgagee, for the minimum amount of cover stated in the Loan Offer. This policy can be arranged through any St.George branch. (Cover notes or Broker's Certificates are unacceptable.)
- For properties located in NSW: Copy of the updated Survey Report showing that the position of the improvements in relation to the boundaries, and that all improvements comply

with the Local Government Ordinances (The survey should be updated after completion of eaves and guttering.)

- For properties located in VIC, NT and ACT: copy of the Certificate of Compliance and Occupancy.
- For properties located in QLD, St. George may require a certificate of completion/occupancy issued on behalf of the local council – arranged by you.

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

Bank contacts

If any further information or assistance is required regarding Building Loans, please contact:

St. George Lending Service Centre

on 13 33 30
8am–9pm (EST)
seven days a week

If any information is required regarding a progress payment, please contact:

St. George Progress Payment Department




Ph: 1300 130 586 and select option 3.
9am–5pm (EST) Monday to Friday

Fax: 02 9055 3112

Email: progresspayments@stgeorge.com.au

Address: St. George Progress Payment
Department
Locked Bag 1
Kogarah
NSW 1485

We're here if you need us

-  Ask at any branch.
-  Call us on 13 33 30, 8.00am to 8.00pm
Monday to Friday (AEST).
-  Visit stgeorge.com.au

