

# RAMS Construction Loan – Documents Required and Key Points.



A construction loan option may be suitable for you if you are considering building a property, purchasing land and plan to build on it, or conducting major renovations to your current home. RAMS Construction Option can be used for:

- purchasing land and building a property
- financing construction on land you already own
- refinancing a land loan and building a property, or
- carrying out major renovations for owner occupier property

RAMS has a Construction Option which can be selected on many RAMS Home Loan Products. RAMS Construction Option allows you to pay your builder progress payments at each major stage of construction. RAMS does not offer Constructions Loans to Owner Builders, for Kit Homes, builders spec houses, project finance or developments. The first step is to find a reputable and licenced builder. (You should check online if they are licenced. Refer to the RAMS Builders Licence Checklist for links.) They will draw up a fixed price building contract which will include the cost and conditions regarding your construction.

## Documents needed for a construction loan (in addition to your normal application documents)

✓	Fixed Price Building Contract with an acceptable progress payment schedule and specifications or inclusions. (A fixed price contract is preferred at this stage, but this is not always available as some builders will only issue a preliminary tender or quote pending payment of a deposit.)
✓	Plans with legible measurements
✓	Quotes of any work not included in the main contract but may be needed for the valuation e.g. landscaping
✓	Receipt of any deposit paid to the builder if 100 % of funds are not to be retained for construction

If plans are not signed and stamped at this stage, you will need to provide us with plans signed by both you and the builder, and stamped by the council, before we will issue an Authority to Commence Construction (ATC).

## What is an acceptable Progress Payment Schedule?

These are the details of the stages at which you are required to pay the builder.

- Deposit to builder – deposit to commence – normally 5% of the fixed price contract price
- Base Slab – the foundation when FHOG (if applicable) is released – cannot exceed 20%
- Frame – the frame of your property
- Lock up – external walls and roofing
- Fit out – internal fittings and fixtures
- Completion – conclusion of contracted items – final progress payment
- Flexibility for payments at all other stages as long as no single stage exceeds 35%.

Once RAMS has approved your loan application and your land or refinance has settled, we will advise you of any outstanding documents we need before we can issue an ATC. These include:

✓	Signed Full Fixed Price Building Contract, including signed specifications and stipulated progress payments – Why fixed price? To protect you from cost increases during construction (but does not cover cost overruns).
✓	Council approved plans stamped by council (needs to show the approved stamp from the council on the plans.)
✓	Home Owners Warranty (HOW) insurance (known as BSA or QBCC Home Warranty Insurance in QLD)
✓	Receipt for any deposit paid to the builder or suppliers
✓	Copy of the Builder's licence – this needs to be a photo licence or online proof of licence held
✓	Builder's public liability insurance
✓	Builder's bank account details for direct credit of progress payments
✓	Quotes for any additional work not included in main contract but you may need to pay

## Start Date of Construction

You can nominate any time for construction to commence once your land has settled, however you cannot commence construction until we have issued you with an ATC. Construction needs to be completed within 12 months after we issue the ATC. Builder's Deposit – your builder may ask for an upfront deposit before they start working on your property. We can provide funds from the loan to pay this if the builder's deposit is included in the progress payment schedule and you have provided a copy of a Full Fixed Price Building Contract, including specifications and stipulated progress payments, to us. This payment needs to be paid directly to the builder.

## Making progress payments

We will make progress payments at each stage according to your progress payment schedule. Simply complete and sign the progress payment form and email a scanned copy to [constructionloan@ramsservices.com.au](mailto:constructionloan@ramsservices.com.au) or fax to 1300 656 728. A \$50 charge is payable for each progress payment and you must nominate where this fee is to be debited from at each payment request. Please ensure that you have included a copy of the builder's invoice with your request. We process your progress payment request within 24 – 48 hours of receiving the progress payment form signed by all borrowers, and the builder's invoice.

## First Home Owners Grant (FHOG)

If you are eligible for FHOG, you will need to submit the FHOG application at the same time you apply for a loan and your RAMS Home Loan Manager can assist you if needed. Make sure you include your Office of State Revenue Identification requirements and a fully completed FHOG Form. You will be requested to nominate a commencement date on the FHOG application form. The commencement date is important as it is the date that the OSR will release the FHOG payment to RAMS. We cannot lodge the application without a commencement date. You should nominate a date close to when you anticipate the base foundation of your property will be laid. Your builder should be able to assist with working out this date.

We will then lodge the FHOG application on your behalf and will retain the funds to assist with the construction. The FHOG funds will only be released to you directly if it is not needed for construction and when we are satisfied that there is no shortfall. If the FHOG is approved the amount will be paid into your redraw and released on your first progress payment request.

## Variations to your Contract

If there are any variations to your contract or quotes used in the assessment process your loan will need to be assessed by RAMS again. Please note that no funds can be released until that reassessment is completed.

## Final progress payment

On completion of your construction we will need to arrange a **final property inspection**. Please allow seven days for this. You will need to provide evidence that you have arranged **building insurance** for the amount shown in your Authority to Commence Construction letter, showing Westpac Banking Corporation as the mortgagee.

We also require a **Certificate of Occupancy** (or an interim certificate of occupancy). Please make your builder is aware of this before construction starts so your builder knows to obtain the necessary approvals at each stage. You may obtain the Certificate of Occupancy from your local council or a private certifier. Please notify us immediately when your handover has been booked.

## Your repayments during construction

You'll be required to make interest only payments for the period of your construction. You may apply to extend that interest only period. You will only pay interest on the amount that you have drawn from your loan.