



Home Construction

Finance Guide

Everything you **need** to know



How does finance work when building **a new home?**



When building a new home there are many moving parts to your financial set-up. Therefore, it's in your best interest to have your finance plan completed early on in your building journey and put together by people who understand the process.

BUYING AN EXISTING HOME



- **1** Contract
- Deposit + One Large Payment
- All Completed in 6 Weeks

VS

BUYING A NEW HOME



- **2** Separate Contracts Working Together
- LAND: Deposit + One large Payment
- BUILD: Deposit + Multiple 'Progress Payments'
- Completed Over Longer Period (Approx 12 Months)

A man and a woman are smiling at each other in a bright, modern kitchen. On the white countertop in front of them is a loaf of bread on a wooden cutting board, a bowl of soup, and a glass of orange juice. The background shows white cabinets and a hanging light fixture.

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Exclusive Benefits

That you won't
find at any bank





REAL CUSTOMER STORY

Joe is retired, and his wife Rita is working part time. They owned their current home outright and wanted to buy land. With a plan to sell their current home once the build was complete, pay out any borrowed money and only have to move once.

They went into their bank's local branch to speak to someone about their loan options, and were provided with a pre-approval to buy the land and build their new home. With the land due to register in 3 months, the couple's builder recommended they speak with us for a second opinion.

We advised that their bank doesn't offer the loan structure they require (to borrow funds for construction and then sell their current home afterwards), and recommended they approach their bank to get some clarity around what their loan plan was.

Their bank then informed them that they couldn't structure the loan as planned. Instead, they advised the couple that they could lend them the money to build their home, however they would need to buy the land first. This made no sense! The customers didn't have the money they needed to buy the land themselves. Without the land, they couldn't build. Had the bank not listened to them at all?

This couple was in a better position than most. They were simply looking to borrow funds on a short term basis (up to 18 months maximum), with the intention to pay back the loan in full once they sold their current home. We assisted the customer with a Transition Loan with No End Debt which allowed them to do exactly as they had planned – move once with no stress.

Joe & Rita, Sydney NSW

1. We can offer **wholesale interest rates** that save you money.
2. Trusted by the Australian Government to have exclusive access to the **First Home Loan Deposit Scheme for first home buyers**. If your bank isn't approved, you can't access this. If they are, you are reliant on their approval timelines to secure your place. We can control the loan approval process in-house, giving you the best chance to secure your place.
3. You could **save up to \$12,000**, as MyChoice Pays* the interest on your construction loan while you build. This allows you to reallocate these funds while finishing off your new home.
4. If you want to **stay in your current home while you build**, sell on completion and use the funds from the sale to lower or eliminate your new loan, we offer a complete solution with our Transition Loan and Go-Between Loans. You'll be in your new home earlier without needing to sell your current home first, and you'll only need to move once!
5. **We partner with the NEX Building Group**, so if you build with any of their trusted brands we'll be here for you throughout the entire process - including construction. Through our contacts, we'll know exactly where you are in your building journey and can access your documents without you having to lift a finger. This gives you a huge advantage which not only saves you time, but makes the whole process of finance and construction easier on you.
6. We can **issue your Authority to Commence Construction (ACC) as soon as we get formal approval**. Banks will only issue this after you have your building approvals, which can take months. However through our service, once approved you'll move straight to the construction list, and not back to the bank. No other lender can do this.
7. With us, you have **one point of contact for the whole life of the loan**. Your Loan Manager is with you from the initial conversation through to the key handover. So if there are any issues, your manager will know exactly how to help you – because they know you. This personal journey is not something you'll find at the bank; the person who sells you the loan at the bank is not the same person who handles your progress payments.
8. Unlike banks who wait for you to contact them to get a better deal, when you move into your new home, we'll complete an assessment of your current loan structure and interest rate to **make sure you are still getting the best loan in the market**. Your best interests are always our top priority throughout the life of your loan.

*See back page for important information.

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Steps to get you into your new home sooner

How we work with your builder

mychoice finance plan

Proudly part of the
NEX
Building Group

MY
CHOICE
HOME LOANS

1.

Real Borrowing Capacity Assessment

Find out how much you can really borrow and what needs to be included in your tender.

2.

Your Free Tender

A house you can afford with all the inclusions you need – already budgeted for so you are in control.

3.

Construction Assessment

A full and thorough assessment including LMI approval to give you confidence to pay your Acceptance Fee.

4.

Accept Your Tender

You can now proceed with your builder to bring your new home to life.

5.

Plans, Colour Selections & Contract

Confirm your construction plans, sign your building contract and complete your external & internal colours to finalise your new home requirements. MyChoice Home Loans have internal access to everything we need so you don't have to chase any documents.

6.

Order Valuation, Complete Formal Assessment & Issue Authority to Commence Construction

The full scope of your build is known so that valuations & formal assessment can be completed accurately and at the right time.

7.

Obtain Building Approvals

Development Approval (DA) through your local Council or Complying Development Certification (CDC) via a Private Certifier is complete. You now have everything you need to get building!

8.

Join the Construction List

Your new home is ready to begin construction.

Congratulations!



REAL CUSTOMER STORY

Before speaking with their builder, Michael and Tracey purchased land and had their borrowing capacity and pre-approval completed by a broker on behalf of a bank.

Land registration was 6 months away when they deposited on their new home build. They completed their final building tender, colour selections and signed the building contract, and went to their broker to have their loan formally approved 2 weeks before land was due to settle.

The broker advised that the bank would not approve their loan, due to the area they were building on being a restricted postcode listed with the bank's Mortgage Insurer. They would now need to put in a 20% deposit down, instead of the 10% they had ready to go. In summary the broker told them to ask their builder to reduce their build price or go to another cheaper builder as the loan couldn't be approved. Suddenly, the couple couldn't complete their land purchase and risked losing their deposits on both the land and the build.

We assessed Michael and Tracey's position and provided an option to fund the land purchase and the full build. We were able to do this with no changes by using a lender whose Mortgage Insurer accepted the area where they were building in – an easy fix!

Michael & Tracey, Hunter Region NSW

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Reasons to leave your bank behind

What others often get wrong & how we give you control, as the construction specialists

Generic Solution Banks & Brokers

Customised Solution



1. Generic, system generated calculators:

- All income is accessed as one lump sum
- An 'estimate only' assessment of living expenses is provided.

The same calculator is used regardless of loan type. This quick overview of your position could affect your eligibility for some loan types when it comes to the full assessment at formal approval stage.

We complete a full assessment of your Real Borrowing Capacity, addressing all the intricacies with construction finance. We consider how your income is made up (salary, commission, overtime, bonus) and take an in-depth look at your real living expenses to get a true account of your position. You can start looking for a home you can comfortably afford, with a loan that is right for your personal circumstances.

- #### 2. Basic pre-approvals will
- only ever give you a basic overview of what you can borrow. This **sets limitations on what you can build** without understanding the whole picture.

By completing a proper assessment and finding you the right loan structure, the amount you can borrow can vary in your favour quite significantly. This could be in the value of over \$100,000, just from finding the right loan type or lender for your personal situation.

- #### 3. Lenders Mortgage Insurance (LMI)
- approval isn't completed until formal loan approval, and while your loan may be approved by the bank, this third party approval may be declined on something as simple as your postcode.

We will seek LMI approval as part of your Construction Assessment before you accept your tender with your builder, giving you peace of mind that this won't hold you back later.

- #### 4. Advice on finishing costs
- like how to pay for Stamp Duty and completing your landscaping are not often discussed at the pre-approval stage.

We help you plan ahead for everything as part of your Construction Assessment so that you won't be left short.

Generic Solution Banks & Brokers

Customised Solution



5. Land and construction loans not set up together

can make it difficult at formal approval stage. Land finance is easy for banks, but when they come around to finally setting up your construction loan many months later, you may find yourself looking for another lender.

We ensure that the land loan is set up in preparation to work seamlessly with the construction loan. You'll have a structured plan in place from the beginning, so you can proceed with confidence.

6. Off the shelf, one size fits all loans

with no wriggle room mean the many factors that make your situation unique, won't often fit into a standard loan without some compromise.

With access to the non-bank lender MortgagePort, we can tailor a loan to suit your individual requirements and offer exclusive loan products, which gives you more flexibility to build the home you want — an offer you simply can't find at the bank.

7. No understanding of the building process

often leads to the following errors when it comes to formal approval:

Requesting a copy of the building contract and valuation as soon as you have paid your deposit using the builders quote, rather than the contract, may restrict what you can end up borrowing and how you can fund the whole build. Leaving you with the disappointing choice of pulling out or finding more money.

Seeking formal loan approval too early can restrict any further variations that may be required throughout the process.

Understanding the building process is second nature to us as we work directly with your builder.

The contract won't be ready for a few weeks as firstly there are reports to order and plans to finalise. Secondly, colour selections are completed to provide a full picture of your new home. We won't seek the valuation until this is all complete and we can manage valuation discrepancies if these should occur, putting you in the best position to build your home.

While we have your best interests front and centre, we make sure to include everything you need to have your loan approved in full, so you're not left to find additional funds later.

8. Waiting in the same queue as people purchasing existing property

can prolong your loan getting formally approved by weeks.

MyChoice can approve your loan with your preferred builder inhouse. We can also approve some loans on behalf of the bank we work with, allowing for a more efficient and controlled process to get you into your home sooner.



REAL CUSTOMER STORY

Our customers were doing a Knock Down Rebuild, dealing directly with their existing bank of 20 years. They had begun the pre-approval process and were told they needed a valuation prior to depositing with their builder.

Their builder advised them to speak with us, as this didn't sound quite right. We went through their position over the phone to find out exactly what they wanted to do. It was clear they were given little or no advice from their bank on the steps to fund a Knock Down Rebuild. In order to have their loan approved, they were told they needed a quote from the builder to order a valuation on the new build straight away.

We completed a Real Borrowing Capacity Assessment and Construction Assessment on what they were looking to spend. Through this, we conducted research on where they lived and what equity they already had in their existing home, gaining an understanding on the value they were spending on their new build. No upfront valuation was required to work out what basic equity the customer had at the time.

The customers were guided through our detailed process and given confidence that they were in a position to apply for their loan at the right time (once all documents and finalised costings for the Knock Down Rebuild were obtained). A full valuation on their intended build was not something the customer completed before depositing with the builder, contrary to what their existing Bank led them to believe.



Applicant(s) Details

Applicant 1

☐ Borrower☐ Guarantor

Title	<input type="text"/>	Surname	<input type="text"/>
Given name(s)	<input type="text"/>		
Address	<input type="text"/>		
State	<input type="text"/>	Postcode	<input type="text"/>
<input type="checkbox"/> Owner	<input type="checkbox"/> Buying	<input type="checkbox"/> Renting/Boarding	
Period at address	<input type="text"/>	Years	<input type="text"/> Months
Previous address if less than 3 years			
<input type="text"/>			
State	<input type="text"/>	Postcode	<input type="text"/>
Period at address	<input type="text"/>	Years	<input type="text"/> Months
Home phone	<input type="text"/>	Work phone	<input type="text"/>
Mobile	<input type="text"/>	Fax	<input type="text"/>
Email	<input type="text"/>		
Driver's license no.	<input type="text"/>	Date of birth	<input type="text"/> / <input type="text"/> / <input type="text"/>

Marital status	<input type="text"/>		
Number of dependant children	<input type="text"/>	Ages	<input type="text"/>
Nearest relative	<input type="text"/>		
Relative's address	<input type="text"/>		
State	<input type="text"/>	Postcode	<input type="text"/>
Relative's phone	<input type="text"/>		
Mother's maiden name	<input type="text"/>		
Postal address after settlement			
<input type="checkbox"/> As above	<input type="checkbox"/> As property to be purchased		
Occupation	<input type="text"/>		
Date started	<input type="text"/>	Salary p.a. \$	<input type="text"/>
Employer	<input type="text"/>		
Contact name	<input type="text"/>	Phone	<input type="text"/>
Previous employer	<input type="text"/>		
Occupation	<input type="text"/>	Term	<input type="text"/>

Applicant 2

☐ Borrower☐ Guarantor

Title	<input type="text"/>	Surname	<input type="text"/>
Given name(s)	<input type="text"/>		
Address	<input type="text"/>		
State	<input type="text"/>	Postcode	<input type="text"/>
<input type="checkbox"/> Owner	<input type="checkbox"/> Buying	<input type="checkbox"/> Renting/Boarding	
Period at address	<input type="text"/>	Years	<input type="text"/> Months
Previous address if less than 3 years			
<input type="text"/>			
State	<input type="text"/>	Postcode	<input type="text"/>
Period at address	<input type="text"/>	Years	<input type="text"/> Months
Home phone	<input type="text"/>	Work phone	<input type="text"/>
Mobile	<input type="text"/>	Fax	<input type="text"/>
Email	<input type="text"/>		
Driver's license no.	<input type="text"/>	Date of birth	<input type="text"/> / <input type="text"/> / <input type="text"/>

Marital status	<input type="text"/>		
Number of dependant children	<input type="text"/>	Ages	<input type="text"/>
Nearest relative	<input type="text"/>		
Relative's address	<input type="text"/>		
State	<input type="text"/>	Postcode	<input type="text"/>
Relative's phone	<input type="text"/>		
Mother's maiden name	<input type="text"/>		
Postal address after settlement			
<input type="checkbox"/> As above	<input type="checkbox"/> As property to be purchased		
Occupation	<input type="text"/>		
Date started	<input type="text"/>	Salary p.a. \$	<input type="text"/>
Employer	<input type="text"/>		
Contact name	<input type="text"/>	Phone	<input type="text"/>
Previous employer	<input type="text"/>		
Occupation	<input type="text"/>	Term	<input type="text"/>

Corporate Applicant

☐ Borrower☐ Guarantor

Company/Trust name	<input type="text"/>	ACN/ABN	<input type="text"/>		
Address	<input type="text"/>	State	<input type="text"/>	Postcode	<input type="text"/>



Assets/Liabilities

Assets

				ASSET VALUE
Home				\$
Other property 2		Rental @ \$	per week	\$
Other property 3		Rental @ \$	per week	\$
Other property 4		Rental @ \$	per week	\$
Other property 5		Rental @ \$	per week	\$
Bonds & savings				\$
Shares/Investments				\$
Superannuation				\$
Motor vehicles				\$
Business				\$
Personal effects				\$
Other assets				\$
Total Assets				\$

Liabilities

	LENDER			BEING REFINANCED	AMOUNT OWING
Home loan 1		Repayment \$	per month	\$	
Home loan 2		Repayment \$	per month	\$	
Home loan 3		Repayment \$	per month	\$	
Home loan 4		Repayment \$	per month	\$	
Other loan 1		Repayment \$	per month	\$	
Other loan 2		Repayment \$	per month	\$	
Credit card 1		Limit \$		\$	
Credit card 2		Limit \$		\$	
Other liabilities e.g. rent, HECS		Rent \$	per month	\$	
		Repayment \$	per month	\$	
		Repayment \$	per month	\$	
Total Liabilities					\$
Net Assets					\$



Standard Living Expenses



Expense Category	Description	Weekly	Fortnightly	Monthly	Quarterly	Annual	Total Monthly
1. Childcare	Day Care, After-school/Holiday Care, Nannies	\$	\$	\$	\$	\$	\$
2. Clothing & other personal expenses	Clothing, Footwear, Buy Now/Pay Later Purchases, Cosmetics, Hairdressing, etc	\$	\$	\$	\$	\$	\$
3. Education	Private/Public pre-school/School/Tertiary Fees, Books, Levies, Uniforms	\$	\$	\$	\$	\$	\$
4. Groceries	Typical Supermarket – Food & Toiletries	\$	\$	\$	\$	\$	\$
5. Insurance	Home/Contents/Landlord	\$	\$	\$	\$	\$	\$
	Vehicle (Car, Caravan, Boat, Motorcycle)	\$	\$	\$	\$	\$	\$
	Health Insurance	\$	\$	\$	\$	\$	\$
	Life Insurance	\$	\$	\$	\$	\$	\$
	Income Protection/Other	\$	\$	\$	\$	\$	\$
6. Investment property Expenses (new purchase/existing)	Rates, Body Corp/Strata & Land Tax	\$	\$	\$	\$	\$	\$
	Utilities	\$	\$	\$	\$	\$	\$
	Maintenance	\$	\$	\$	\$	\$	\$
7. Medical & Health	Doctor, Dental, Optical, Massage, Chiro, Pharmaceutical, etc	\$	\$	\$	\$	\$	\$
8. Other	Birthdays, Union Subscriptions, Gifts, etc	\$	\$	\$	\$	\$	\$
9. Owner Occupied Council Rates/Body Corp fees (new purchase/ existing)	Rates, Body Corp/Strata	\$	\$	\$	\$	\$	\$
	Utilities (Renting/Owner)	\$	\$	\$	\$	\$	\$
	Maintenance	\$	\$	\$	\$	\$	\$
10. Recreation & Entertainment	Eating out, Alcohol, Tobacco, Gambling, Social, Holidays, Sport	\$	\$	\$	\$	\$	\$
11. Telephone/Internet/ Media & Music subscriptions	Phone/Internet	\$	\$	\$	\$	\$	\$
	Pay TV/Netflix/Spotify, etc	\$	\$	\$	\$	\$	\$
12. Transportation expenses	Registration	\$	\$	\$	\$	\$	\$
	Petrol & Maintenance	\$	\$	\$	\$	\$	\$
	Tolls/Taxi/Parking/Public Transport	\$	\$	\$	\$	\$	\$
Grand Total							



CHOICE
HOME LOANS

**Talk to a
construction loan
expert today.**

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www.mychoicehomeloans.com.au

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South Coast

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South Australia

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