

# Construction Loan

Effective 1<sup>st</sup> November 2005

General Features	
General Description	A variable rate designed specifically for construction purpose, with the flexibility to convert without cost to another product at final progress payment.
Target Market	Target market includes: <ul style="list-style-type: none"> <li>- First-time home buyers with evidence of deposit &amp; strong ability to repay</li> <li>- Second home buyers</li> <li>- Investors with a strong asset position</li> <li>- Home owners undertaking extensive renovations</li> </ul> Owner-builders and developers are not eligible
Product Benefits	
<ul style="list-style-type: none"> <li>• LMI Capitalisation – maximises applicant’s borrowing with a cheaper premium</li> <li>• Only two valuations required, reduces borrower’s valuation costs</li> <li>• Simple progress payments – signed invoice from borrower, no valuation.</li> <li>• Low Interest Only repayments during construction calculated on outstanding balance</li> <li>• No construction loading - same rate as Standard Variable Rate loans</li> <li>• Set up new account at no cost upon completion</li> </ul>	
Product Features	
Acceptable Loan Purpose	<ul style="list-style-type: none"> <li>- Vacant land, with the view of building a residential dwelling within a two year period</li> <li>- Construction of a residential dwelling</li> </ul>
Unacceptable Loan Purpose	<ul style="list-style-type: none"> <li>- Construction of a 'spec', a display, a demountable or a kit home</li> <li>- Refinance of partially completed dwelling</li> <li>- Any other purpose not covered is to be assessed by ING Bank on a case by case before approval is given.</li> </ul>
Minimum Loan	- \$50,000
Maximum Loan	<ul style="list-style-type: none"> <li>- \$550,000 land</li> <li>- \$500,000 Construction</li> </ul> Loan amounts higher than \$500,000 require ING Bank Risk Management approval
Loan Term	<ul style="list-style-type: none"> <li>- Maximum loan term: 30 years</li> <li>- Maximum interest only term: 5 years</li> <li>- Maximum construction term: 1 year</li> </ul>

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Repayment Type	<p><b>During Construction:</b></p> <ul style="list-style-type: none"> <li>- Interest only on balance of funds drawn down</li> <li>- Interest capitalisation not permitted</li> </ul> <p><b>After Construction:</b></p> <ul style="list-style-type: none"> <li>- Once construction is finalised (last progress payment is made) or 1 year after settlement date – whichever occurs first – loan converts to a Standard Variable Rate Loan with monthly P &amp; I repayments</li> <li>- Switch to a different loan type at no cost if advised prior to fully drawing loan or construction period expiring</li> </ul>
Repayment Frequency	<ul style="list-style-type: none"> <li>- During construction: monthly only</li> <li>- After construction: monthly or fortnightly</li> </ul>
Repayment Method	<ul style="list-style-type: none"> <li>- Direct Debit only during construction</li> </ul>
Interest Rate	<ul style="list-style-type: none"> <li>- During Construction: Construction loan variable interest rate</li> <li>- After Construction: Interest rate for the loan type selected</li> </ul>
Redraw	<ul style="list-style-type: none"> <li>- During Construction: Not available</li> <li>- After Construction: As per the loan product applicable</li> </ul>
<b>Credit Policy (Refer to the Retail Credit Policy Manual for full details)</b>	
LVR	<ul style="list-style-type: none"> <li>- Maximum 80% without Mortgage Insurance</li> <li>- Mortgage Insurance criteria to apply above postcode LVR; generally up to 90% LVR (Owner occupied and investment)</li> <li>- Maximum drawdown at settlement 90% of land purchase price, even if mortgage insured</li> <li>- If land is collateral security only 50% LVR allowed for this security type.</li> </ul>
Security	<ul style="list-style-type: none"> <li>- Registered first mortgage, over residential property in Australia only</li> <li>- Second mortgages are accepted only as collateral security</li> <li>- Title may be either freehold or Crown Lease ACT</li> </ul>
Valuations	<p>All loans require:</p> <ul style="list-style-type: none"> <li>- Initial valuation (on the basis of "as is" and "on completion")</li> <li>- Final valuation (prior to final draw-down)</li> </ul>

## Other Product Features

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Progress Payments	<ul style="list-style-type: none"> <li>- Maximum of five is permitted</li> <li>- Valuation is required before the first and last payments</li> <li>- Progress payments made upon approval by the Bank</li> <li>- Drawdowns are on a 'cost to complete' basis such that the Bank always maintains sufficient credit funds to complete the project in the event of builder failure. Funds will not be advanced to builders for work not completed unless there is sufficient equity in the land to warrant the pre-advance.</li> <li>- Borrower to put in their financial contribution before any progress payments are made</li> <li>- No minimum withdrawal amount</li> <li>- Direct credit to builder's pre-nominated account</li> </ul>
Builders & Builder's Contract	<ul style="list-style-type: none"> <li>- Builder must be licensed</li> <li>- Building contract must be a signed fixed price and time building contract inclusive of GST</li> <li>- Building contract must be a HIA with Approved Home Owner's Warranty or state equivalent</li> </ul>
Repayment Order	<ul style="list-style-type: none"> <li>- All interest, fees, and charges are capitalised to the loan balance</li> </ul>
Interest Calculations	<ul style="list-style-type: none"> <li>- Interest is charged monthly and equals the daily interest rate multiplied by unpaid balance at 5pm Sydney time each day of the month</li> <li>- Daily interest rate is the interest rate (annual percentage rate) divided by 365 at 5pm Sydney time each day</li> <li>- Interest is charged only on the principal advanced</li> </ul>
Interest Rate Setting	Variable rates are based on the official cash rate and may change from time to time
Default Interest	<ul style="list-style-type: none"> <li>- Default interest may apply if the borrower does not pay an amount required to pay us under the loan agreement</li> <li>Refer to Terms and Conditions booklet for more details</li> </ul>
Portable	<ul style="list-style-type: none"> <li>- Substitution of security subject to credit assessment</li> <li>- Can switch all or part of the limit at no cost to another product at completion of construction subject to product guidelines</li> </ul>
Statements	<ul style="list-style-type: none"> <li>- During Construction: Monthly</li> <li>- After Construction: As per loan product selected</li> </ul>
Discharge	<p>On termination of the loan, the entire balance outstanding must be repaid. Discharge amount includes:</p> <ul style="list-style-type: none"> <li>- Current balance</li> <li>- Unpaid interest estimated to payout date</li> <li>- Unpaid fees and fines</li> <li>- Deferred Establishment Fee (if applicable)</li> <li>- Discharge fee</li> </ul>



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