



Is it your time to build?

Your guide to building your dream home.



So, you're thinking of building a new home. This is a great place to start.

Hi budding home builders,

While you may know me from popular TV shows including *The Great Outdoors*, I'm also a qualified and experienced carpenter. Which is why I'm teaming up with RAMS to help anyone planning to build or undertake major renovations.

While choosing to build your new home may seem like a big step, it can also be a really exciting time - and this guide is a great way to start making your dream come true.

It's packed with easy to understand information about making the decision to build, what's involved, how to go about choosing your builder plus some practical trade secrets from me.

You'll also find useful details about the different home loan options to build your new home.

And remember, if you need any more help, your dedicated RAMS Home Loan Specialist will always be ready to offer friendly guidance and advice.

Cheers and good luck!

Tom Williams



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Making your dream a reality.

Whether it's creating your dream home or developing a property for investment, building from the ground up is a unique opportunity to create the perfect space filled with all the latest appliances, fixtures and features.

You may already have some plans in mind, and probably some really big questions too.

This guide will help take you through the construction process, from getting a home loan for your construction, choosing a builder, managing the building budget and the actual build right through to completion, to ensure you're well prepared for the journey ahead.

At RAMS, you'll also have your own dedicated home loan specialist by your side, to help get you through your new front door as quickly and smoothly as possible.



Raymond's tip.

Look out for callouts like this one for more info or helpful hints – I guess you could say I'm an expert in the field!

Should you build, buy or renovate?

There are a number of important things to consider before deciding to build your home.

Budget

Before making the decision to build, you should understand your financial position and long term goals. Building can be a lengthy process, so you need to be well prepared and think about where you are spending your income and how much you can comfortably afford to continue to pay towards your home loan during and after construction. Speak with a home loan specialist early so they can help you understand what you can afford.

Location

The most affordable vacant land tends to be in outer suburbs or regional centres. If you're planning to knock down and rebuild an existing property, it will probably be in a more established location. When choosing a block consider:

- Whether the area suits your lifestyle or investment ambitions
- The local amenities and transport options
- Its aspect, access, privacy and overshadowing from neighbouring properties

Design

Building any new home or undertaking major renovations means you'll need to think about a design that suits your particular needs, now and into the future, as well as choosing the materials, fittings and finishes you want. You may decide to work with an architect or build a project home that is already designed and specified by a builder, and ready to be built 'off the shelf'.

You'll also need to consider work that may not be included in the home building contract. These items can include driveways, landscaping, pools and window furnishings.

Time

Building a new home doesn't happen overnight. Although most homes are completed within 12 months after the building starts, this can vary. You'll need to consider:

- The design process
- Council approvals
- The availability of builders
- Unexpected delays

Financial incentives

Depending on your State or Territory and circumstances, you may also be eligible for stamp duty concessions or other incentives such as government grants for building a new home. You can find out more about these schemes here

<http://www.firsthome.gov.au/>.



Raymond's tip.

Stamp duty on vacant land is only levied on the land value (not the total value of the finished property), usually shearing the cost when compared to an established property.

Financing for your new build.

Once you've made the decision to build, unless you are knocking down to rebuild, you'll start searching for the ideal land to create the perfect home for your plans, whether it's a great place for your family to live, or the ideal construction for your investment ambitions.

Your **RAMS Home Loan Specialist** will be by your side on this exciting journey and help ensure your finance options best match your construction needs and plans.

They can also offer valuable advice on how you should progress with your options as well as simple tips to help keep everything on track to ensure your dream comes true. They may also be able to help you with other key contacts and information, such as local council regulations, to support your build.

What is a home loan tailored for construction?

Unlike a home loan to buy an established property, a home loan for construction doesn't provide a single lump sum payment.

A home loan for construction provides smaller progress payments to your builders when specific stages of the construction work are completed. This can help ease the financial load during construction as you'll only pay interest on the amount drawn as you progress through the building stages. With RAMS, you also have 24 months to complete your build, which should be plenty of time.

Then when it's time to move in, your loan will function like a traditional home loan. Your RAMS Home Loan Specialist will help you to understand your options and setup the loan to best suit your needs after the construction has been completed.

What if your contract or prices change after your loan is approved?

Prices can and do change when you are building. Sometimes these changes are at your own request (such as upgrading bricks or electrical items), or they can be driven by things outside your control. This is called a variation and it can have a significant impact on both your loan and your build timeframes. Once your loan is approved you will need to advise RAMS at any time if a change is made to any of your contracts.

Variations require credit approval and we may need to re-value the property. This can result in additional fees, your loan limit being reduced or you needing to send us additional documentation. Speak to your home loan specialist before committing to any changes.



Raymond's tip.

Decide on your building fittings and finishes selections up-front to save ewe time and delays later.

What happens before, during and after building your home.

Your search for vacant land or the ideal property to knock down and rebuild can begin once your RAMS Home Loan Specialist has assessed your borrowing capacity and is in a position to issue pre-approval for your loan.

Once you've found your perfect lot to achieve your dream, or finalised the preparations to do major renovations to your existing home, the excitement builds!

Home loan approval

Your RAMS Home Loan Specialist will work with you to check your borrowing capacity. You will also need to submit your completed home loan application with supporting documents and we'll then organise a valuation before approving your loan.

Loan settlement

Your solicitor or conveyancer will contact the RAMS solicitor to finalise settlement on your property. You'll also need to pay any upfront costs not covered by your loan.

Authority to Commence (ATC)

After settlement, RAMS will issue you with an Authority to Commence (ATC) construction along with your Progress Payment Request Forms. To receive this you'll need to provide RAMS with specific documentation (see page 8 for details).

Begin construction

Your builder can start work as soon as you provide them with the Authority to Commence (ATC) construction that you'll receive from RAMS. Construction is usually divided into 6 stages (see page 7) with progress payments drawn from your loan as each stage is completed. You can build on a timeline that works for you and your builder, as long as your home is completed within 24 months.

Progress payments

You simply send RAMS a signed Progress Payment Request Form and invoice from your builder as each stage is completed and we'll provide the builder with the progress payment for that stage. RAMS is well regarded for making prompt payments, which will help keep your builder happy and ensure your build stays on schedule.

Completion of work

As soon as the builder has finished your home, RAMS will organise a final inspection to confirm the work is completed as detailed in the building contract and in line with building standards. If everything is in order, we'll send you a letter to confirm your construction draw down is complete. You will also need to organise Building Insurance on your property as the last step before we make the final payment to your builder. At this stage your loan will normally revert to a traditional variable or fixed rate home loan and your RAMS Home Loan Specialist will assist you during this transition.



Raymond's tip.

Ewe can create a spreadsheet during construction to help track progress and monitor your budget.



Let's get to work.

Work can begin on your property the moment you receive approval from your RAMS Home Loan Specialist and the Authority to Commence (ATC) construction is issued.

Building usually happens across 6 stages of construction:

- 1 Deposit**
An initial deposit to the builder of around 5% is usually required at the time you sign your building contract. This usually happens prior to the ATC being issued. Once the deposit is paid, you can start preparing your land to build.
- 2 Slab**
Once the ATC has been issued building starts with the design of the property being measured out on the site and the foundation being laid, including elements such as plumbing and electrical pipes. This usually requires a progress payment of up to 15%.
- 3 Frame**
You'll begin to see your new home come to life as the internal frame and external support structure is built. This includes the frame, roof frame and trusses.
- 4 External lining**
At this stage the brickwork, weatherboard, cladding and external walls of your home are completed. The windows are also installed as well as the eaves and gutters.
- 5 Lock up**
Time to move indoors and install plasterboard, insulation, bathrooms, electrics, lights and internal doors. Please note – the progress payment amounts for stages 3, 4 and 5 are flexible depending upon your builder, but each one cannot exceed 35% of the total build amount.

- 6 Practical completion**
It's been a long journey but the finish line is close. Paintwork is applied and dried, and the finishing touches completed. At this stage your builder will require a 10% progress payment.

Choosing your builder.

- Do your research, ask family and friends for recommendations, always ask for references from your tradesmen and check for any outstanding claims through Fair Trading or Consumer Affairs.
- Get several written quotes, be clear on what each includes then compare and negotiate.
- Check that the builder's licence is current. You can do this online.
- Ensure the contract contains provisions for unexpected costs.
- Make sure you receive a signed and dated formal building contract.
- Consider the finished property. Does your building contract include driveways, landscaping and window furnishings? If not, arrange for additional quotes from other licenced contractors.



Raymond's tip.

Before moving in, do a thorough check of your home to ensure everything is finished properly and meets required building standards and if required, plan to rectify any defects.

What documents will you need to build?

You will be required to provide specific documentation before you secure a home loan and start building your home.

What you'll need for a home loan tailored for construction:

- 1 Fixed Pricing Building Contract**
with a licensed builder with an acceptable progress payment schedule, and specifications or inclusions (this is preferred, however some builders may only issue a preliminary tender or quote prior to your home loan approval).
- 2 Draft Plans**
if they are available.
- 3 Quotes for any work not included in the main contract**
but may be required for valuation, such as landscaping.
- 4 Receipts**
for any deposits paid to the builder.



Raymond's tip.

Your builder will be familiar with these documents, so ask them to send the ones they are responsible for directly to your RAMS Home Loan Specialist on your behalf.

What you'll need for your Authority to Commence (ATC) construction:

Your ATC will be provided by RAMS. It gives your builder the green light to start work and is issued when you provide the following documents:

Your document checklist

- Your signed and dated Fixed Price Building Contract
- A copy of your signed and dated Specifications
- Council approved and stamped Plans
- A copy of your Home Owners Warranty Insurance (this has a different name in some States and Territories)
- A copy of your builder's Public Liability Insurance
- A copy of your builder's licence
- Your builder's bank account details
- Copies of any external quotes for any other work not included in the main contract
- Invoices for any approved variations that you may have made to the contract/s since your loan was approved

Explaining the lingo

Fixed Price Contract

This is a legal document between the builder and the owner of the land. It sets out the role, rights and responsibilities of the customer and the builder, the agreed cost of construction and includes the plans and specifications to build your home. The contract will also include the progress payment schedule. This is based upon the schedule that these payments will be made, or any changes to the schedule.

Variations

If you make an alteration to what was previously agreed to in the building contract, this is known as a variation. Any variations will usually result in a contract price change due to the variation. Generally, a variation will also result in a price increase, although there can be alterations where there is a decrease in price. Variations will be subject to credit approval and may reduce your home loan limit.

Building Specifications

also called Inclusions

This is a list of inclusions in your home including the type and grade of timber to use in the frame, the type of bricks, kitchen cupboards and carpet etc. It should also list the brand and model of all appliances to be installed.

Plans

Building plans are usually prepared by a draftsman or an architect and provides an overview of the layout and size of your new home. They can show the design of the slab, the side, front and rear elevations and details on the cupboards, doors, power point and light switch positions. The plans will need to be approved by the council before RAMS will issue an Authority to Commence (ATC) construction.

Home Owner Warranty Insurance

also known as Queensland Building and Construction Commission Home Warranty Insurance in Queensland

This covers the home owner for a certain period (usually 6 -7 years, depending on the state) against structural defects in the home. It's normally organised by the builder on behalf of the owner and paid by the owner. It also protects against non-completion of your home due to the death, disappearance or insolvency of the builder or their failure to correct faults, deemed by law to be the builder's responsibility, including poor workmanship, faulty design, and use of inadequate or unsuitable materials.

Builder's Public Liability Insurance

Protects the customer and builder during construction from damage or loss caused by theft, burglary, malicious damage and also covers against any injury on the site. It is paid by the builder and maybe known as contract works or Public Liability Insurance.

Certificate of Occupancy

This is not required in every State or Territory, and if required, it is only necessary if the valuer requests it. If this is the case, then it is the customer's responsibility to obtain it, although the builder is often best placed to organise this certificate. While it will not be awarded until after the final inspection, there are various steps and inspections already required throughout the construction process. Once all inspections are completed and the council has received all necessary documents, including smoke detector certification, termite protection certification and Fire Safety Schedule, you'll be able to receive a Certificate of Occupancy. This allows the building to be used for what it was designed for and to be sold to another party.



Raymond's tip.

Don't let anyone pull the wool over your eyes – take time to know what everything means.

Tom's Trade Secrets

Taking the decision to build is a big step, with many factors worth considering. From my experience in the building trade, here are a few important questions to ask before taking the plunge, and some of my top tips.

How involved in the construction do you want to be?

Becoming a hands-on project manager during your build means you'll gain a better understanding of how the different trades work together as well as be there to continually monitor the builder's attention to detail. If changes are required, you'll be better informed as to why, allowing you to make quicker decisions on-site. Ultimately, you'll also enjoy greater satisfaction in the final product.

However, project managing a home build is a big undertaking and you'll need to consider whether you can afford the time away from work and other commitments. If you can, great. Do some research, and even if you're inexperienced, you will learn quickly on the job.

Start researching products

It'd be great to have all the 'bells and whistles', but while we all love the latest and greatest, we can't always afford it. Starting your research early will help you realise how much things like tapware, flooring, paint, cabinetry, tiles, baths, sinks, showers, lights, heating and air conditioning really cost. Remember, even if you choose to build a master builder's project home, changing the standard fixtures and fittings will also impact the final cost.

Visit showrooms and check online so you can begin making decisions on fittings for the interior. Then get out the calculator, crunch the numbers and enter them into your spreadsheet. You'll quickly become an expert in square metre rates!

Begin to style your home before you start

It's a good idea to start choosing the interior colours, floor coverings, lighting design, window openings and other design elements before you get underway. After you decide how you want to style your home, it's time to get crafty at finding bargains. For every expensive looking home, someone has achieved a similar look but on a limited budget. Research online and in magazines, tear pages out, collect them into a folder. Make the wish list and work to squeeze it all into your budget. But be realistic and have alternatives up your sleeve and don't forget to consider lead times for delivery. Make sure you order on time, so your chosen products can be installed when required.

This is another area where it's important for you to communicate closely with your builder so you both understand timings and your 'end game' on how you want the finished home to look.

Should you renovate or knock down and rebuild?

This is an age old question if you purchase an existing home that needs a lot of work. Before deciding whether to renovate or start again, take into consideration:

- Are the existing foundations in good order?
- What's the access like around the house to bring in builders?
- What are your time restrictions? Generally renovations can be quicker than new builds.
- Budget restraints? Renovations are often harder to price due to unknown factors that may not initially present themselves.
- Your end game? Renovating can be a simple way to add value to an existing home.

Choosing your builder

Before finally deciding on a builder, visit some of their completed projects or ask for references. If you can, also talk to the clients he/she has worked for and ask if they were happy with the job and work process. Meet the builder's leading hand or foreman. This person will be on site every day and be responsible for the day to day operation. Also check if the builder has won any awards from their member association. When you meet with a potential builder make sure they present themselves in a professional, well-organised manner. This can be indicative of how they'll operate on site.

Contracts

Always have any contracts looked over by a legal professional. Don't sign anything until you've read and fully understood the terms and conditions and your legal representative has explained what to look out for and any conditions which could see you at fault. You builder will probably initiate the contract through their own association e.g. MBA, HIA. If any amendments are to be made then additional pages can be signed and stapled to the contract, making it official and protecting you should a dispute occur.

Need a hand?

We're ready to help you on this exciting journey.

At RAMS you'll have your own dedicated home loan specialist by your side to help you along the path to building your dream home, all the way from the first conversation to completion.



Contact RAMS today to start your home building journey



Visit **RAMS.com.au**



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