

Information for Brokers

Residential Construction Loans

September 2024

ORDE Financial

Product Overview

The ORDE Residential Construction product provides funding for house and land packages, new builds, and significant renovations.

Here's what you need to know.

Key Product Features

- Loans up to \$2,500,000
- Available for Cat 1 and Cat 2 locations up to 80% LVR
- Available to Prime & Near Prime profiles
- Full and Alt Doc income verification
- Available for both owner occupied and investment dwellings
- Available for single dwelling and duplex constructions (to be separately titled upon completion)
- Up to 5 years' interest only
- Maximum 30-year loan term
- Interest rate automatically reverts to standard Residential interest rate (Full or Alt Doc) following construction completion
- Redraw permitted after completion of construction

See the **ORDE Product Guide** for more details.

Unacceptable Securities

- Properties to be constructed by an owner-builder
- Properties not connected to water and electricity
- Vacant land exceeding 5 acres
- Vacant land banking where the borrower is aggregating parcels of land for future sale or development

Lending Parameters

- Construction must be undertaken by a licensed / registered builder. Appropriately qualified and licensed builders completing a builder-owner construction may be considered.
- Construction must commence within 3 months of the settlement date. If this cannot be achieved, a Vacant Land loan may be appropriate in the interim.
- Construction to be completed within 12 months.
- Full valuation is required from an approved valuer on an 'as is' and 'on completion' basis prior to formal approval and progress drawdowns.
- For build contracts greater than \$1,500,000, an ORDE-approved quantity surveyor is to be appointed to provide an initial report and monitor build progress.
- Funds will be released as progressive drawdowns at each stage of the build, as per fixed price building contract, and only following satisfactory valuer or quantity surveyor inspections.
- Drawdown schedule accepted by ORDE will be based on state and industry standards and on guidance from ORDE's valuers or quantity surveyors. An acknowledgement from the builder is required prior to settlement.
- Certificate of occupancy required prior to final drawdown.

Documents Needed

General	<u>Income documents as per standard Residential</u> – full doc or alt doc
Initial Assessment	<ul style="list-style-type: none"> • Fixed price build contract, OR • Formal build tender including proposed drawdown schedule • Final plans • Final list of specifications • Quotes and details of any works being completed outside of build contract e.g. pool, driveway, landscaping etc. • Copy of planning permit / development approval (as required)
Prior to Settlement / Construction Commencement	<ul style="list-style-type: none"> • Signed fixed price build contract • Building permit or state equivalent • Stamped and signed drawings/plans by surveyor • Builder's domestic certificate of insurance, including general works and public liability • Builder's warranty insurance (HIA/QBCC) • Builder's acknowledgement that drawdowns will be paid in line with ORDE's valuer/quantity surveyor instruction • Builder's invoice claim
For Progress Drawdowns	<ul style="list-style-type: none"> • Progress Payment form completed and signed by one borrower (provided by ORDE) • Builder's invoice claim • Valuer or quantity surveyor progress inspection reports (progress valuations are ordered directly by ORDE and covered by the fee budget included in the original loan amount)
Upon Completion / Before Interest Rate Reverts to Residential Rate	<ul style="list-style-type: none"> • Progress Payment form completed and signed by one borrower (provided by ORDE) • Builder's invoice claim • Certificate of occupancy (or state equivalent) • Certificate of currency noting "ORDE Mortgage Custodian Pty Ltd" • Valuer or quantity surveyor final inspection reports (progress valuations are ordered directly by ORDE and covered by the fee budget included in the original loan amount)

Process for initiating progress drawdowns

1. Send an email to constructions@orde.com.au
2. Prepare the documents as outlined in the table above
3. The claim is reviewed and processed by the ORDE Settlement team

Our top tips for construction loans

- Be mindful of timelines – there’s no need for customers to rush decisions about their new home just to meet settlement dates. Discuss with your BDM how ORDE’s Vacant Land product could help provide valuable time for planning.
- Engage with your BDM and Relationship Manager early in the application process – they’re there to help support you with queries, deal structuring and ensuring a well-packaged deal for easier credit assessment.
- Engage regularly with your customer and ORDE throughout the construction process – make sure that all parties are across any variations and delays.
- Ensure that customers understand that progress valuations assess only the progress of the construction – they do not assess quality. For additional assurance, customers may also wish to consider independent building inspections at various stages throughout construction or just prior to completion.

FAQs

What is a standard drawdown schedule?

These vary from state to state, with Victoria being the only state with an official standard progress draw schedule. As such, ORDE’s drawdown schedule will be based on state and industry standards and on guidance from ORDE’s valuers or quantity surveyors.

An example of a standard schedule is as follows:

Stage	Funds released
1. Deposit	5%
2. Base	10%
3. Frame	15%
4. Lock-up	35%
5. Fixing	25%
6. Completion	10%

Why is the builder acknowledgement required?

A builder’s acknowledgement is required on all construction loans even if the stages in the build contract match the standard and the valuer has advised they are satisfactory. The acknowledgement ensures the builder is aware of valuer inspections and that claims require completed works that are fully fixed to site.

What is the definition of builder-owner (as opposed to owner-builder) and would ORDE accept this?

A builder-owner is a professional builder, operating as a qualified and licensed individual or company, who is building their own property under a fixed price building contract. These borrowers can be considered for ORDE’s Residential Construction loans.

Will ORDE accept rental income on the completed property for servicing?

Yes, however we cannot include that rental income to demonstrate servicing of the IO repayments during construction phase.

What is the app fee charged on?

The approved loan amount.

What is commission paid on?

ORDE will pay both upfront and trail commission. Upfront commission is based on the approved loan amount and trail is based on the outstanding balance. Like all ORDE products, we offer no clawback on our Residential Construction product.

Will ORDE accept a residential construction for only the construction term, i.e. 1 year?

No, ORDE requires that the borrower repay principal over the life of the loan, and therefore does not offer a short-term loan solution at this stage.

Will ORDE allow capitalised interest on the residential construction?

No.

What is the process for converting vacant land to construction?

The app fee is paid only on the increase in loan amount. The total app fee charged (including what's already been paid for the Vacant Land loan) will not exceed 1.25% of the total Residential Construction loan.

Are digital signatures accepted on the ORDE Progress Payment form?

Yes.

When does the interest rate revert to the Residential interest rate?

The customer's interest rate will automatically revert to the Residential rate once construction is complete, and ORDE has received all the relevant documents outlined in the Documents table above.

If you have any other questions not covered, or need additional help, please contact your ORDE BDM.

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ORDE Financial Pty Ltd
Level 14, 31 Queen Street
Melbourne VIC 3000