

Construction Loading Explainer

Mortgage Manager
use only

Definition

Construction loading on a home loan is an additional interest rate applied during the construction phase of a residential property. It reflects the higher risk associated with lending while the property is under construction where the LVR exceeds 80%.

Application

- **+0.40% p.a.** From 1 September 2025, a construction loading of +0.40% p.a. came into effect for newly approved applications. The Construction loading rate is added to the customer's base interest rate, where the **Loan-to-Value Ratio (LVR) exceeds 80%**.
- **Variable or Fixed** The loading is applied on top of the customer's approved base interest rate (variable or fixed).
- **CRF Applicable** Construction Risk Fee (CRF) remains applicable in line with normal LVR-based fee settings.
- **No Monthly Charge** From 1 September 2025, the Monthly Construction Risk Fee (MCRF), was no longer charged on a monthly basis (from month 13) when construction extended beyond the standard 12-month period.

Construction Term

- The default construction term is 12 months (customers may request an extension of up to 24 months, provided this is explicitly stated in the build contract and approved).
- During construction, customers will make Interest Only (IO) repayments.

Applying or Removing a Loading: What You Need to Know

Variable Rate Loans:

- Once construction has been complete (final drawdown completed and occupancy certificate received), the loan will revert to the prevailing variable rate at that time with Principal & Interest (P&I) repayments as the default setting.
- Customers may choose to continue IO repayments post-construction. In this case the interest only loading will apply
- Customers may also elect to move to a fixed rate term post-construction, in which case the applicable fixed rate at that time will apply (without construction loading).

Example 1



- Approved Variable Rate: 6.00% p.a.
- Construction Loading: +0.40% p.a.
- Construction Term: 12 months (finished on time)
- During construction: 6.40% p.a. IO repayments
- After construction: Loan reverts to 6.00% p.a. with P&I repayments from Month 13

Please note: A Construction Risk Fee (CRF) will also apply.

Example 2



- Approved Variable Rate: 6.00% p.a.
- Construction Loading: +0.40% p.a.
- Construction Term: 12 months (finished in 18 months, 6 months delayed)
- During construction:
 - o Months 1–12: 6.40% p.a. IO repayments
 - o Months 13–18: 6.40% p.a. IO repayments (no extra penalty despite delay)
- After construction: Loan reverts to 6.00% p.a. with P&I repayments from Month 19

Please note: A Construction Risk Fee (CRF) will also apply.

Fixed Rate Loans:

- Construction Loading will remain in place for the full fixed rate term. The loading will not be removed during the fixed period, even if construction is completed earlier.
- Once construction is complete:
 - The default repayment setting will switch to P&I for the remainder of the fixed term, with the construction loading continuing to apply.
 - You client may instead choose to extend IO repayments for the remainder of the fixed term. In this case, the effective fixed rate (including loading) will remain the same.
- At the end of the fixed term:
 - The loan will revert to the prevailing variable rate with P&I repayments by default.
 - Customers may choose to move to a new fixed term of up to 5 years, with either IO or P&I repayments available. The applicable fixed or variable rates at that time will apply.

Example



- Approved fixed rate: 6.00% p.a. for 5 years.
- Construction Loading: +0.40% p.a.
- During construction and fixed term: IO repayments at 6.40% p.a.
- Construction completed in 12 months → repayments automatically switch to P&I for the remainder of the fixed term (same repayment amount, more principal repaid).
- At the end of the fixed term → Construction Loading removed, and loan reverts to the applicable variable P&I rate.

Please note: A Construction Risk Fee (CRF) will also apply.