

# Construction Loans - Definitions



## What does all this mean?

### Fixed Price Contract

A building contract is a legal document between the builder and the owner of the land. The fixed price contract sets out the role, rights and responsibilities of the customer and the builder and the agreed cost of construction. The building contract will refer to the plans and specifications which are needed to form a full interpretation of what you are getting and what it will look like.

### Building Specifications (Also called inclusions)

These are a list of inclusions in the home. For example it will tell you the type and grade timber you will get in the frame, what type of bricks, kitchen cupboards, type of carpet etc. It should list the brand and model of appliances- from this you can work out what the standard and quality will be.

### Plans

The building plans are usually prepared by a draftsman or architect and provide an overview of the layout and size of the new home or extension. It usually shows the design of the slab, the elevations of the house from the sides, front and rear. It shows dimensions, cupboards doors, power point and light switch positions. RAMS require the plans to be council approved before an authority to commence may be issued.

### Home Owner Warranty Insurance (also known as QBCC Home Warranty Insurance in Queensland)

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

The building contract should give you an automatic 90 day maintenance period which allows you to find out all the little things like leaking taps, cupboard doors not shutting etc. After this 90 day period it has to be a major structural issue for the builder to be involved

BSA insurance (QLD) is the same thing essentially and is effective for six years and six months.

### Builder's Public Liability Insurance

Protects the customer and builder during the construction phase from damage or loss caused by theft, burglary, malicious damage,. It also covers against any injury on the site. It is purely for the construction period and is paid by the builder. This can also be known as contract works and public liability insurance.

### Certificate of Occupancy

The builder is best to organise this but it is the customer's responsibility. The final certificate will not be obtained until the final inspection however there are various steps and inspections required throughout the whole construction phase. Once all inspections are completed including the final inspection, and the council has received all necessary documents for example;- smoke detector certification; termite protection certification; Fire Safety Schedule the customer will be eligible to receive an Occupancy Certificate. The Occupancy Certificate allows the development to be used for the manner it was designed for. It also enables the building to be sold to another party.