

## Interest Only Loading on Construction Explainer

Broker use only

### Key Changes Effective 9 March 2026

- Construction Loading of +0.40% has been removed across all products and channels.
- Interest Only (IO) loading of +0.40% now applies to all construction loan applications.
  - Applies across all products and channels.
  - No LVR restrictions apply to this loading.
  - The loading is applied on top of the standard construction interest rate.
  - Applies to both Variable and Fixed rates.
- Construction Risk Fee (CRF) applies in accordance with standard LVR-based criteria.
- During the construction phase, customers make Interest Only (IO) repayments.

### Applying or Removing a Loading: What You Need to Know

#### Variable Rate Construction Loans:

- All new construction applications will have a 0.40% IO loading applied for the duration of construction.
- 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).
- If an extension is granted, the +0.40% IO loading continues for the extended period.
- Once construction is deemed complete (final drawdown completed and occupancy certificate received), the IO loading will come off, and 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, however in this case the +0.40% Interest Only loading will continue to 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 Interest Only loading).

## Example



- Approved Variable Rate: 6.00% p.a.
- **Interest Only** Loading: +0.40% p.a.
- Construction Variable rate: 6.40% p.a. IO repayments
- Construction Term: 12 months
- After/During construction:

## Scenario 1

### Construction Completed on Time (12 Months)

- IO loading comes off
- Interest rate reverts to P&I rate applicable at that time - 6.00%

## Scenario 2

### Construction Extension Requested (Additional 6 Months)

- IO loading continues during the extended construction period.
- Interest Rate (Months 13-18): 6.40% p.a.
- Once construction is completed (Month 19), IO loading is removed and loan converts to the P&I rate.
- Resulting Interest Rate: 6.00% p.a.

## Scenario 3

### Customer Opts in to Continue Variable IO Post-Construction

- IO loading continues from Month 13.
- Ongoing Interest Rate: 6.40% p.a.

## Scenario 4

### Customer Requests Fixed IO for 3 Years Post-Construction

- IO loading continues for the entire fixed IO period.
- Interest Rate (3-year Fixed IO Term): Fixed rate + 0.40% loading
- After the 3-year period, the loan reverts to the prevailing P&I rate at that time (no IO loading).

## Scenario 5

### Customer Chooses Fixed P&I for 3 Years Post-Construction

- IO loading is removed from Month 13.
- Loan switches to the applicable fixed P&I rate at that time (no loading)

## Fixed Rate Construction Loans:

- The Interest Only (IO) 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 IO loading continuing to apply.
  - Customers 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.
- **Interest Only** Loading: +0.40% p.a.
- Construction Variable rate: 6.40% p.a. IO repayments
- Fixed period - 5 years
- After/During construction:

### Construction Completed on Time (12 Months)

- IO loading does not come off once construction is completed.
- The loan continues the fixed construction rate of 6.40% p.a. for the remainder of the fixed term.
- At the end of the 5-year fixed term, the loan will revert to the prevailing P&I variable rate applicable at that time.

### Scenario 1

### Construction Extension Requested (Additional 6 Months)

- IO loading continues during the extended construction period.
- Interest Rate (Months 13-18): 6.40% p.a.
- Once construction is completed (Month 19), the IO loading still does not come off because the loan remains within its fixed term.
- At the end of the 5-year fixed term, the loan reverts to the prevailing P&I variable rate applicable at that time.

### Scenario 2

### Scenario 3

#### **Customer Continues IO Repayments Post-Construction (Within Fixed Term)**

- IO loading continues from Month 13 until the end of the fixed term.
- Interest Rate for Remainder of Fixed Term: 6.40% p.a.

### Scenario 5

#### **Customer Requests for P&I Repayments for remainder of the fixed term**

- IO loading continues for the entire fixed IO period.
- Interest Rate (5-year Fixed Term): 6.40%
- After the 5-year period, the loan reverts to the prevailing P&I rate at that time (no IO loading).