What Is A House And Land Package? The Important Questions Get Answered.

House and land packages are becoming very popular as you have a range of options available to you. You can buy a block of land and then find an architect and / or builder to build your dream unique home or find a builder who will bundle this all together

That's why we've put together this comprehensive guide to help you through this important journey.

DOWNLOAD OUR FREE ULTIMATE GUIDE

Here's what our guide covers:

1. Introduction
2. How Much Can I Borrow?
3. So How Much Deposit Will I Need?
4. HomeBuilder Grant
5. First Home Owners Grant
6. First Home Owner Deposit Scheme
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1. Introduction

House and land packages are becoming very popular as you have a range of options available to you. You can buy a block of land and then find an architect and / or builder to build your dream unique home or find a builder who will bundle this all together.

This means you can choose one of many standard home designs at the same time you purchase the land. This is because the property developer itself has already acquired the land and laid down the infrastructure such as roads, utilities, water and sewage, allowing them to offer it as either a new build and sell as a house and land package (turnkey property) or offer customisable home designs.

A turnkey property is the first of two types of house and land package options.

Turnkey package:

Once the building is complete, you can turn the key in the front door and start living straight away, with no further work required.

Standard house and land package:

You secure the land yourself and build later. After you've paid for the land, there might be additional payments during construction.

Here we'll take you through everything you need to know about the house and land process from how much you can borrow, to HomeBuilder Grants, to the pros and cons of different options available to you.

2. How Much Can I Borrow?

Depending on your house and land choice you could borrow the following:

1. Up to 90%-95% of the completed value of the property if buying a turnkey property
2. Up to 95% of the value of the block of land if your buying land first and building later
3. 100% if you're buying with a guarantor

3. So how much deposit will I need?

You may be able to borrow up to 95 per cent of the property value. The value is obtained by adding together the purchase price of the land plus the cost of construction, or the valuation completed by the lender, whichever is lower.

However generally you will need to have a 5-10% deposit to qualify for a house and land package loan.

If you need to borrow more than 80 per cent of the property value you'll need to pay lenders mortgage insurance (LMI), which can be a substantial sum and can sometimes be added to the loan.

This could mean that LMI could be upwards of 3+ percent of the loan amount for borrowers with a 95 per cent loan to value ratio (LVR).

First Home Owner Grant, HomeBuilder Grant and the federal government's First Home Buyer Deposit Scheme may also assist with your deposit.

4. HomeBuilder Grant

The $25,000 HomeBuilder Grant is available for home buyers and home owners who sign a contract before 31 December 2020.

To qualify for the HomeBuilder grant:

- You must spend at least $150,000 (and up to $750,000) on home renovations
- The value of the property you're renovating must not exceed $1.5 million pre-renovation.
- For new builds, the value of the property must not exceed $750,000.
- New builds can include an apartment or townhouse off the plan.
- You must be 18 years or older.
- Only Australian citizens can apply. (Companies and trusts are not allowed).
- The construction must start within three months of the building contract date.
- You have to enter the HomeBuilder scheme between 4 June 2020 to 31 December 2020.

For more details around this criteria view the HomeBuilder Frequently Asked Questions issued by the Australian Government.

5. First Home Owners Grant

First Home Owner Grants will help you fund a turnkey project, but unfortunately it won't help for the purchase of vacant land. But you can get it for when you make your first payment to the builder when construction starts.

The First Home Owner Grant scheme was introduced on 1 July 2000 to offset the effect of the GST on home ownership. It is a national scheme funded by the states and territories and administered under their own legislation.

The scheme is a one-off grant payable to the first home owners that satisfy all the eligibility criteria.

Queenslanders can get $15,000 towards buying or building a new house, unit or townhouse, valued less than $750,000. The grant is paid per new home, not to each of the applicants for the same home.

Take the Queensland Government eligibility test to assess your situation.

6. First Home Owner Deposit Scheme

Alternatively, you may also qualify for the federal government's first home buyer deposit scheme which began from 1 January 2020.

The first home loan deposit scheme was launched on January 1 2020 by the Federal Government to help first home buyers secure a home loan with a deposit as little as 5% while avoiding the high cost of Lenders Mortgage Insurance (LMI).

A small number of First Home Loan Deposit Scheme places for the 2020-21 financial year are still available through our panel of participating lenders, which your mortgage broker has access to.

See the Frequently Asked Questions about the Scheme here.

7. How does a house and land package loan work?

Standard house and land package loan

There are two parts involved in a house and land package loan:

1. The loan for vacant land
   - This is like a standard home loan. You can borrow depending on the size of the block, however typically this can be up to 95% of the land value.
2. The loan for the construction of the house
   - You are approved for the construction component based on the bank's "on-completion valuation" and the cost written in your building contract.

When approved, the construction loan usually involve the following:

1. Bank makes progress payments to your builder at the end of each stage
2. Your repayments will be interest only until the build is finished
3. Bank inspecting work on a regular basis

Your mortgage on a principal and interest basis will start when construction is complete.

Pros	Cons
Stamp duty calculated on the value on the vacant land	Final price of a house and land package could vary
Save on maintenance as the home is new	Some lenders have postcode restrictions
You can customise your design	There could be unforeseeable costs during constructions which will add to your loan
You should qualify for First Home Owners Grants	You have to wait for the home to be built, all while still paying rent in our current residence

Turnkey package

With a turnkey property, the complete cost of the land and build is set out in a standard sale and purchase agreement between you and the builder.

You generally pay a 5-10% deposit when signing the contract with the balance being payable at completion of the build process.

In order for the remaining funds to be released to the builder, the house must be fully completed and ready to move in.

If you only have a 5% deposit (and you qualify for a 95% turnkey loan), the bank will normally lend you the additional 5% deposit to make up the 10% deposit required for the builder.

Pros	Cons
Fixed price for land and constructions, so no extra costs involved	Stamp duty is paid on value of property
The developer will deal with building councils etc	Sometimes more expensive than a house and land package
Designs are pre-designed so you don't have to worry if you have no idea how to choose a benchtop	No ability to customise house design

8. Our best advice

We recommend choosing a mortgage broker who is experienced with construction loans, such as North Brisbane Home Loans.

Your mortgage broker will be able to calculate the funds you'll need and arrange a pre-approval. It's not recommended to commit to a house and land package until you are pre-approved, as you may forfeit your deposit if you have not got your ducks in a row.

You'll also want to make sure your contract has a subject to finance clause or cooling off period and to seek legal advice from a solicitor before signing any contracts.

9. Why choose North Brisbane Home Loans

5 STAR CUSTOMER RATING

We put you first and genuinely want to help you achieve your property ownership dreams.

Being a top rated first home mortgage broker in Brisbane we deliver the best home loan for first home buyers. We have hundreds of happy customers, find out what they've said about working with North Brisbane Home Loans here.

Experienced Mortgage Brokers

With more than 90 years' combined experience in the industry our first home buyer mortgage broker can confidently offer you the best advice when it comes to finding the best value loan for you. We are a team of experienced mortgage brokers in Brisbane that provides the best advice on home loan for first home buyers.

We Work For You – Not The Banks

We don't charge any fees for our first home owner loan services, our commission comes from the lender. As a personal first home mortgage in Brisbane, we're by your side every step of the way to ensure you select the best loan product for your individual circumstances.

Exclusive Partner Network

Not only do we provide you with the best advice on first home owners loan needs, we also introduce clients to our network of trusted partners offering discounted rates.

Save time and money searching for reliable building and pest, real estate agents, solicitors and more.