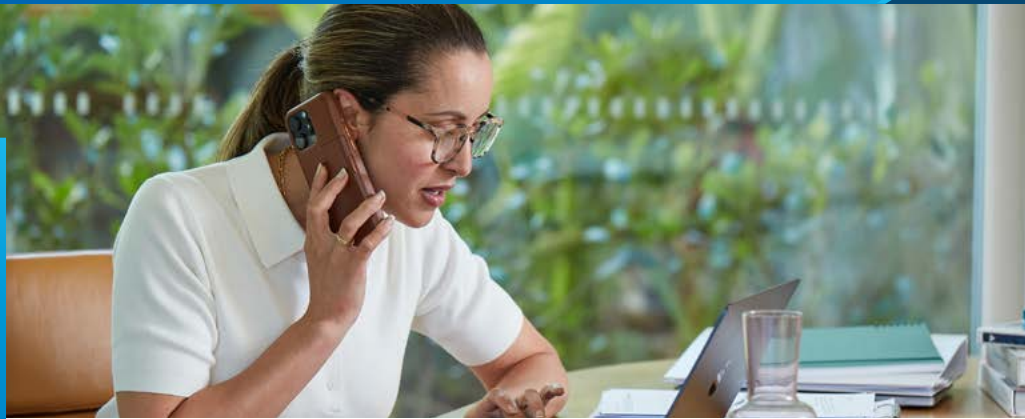


SMSF Loan



What types of property can an SMSF loan be secured against?

Residential – The SMSF loan is suitable for the purchase of a single residential investment property or to refinance an existing SMSF residential investment property loan.

Commercial – Properties including but not limited to commercial, offices, retail shops and light industrial.

Rural/Residential – Rural/Residential investment properties.

Not acceptable

- Vacant land
- Owner occupied (or member occupied) residential property
- Construction or refurbishment/improvement loans
- Cash out
- Acquisition of residential property from a related party

More than half a million self-managed super funds are now in operation according to statistics from the ATO. The average balance of an SMSF rocketed past \$1 million, with the “average” fund balance now around \$1.2m. It is estimated that the SMSF market will grow to \$2.23 trillion by 2033.

With these statistics in mind, there has never been a better time to consider becoming involved in this growing market.

Who can obtain an SMSF Loan?

Australian residents who have an existing SMSF or are in the process of establishing an SMSF. SMSFs which are purchasing or refinancing an existing residential, commercial or rural residential investment property as a single asset.

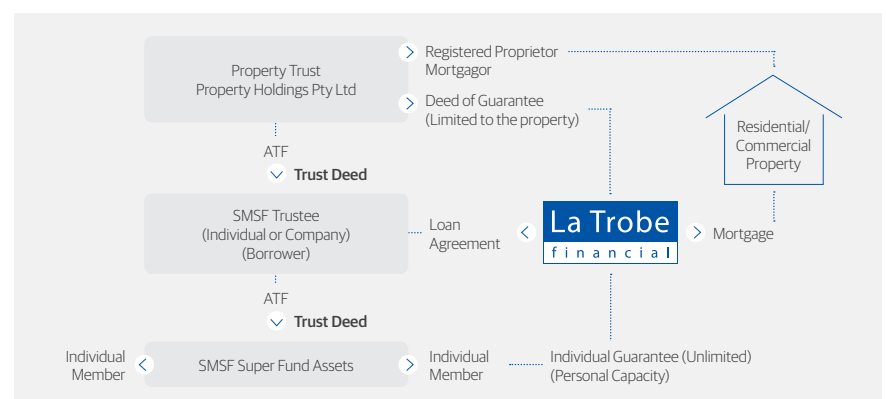
Things the borrower should do before they buy an investment property within their SMSF

A trustee may consider:

- seeking independent financial and legal advice with respect to their SMSF borrowing money to purchase an investment property;
- establishing the trust structures required for the loan, ensuring this complies with the relevant superannuation laws. The loan would then need to be taken out by the SMSF trustee; and
- setting up a separate Property Trust, which will be the legal owner of the property.

To purchase the property, the SMSF can use the cash funds it has available and borrow the remaining amount plus other associated costs. The investment property will be the security for the loan.

The Property Trust becomes the legal owner of the property while the SMSF is the beneficial owner and receives the rental income. When the loan is repaid, the Property Trust will transfer the legal ownership of the property to the SMSF.



The above information does not constitute financial or legal advice and should not be relied upon as such. It is intended only to provide a summary and a general overview on matters of interest and it is not intended to be comprehensive. You should seek your own financial or legal advice before taking any action.

General Features

Product Name	SMSF Loan
Purpose	Purchase for investment purposes, to be held on trust for the beneficiaries of an SMSF, or refinance of an existing SMSF loan.
Borrower	The borrower will be the SMSF Trustee with the property held on trust by a Property Trustee.
Guarantors	SMSF members.
SMSF Documentation	Property Trustee Deed provided and appropriate sign off checks completed.
Servicing Evidence	12 Month SMSF Financials containing: - SMSF Asset Statement - SMSF Contribution statement - Rental lease/Real estate agent estimate. Shortfalls may be addressed by salary referencing or Guarantors' Declaration and Accountant's Certificate.
Servicing	NDI Calculator 80% of Rental Payments, 85% of Concessional Contributions (15% Tax), 85% of deemed income (3.9% p.a. less 15% Tax) of other investments. If required, shortfalls may be assessed by Full Doc or Lite Doc® assessment of the members' income.
Security	Residential purchase or refinance. Commercial purchase or refinance (offices, shops and light industrial). If off the plan purchase and no lease agreement in place, SMSF will be required to retain 2.5% of the loan amount in cash at settlement.
Maximum LVR [^]	80% residential, 75% commercial.
Maximum Loan [^]	Residential: \$3,000,000 @ 80% LVR Commercial: \$5,000,000 @ 75% LVR, \$10,000,000 @ 70% LVR
Risk Grade	A&B
Term	30 years
Interest Rate	See Broker Product Guide.
Redraw	Not available.
Points of Difference	- Serviceability comes from a combination of Lease, contributions & other Super Investment Income; - No minimum of other assets in Super Fund.
Commission	0.50% upfront; 0.25% trail.
Commission Clawback	Nil

Features

- SMSFs can borrow money for the purchase of a residential investment property within the superannuation fund, with the property held on trust for the SMSF until the loan has been repaid
- The loan is a limited recourse loan which means the lender's rights of recovery against the SMSF if the loan goes into default are limited only to the secured property
- Serviceability of the loan can be demonstrated through rental income from the investment property, contributions to the super fund and income of the super fund. All serviceability must be through the SMSF
- Loans to be supported by personal guarantee/s from the beneficiaries (members) of the SMSF
- We seek confirmation from the SMSF Trustee that the credit arrangement is in line with the SMSF investment strategy.

Documents our solicitors will need

- Standard lending documents
- Guarantees from members of the SMSF
- SMSF Trust Deed
- Contract of sale
- Lease
- Deed of Declaration of Property Trust (confirming that the Property Trustee holds the property on behalf of the SMSF)
- Superannuation Fund Deed Statutory Declaration - (confirming that the SMSF Trustee has the right to enter the contract).

Document Checklist

All Applications

- ☐ La Trobe Financial Application Form
- ☐ Verification of Identity (VOI)

Purpose Specific

- ☐ Contract of sale (if purchase)
- ☐ Existing account statements (if refinance)
- ☐ SMSF Trust deed and the Bare Trust deed
- ☐ Copy of last 12 month SMSF financials (SMSF asset and contribution statement or evidence the existing fund is being rolled over into the SMSF)
- ☐ Current lease agreement