

# Self-managed super fund.

## Product overview

A self-managed superannuation fund (SMSF) residential property investment loan designed to meet the investment strategy, objectives, financial situation and needs of SMSF Corporate Trustees looking to acquire residential property through their SMSF for investment purposes.

## Features

- ✔ SMSFs can borrow money for the purchase of a residential investment property within the superannuation fund, with the property held in 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 trustee if the loan goes into default is limited to the secured property and any additional security the guarantors may have provided.
- ✔ Serviceability of the loan can be demonstrated through rental income from the investment property as well as superannuation contributions.
- ✔ Loans to be supported by personal guarantee from beneficiaries of the SMSF.
- ✔ The trust may be entitled to potential tax deductions by offsetting the loans interest and other borrowing / property expenses against the property's rental income. The borrower / guarantor must seek financial and legal advice.

## Property restrictions

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

Other types of properties, including but not limited to, commercial real estate, vacant land, or owner occupied properties are not acceptable.

## Who can obtain an SMSF loan?

- Australian residents who have an existing SMSF or are in the process of establishing an SMSF.
- SMSFs with an existing residential investment property loan who want to refinance from another lender.

## Example

A borrower has an SMSF and wishes to buy an investment property within their SMSF. The borrower needs to:

- Seek independent legal and financial advice with respect to their SMSF borrowing money to purchase an investment property.
- Establish the trust structures required for the loan, ensuring this complies with the relevant superannuation laws. The SMSF trustee would then need to apply for the required loan.
- Set up a separate property bare 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 amounts plus other associated costs. The investment property will be the security for the loan.

- The property bare trust becomes the legal owner of the property, while the SMSF is the beneficial owner and will receive the rental income.
- Once the loan is repaid, legal ownership of the property can be transferred to the individual's SMSF.

# Product matrix

## SMSF

### DETAILS

Loan purpose	Purchase or refinance of residential property, plus costs
Loan term	15 - 30 years
Minimum loan amount	\$150,000
Maximum loan amount	\$1,000,000
Loan payment types	<ul style="list-style-type: none"> <li>• Principal and interest</li> <li>• Interest only (converting to principal and interest within 10 years)</li> </ul>
Maximum LVR	<ul style="list-style-type: none"> <li>• 80% (no LMI)</li> <li>• 90% (inclusive of LMI premium capitalisation)</li> </ul>
Exclusions	<ul style="list-style-type: none"> <li>• Cash out</li> <li>• Top up</li> <li>• Substitution of security</li> <li>• Redraw</li> <li>• Offset</li> <li>• Account splits</li> <li>• Construction</li> <li>• Off the Plan purchases</li> <li>• Home improvements</li> <li>• NRAS properties</li> <li>• Debt consolidation</li> <li>• Equity release</li> </ul>
Security	Registered 1st mortgage over residential property completed for more than 12 months. The purchase of properties considered 'developer stock' is not permitted.
Minimum net tangible assets	\$150,000 (prior to loan transaction) - Evidence that funds exist in a standard / industry fund will be acceptable subject to transfer of the assets to the SMSF prior to settlement.
Additional super contributions	Additional super contributions- accepted but not utilised in servicing calculation.
Simple refinance qualifying criteria	Loan settled over 12 months ago plus repayment and interest rate must be lower than the loan being refinanced.
Acceptable property locations	See <a href="#">acceptable property locations guide</a> .
Acceptable SMSF trustee	Must be a corporate trustee, individual trustees are not acceptable.
Maximum number of SMSF members / guarantors	There can be no more than six members.
Minimum number of SMSF members / guarantors	There must be at least two members / guarantors.

### Fees and charges

Application fee	N/A
Due diligence and review of SMSF structure, loan documentation (incl. bare trust and director's guarantee)	\$695
Legal fees	Unascertainable. Includes but not limited to search fees, bank cheques and all other sundries. Fees on loans where additional securities, guarantors, company or trust documentation is required, will attract additional charges.
Valuation fee	At cost
Annual fee	\$399
Settlement fee	\$499
Discharge fee	\$300

### Understanding the SMSF structure



## SMSF policy

### Loan type

- Limited recourse loan which complies with the relevant legislative requirements.

### Repayment type

- Principal and interest (P&I)
- I/O converting to P&I within 10 years

### Borrower

- Corporate SMSF trustee/s holding the beneficial interest in the security property, has the right to acquire the property from the corporate property trustee, and is permitted to borrow in accordance with the relevant legislative requirements (and any associated regulations).

### Guarantors

- Loans must be supported by personal guarantee/s for the full amount of the loan from all beneficiaries of the SMSF.
- The guarantor's financial position must be verified as being able to meet the obligations under the guarantee.
- Non-resident guarantors are unacceptable.

### Mortgagor

- Corporate Property Trustee that meets the requirements of the relevant legislation (and any associated regulations). Holds the legal interest in the security property on trust for the SMSF.

### Locations

- Refer Acceptable Property Location (APL) tool for acceptable security locations.

### Loan purpose

- Refinance of an existing SMSF loan, plus costs.
- Purchase of an investment property, plus costs.

### Security

- In addition to the general security requirements, loan/s made to SMSF trustee/s must be secured by a 'single asset' comprising a security property on a single title (not two or more separate titles) and the loan must not cover any additional assets purchased at the time of property purchase.
- Excludes vacant land and off-the-plan purchases.
- Excludes all new properties that have been completed for less than 12 months.
- Maximum land area of 10 hectares (25 acres).
- Excludes serviced apartments, studio apartments and units <40m<sup>2</sup>.

### Serviceability

Serviceability should be calculated allowing for the following:

- 80% of rental income from investment properties held by the SMSF.
- Income from interest / dividend earning investments to be assessed using a deeming rate of 3%.
- Only mandatory superannuation contributions (currently 11.5%) of superannuable salary to be included.
- Superannuation taxation rules apply.
- Must allow for ongoing expenses associated with running an SMSF.
- Rental yield for all investment / rental properties (including those not held as security) will be limited to 6% of the value of the properties.
- Statement from the SMSF Trustee verifying mandatory superannuation contributions by self-employed beneficiaries for the past 2 years.

## Maximum loan amounts

	Up to 70% LVR			75% LVR		80% LVR	
	Cat. A	Cat. B	Cat. C	Cat. A	Cat. B	Cat. A	Cat. B
Prime SMSF No LMI	\$1.0m	\$750k	\$500k	\$1.0m	\$750k	\$1.0m*	\$750k*

\*LVR cannot exceed 80% with capitalisation of fees.

## FAQs

### Who is the borrower?

The SMSF trust is the borrower and must be a corporate trustee.

### How is the loan serviced?

All servicing is done within the SMSF from mandatory employer's super contributions, rent received, and any other income earned by the fund. Additional non-mandatory contributions are not included in our serviceability test but will be accepted as additional repayments.

### How much should I budget for annually to run my SMSF?

A minimum of \$1,300 should be allocated annually. This must be confirmed by an Accountant's letter.

Where a newly established SMSF cannot provide evidence of annual cost, a minimum of \$3,000 is to be included in the SMSF servicing calculator.

### What is the minimum liquid asset balance I need to maintain after the loan transaction is complete?

You will need a minimum liquid asset balance of 5% of the total debts of the SMSF (including the loan amount) after the loan transaction is complete.

### What type of valuation do I need to order?

A Short Form Valuation Report is acceptable for all acceptable property types.

An AVM/ EVR Report is only acceptable for a house, duplex, townhouse or villa. It is NOT acceptable for a unit/apartment.

### Will Resimac assist me setting up my SMSF and Bare Trust?

No, you will need to have these set up before applying for the SMSF loan with Resimac.

### Do I need legal and financial advice before borrowing to purchase a property inside my SMSF?

Yes, evidence of legal and financial advice must be provided with the loan submission. Prior advice accepted for refinances.

### Why do I need to set up a Bare / Property Trust?

The Superannuation Industry (Supervision) Regulations 1993 (SIS Act) only allows an SMSF to borrow money to purchase assets (in this case real estate), by an external entity in the form of a bare / property trust. The bare / property trust is owned by the SMSF, the property and the mortgage are held by the bare / property trustee who is then liable for any legal repercussions. So in the event of mortgage default, the recourse is limited to the bare trust and not the whole SMSF.

## Interest rates

	Principal & Interest		Interest Only	
SMSF	INT. RATE	COMP. RATE	INT. RATE	COMP. RATE
≤60% LVR	7.14% p.a.	7.59% p.a.	7.14% p.a.	7.59% p.a.
60.01 - 70% LVR	7.14% p.a.	7.59% p.a.	7.14% p.a.	7.59% p.a.
70.01 - 80% LVR	7.74% p.a.	8.16% p.a.	7.74% p.a.	8.16% p.a.
80.01 - 90% LVR	7.99% p.a.	8.41% p.a.	7.99% p.a.	8.41% p.a.

The comparison rate is calculated on the basis of a loan of \$150,000 over a term of 25 years. **NOTE:** This comparison rate is true only for the examples given and may not include all fees and charges. Different times, fees or other loan amounts might result in a different comparison rate.