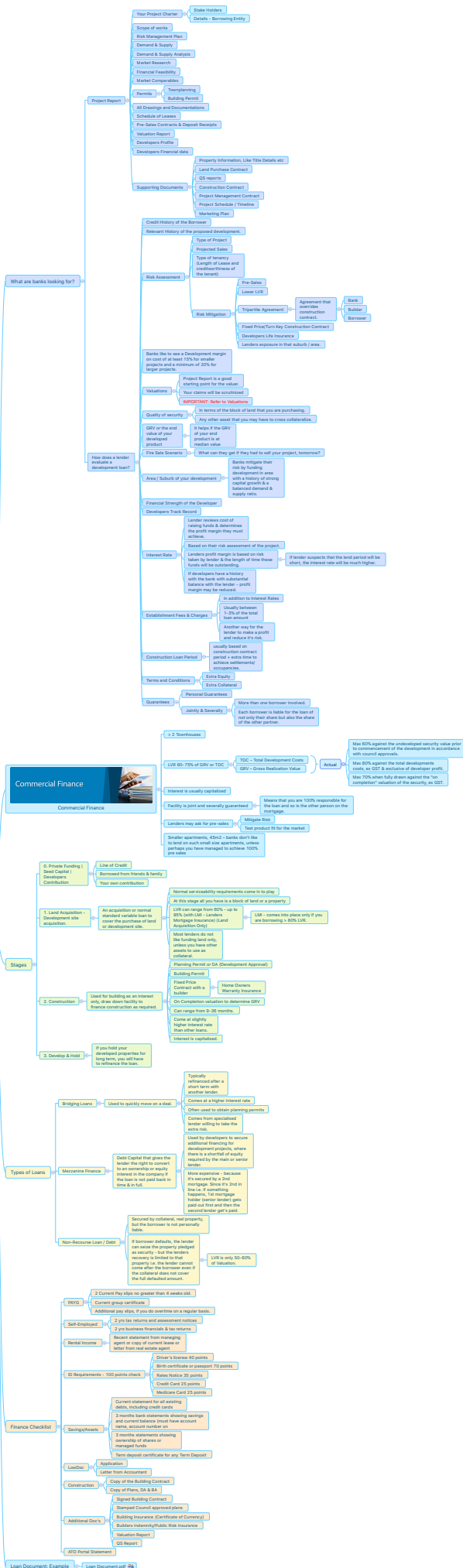
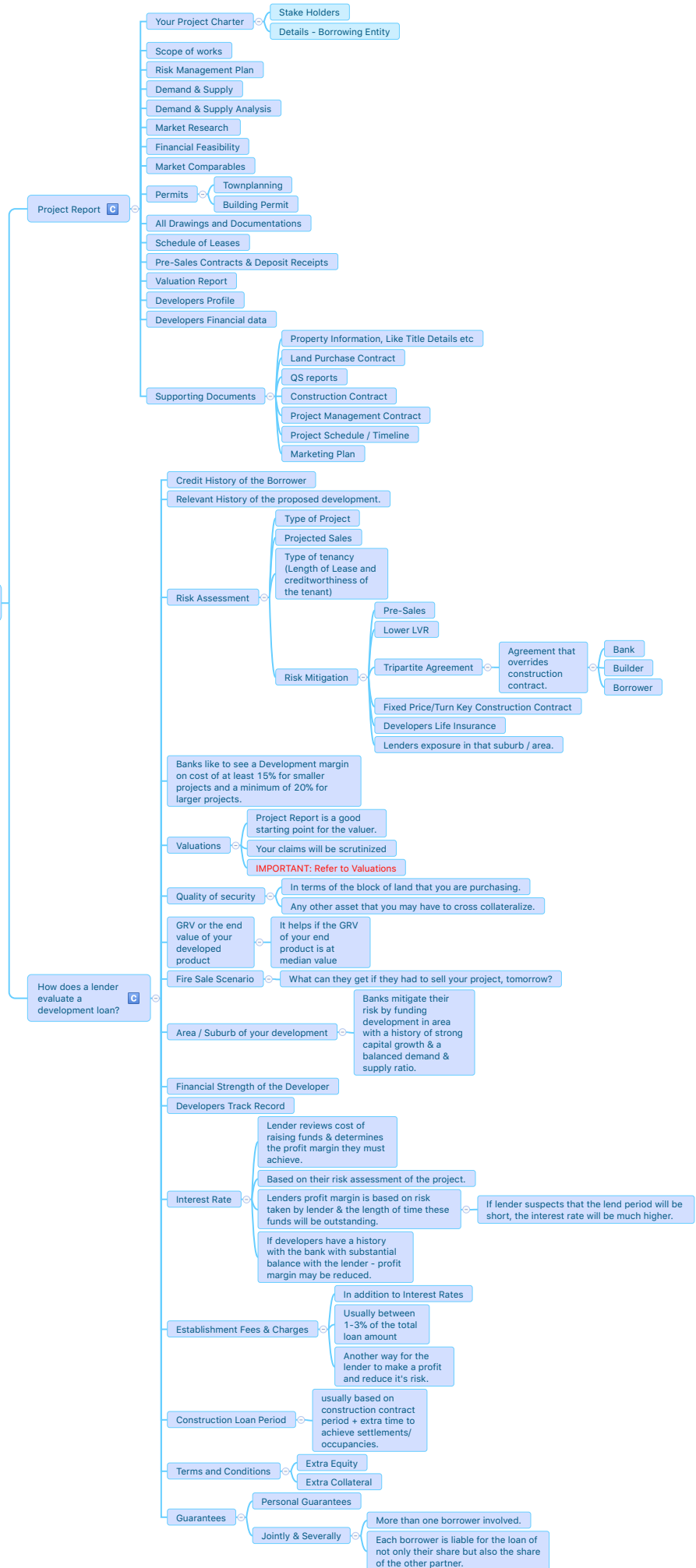
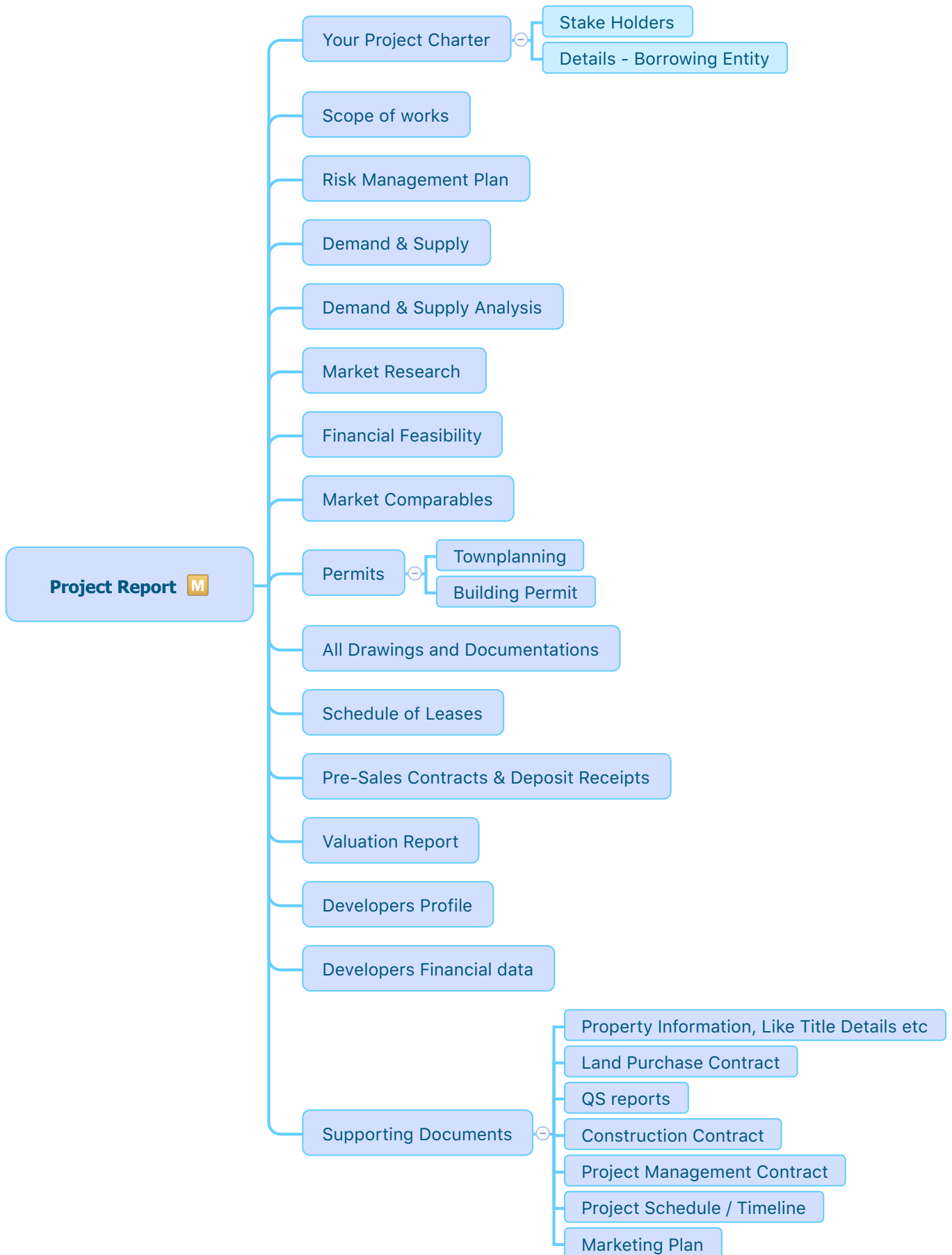


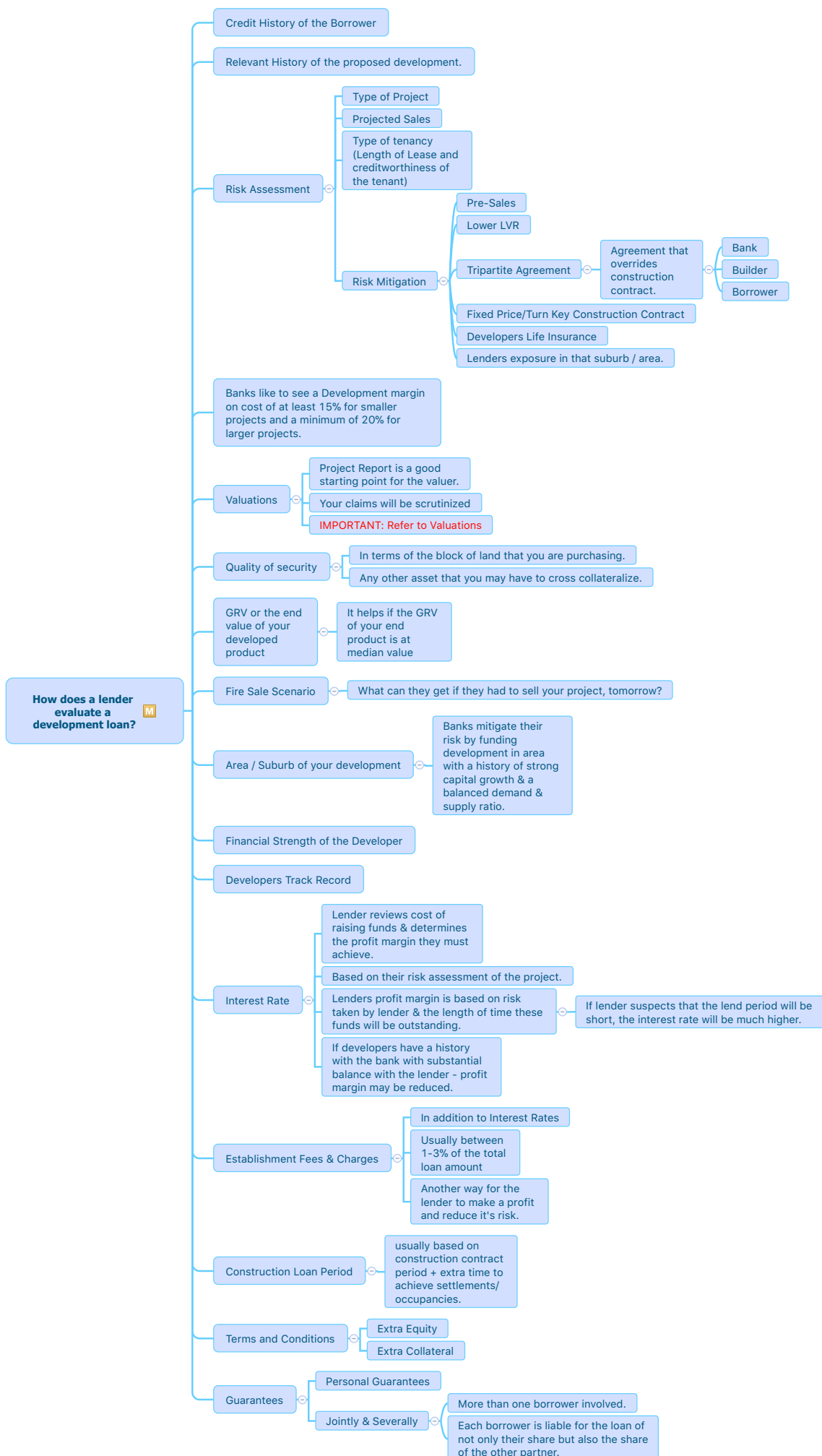
PROPERTY DEVELOPMENT SYSTEM
Development Finance



What are banks looking for?







Commercial Finance

Commercial Finance 



> 2 Townhouses

LVR 60-75% of GRV or TDC

TDC – Total Development Costs
GRV – Gross Realization Value

Actual

Max 60% against the undeveloped security value prior to commencement of the development in accordance with council approvals.

Max 80% against the total developments costs, ex GST & exclusive of developer profit.

Max 70% when fully drawn against the "on completion" valuation of the security, ex GST.

Interest is usually capitalized

Facility is joint and severally guaranteed

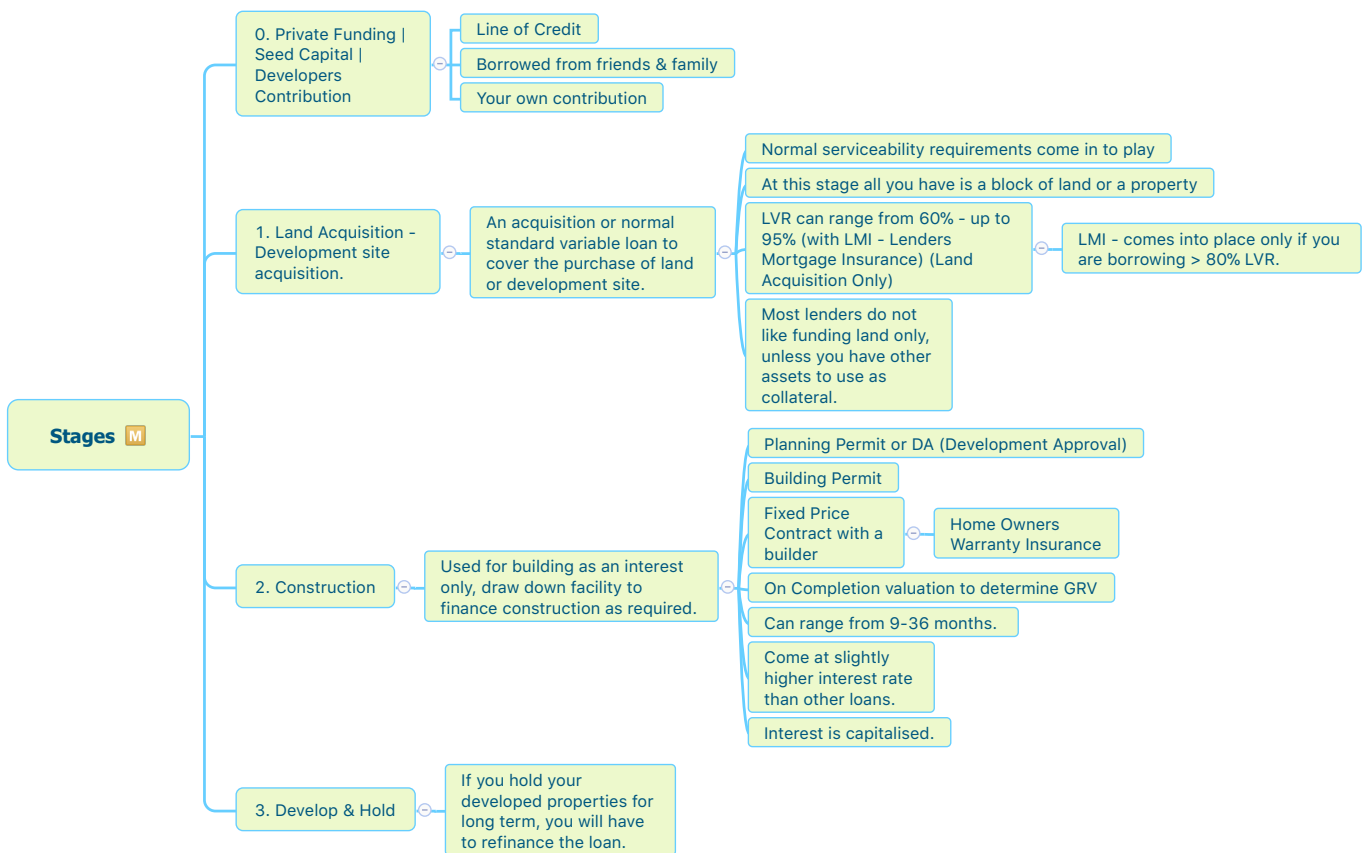
Means that you are 100% responsible for the loan and so is the other person on the mortgage.

Lenders may ask for pre-sales

Mitigate Risk

Test product fit for the market

Smaller apartments, 45m² – banks don't like to lend on such small size apartments, unless perhaps you have managed to achieve 100% pre sales



Types of Loans

Bridging Loans

Used to quickly move on a deal.

Typically refinanced after a short term with another lender.

Comes at a higher interest rate

Often used to obtain planning permits

Comes from specialised lender willing to take the extra risk.

Mezzanine Finance

Debt Capital that gives the lender the right to convert to an ownership or equity interest in the company if the loan is not paid back in time & in full.

Used by developers to secure additional financing for development projects, where there is a shortfall of equity required by the main or senior lender.

More expensive - because it's secured by a 2nd mortgage. Since it's 2nd in line i.e. if something happens, 1st mortgage holder (senior lender) gets paid out first and then the second lender gets paid.

Non-Recourse Loan / Debt

Secured by collateral, real property, but the borrower is not personally liable.

If borrower defaults, the lender can seize the property pledged as security - but the lenders recovery is limited to that property i.e. the lender cannot come after the borrower even if the collateral does not cover the full defaulted amount.

LVR is only 50-60% of Valuation.

Finance Checklist

PAYG

- 2 Current Pay slips no greater than 4 weeks old.
- Current group certificate
- Additional pay slips, if you do overtime on a regular basis.

Self-Employed

- 2 yrs tax returns and assessment notices
- 2 yrs business financials & tax returns

Rental Income

- Recent statement from managing agent or copy of current lease or letter from real estate agent

ID Requirements - 100 points check

- Driver's license 40 points
- Birth certificate or passport 70 points
- Rates Notice 35 points
- Credit Card 25 points
- Medicare Card 25 points

Savings/Assets

- Current statement for all existing debts, including credit cards
- 3 months bank statements showing savings and current balance (must have account name, account number on)
- 3 months statements showing ownership of shares or managed funds
- Term deposit certificate for any Term Deposit

LowDoc

- Application
- Letter from Accountant

Construction

- Copy of the Building Contract
- Copy of Plans, DA & BA

Additional Doc's

- Signed Building Contract
- Stamped Council approved plans
- Building Insurance (Certificate of Currency)
- Builders Indemnity/Public Risk Insurance
- Valuation Report
- QS Report

ATO Portal Statement