

# SMSF LENDING

## 6 OF THE MOST COMMON HURDLES AND HOW TO CLEAR THEM

Using your SMSF to borrow can get complicated. It might be the most complex financial transaction you'll ever undertake. Get one bit wrong and you could mess the whole thing up.

**HERE ARE SIX COMMON HURDLES - EACH WITH A 'HOW-TO' TIP TO CLEAR THEM.**

### 1 NEW PROPERTIES



**HURDLE:** Some lenders take a dim view of new properties and prefer to limit their exposure to them. Probably because property spruikers have pushed people in this direction recently, leading to overinflated prices.

**DO THIS:** Metro properties in good repair are generally okay. Specialised properties attract more scrutiny. All must be on one SMFS-suitable, acquirable title. Beware of car parks on separate titles.

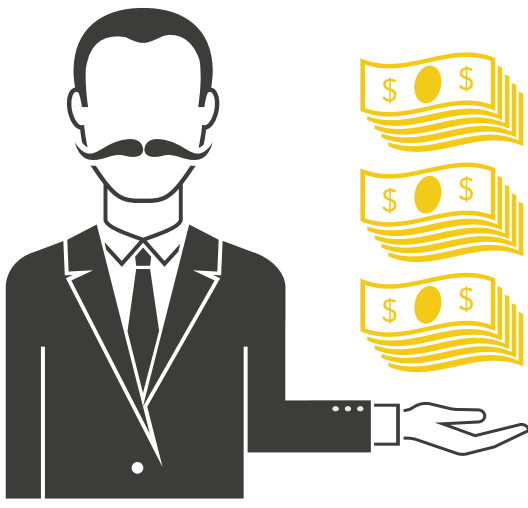
### 2 SELF-EMPLOYED



**HURDLE:** Most self-employed people focus on growing their business, rather than their super, as a retirement asset. There isn't much of a super contribution record, making it tough for the SME SMSF to borrow.

**DO THIS:** Show that you and your business have the capacity to make the required contributions. The key is to ensure you actually make the contributions to the fund going forward.

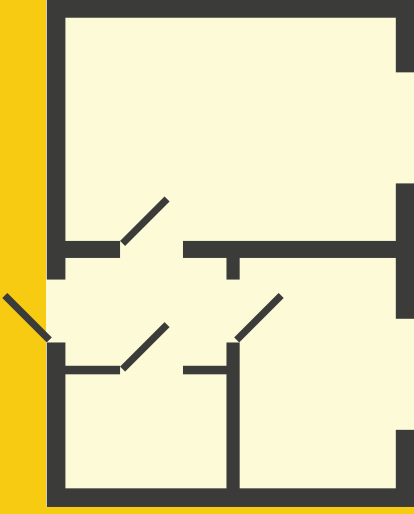
### 3 BORROWING POTENTIAL



**HURDLE:** After getting all the advice and deciding on property investment for your SMSF, the first step is to determine your future SMSF's potential to borrow.

**DO THIS:** Have an experienced lender assess your SMSF's borrowing credentials. Then firm up your plan and move forward. Or if your fund is not in a borrowing position yet, plan a 'get-in' strategy.

### 4 OFF-THE-PLAN



**HURDLE:** Be careful when you buy a property that is not yet completed or is off the plan.

**DO THIS:** Stick to obtaining finance for properties that are already complete or will be complete within 30 to 60 days. Those that don't carry an extra layer of complexity.

### 5 SURPRISE COSTS



**HURDLE:** There are several charges over and above the loan, including lender application and solicitor fees, valuation fees, legal fees for the transaction, fees for independent legal advice, stamp duty and compulsory title registration charges.

**DO THIS:** Understand what the costs are from day one and budget for them. No nasty surprises. These costs will be specific to the property you choose.

### 6 YES, NO



**HURDLE:** Your bank will lend to you, but not your SMSF. Don't feel bad. The SMSF lending landscape changes regularly. In 2015, the regulator tightened investment lending significantly, hitting the SMSF landscape the hardest.

**DO THIS:** If your bank loses its SMSF appetite, speak to a specialist with access to a variety of lenders. They are better positioned to find a bank with the right appetite for your fund.

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