

Loans to SMSF: Max LVR 80%	750,000
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Self-Managed Super Funds

The SMSF Trustee must hold a beneficial interest in the security property and must have a right to acquire the property from the Property Trustee and is permitted to borrow in accordance with all of the relevant legislative requirements and any associated regulations.

The Property Trustee, which holds the legal interest in the security property on trust for the SMSF, must meet all of the relevant legislative requirements and any associated regulations.

All beneficiaries of the SMSF must be personal guarantors on the loan and must meet all the relevant legislative requirements and any associated regulations.

Copies of all Trusts must be submitted with the loan application.

SMSF Trustee borrowers and guarantors must obtain independent legal and financial advice and proof of such advice must be submitted to Origin MMS with the loan application.

Considerations when guarantees are taken from companies include:

- Guarantees are to be obtained from owners or directors;
- Directors' conflicts – are any directors of the company under a conflict of interest in relation to the execution of the guarantee? If so, do the Articles or Constitution allow the company to enter into a transaction where a director has an interest and permit this director to vote?
- 'Uncommercial' transaction - will the giving of the guarantee constitute an uncommercial' transaction under the Corporations Law?; and
- Trustee company - is the company a trustee? If so, does the trust deed allow the trustee to give guarantees and indemnities?
- Where the Borrower are the shareholders and directors of the company, as a general rule, we do not require a guarantee from the company when there is little scope of recovering guaranteed debts from retained profits, as they are drawn as directors' salaries or paid out as dividends. On the other hand, if it can be demonstrated that considerable reliance is placed on retained profits, then a guarantee from the company should be taken.

Serviceability for SMSF loan applications will be assessed on the following basis;

- Rental Income in accordance with standard applications
- Income from interest/dividend earnings to be assessed using a deeming rate of 3%
- Income from any other assets to be excluded
- Only mandatory superannuation contributions to be included (see below)
- Superannuation taxation rules apply
- Standard stress testing of loan repayments apply
- Must allow for ongoing expenses associated with running the SMSF. Running costs associated with the property (e.g. building insurance, tenant insurance, capital works expenditure and depreciation expenses) are not costs associated with running the SMSF. A newly established SMSF must provide accountants advice providing an estimate of running costs. Origin MMS will use the higher of actual running costs, accountants estimate or a minimum of \$3,000 (GST inclusive)

Please note the following exceptions that will be considered on a case-by-case basis:

- Additional superannuation contributions will be considered (up to the allowed ATO limits) where regular additional contributions have been made for a minimum of 6 months.
- Exclusion of discretionary life insurance premiums from running costs where the loan purpose is refinance and the application is supported by 2 years clean loan repayment history and evidence that the discretionary life insurances have been paid over the past 2 years.