

API CONNECT

Investors who have been featured in API answer questions from readers.

MY MOST PROFITABLE DEAL

Prue Muirhead

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BENEFITS OF A COMMERCIAL LOAN

Q You mentioned in your story that you had to take out a commercial loan to buy the block of units rather than a standard home loan. How difficult was this process? Does it differ much to the standard structure (deposit, interest rate, repayment terms etc.) or are they pretty similar? Is this something the average investor could realistically look at for larger purchases (like a block of units) or do you need something significant as security?

A First off, it's definitely safe to say a commercial loan is more complicated than a residential loan. I needed one in order to purchase these units, as there were four dwellings on the one title.

I required a low doc (minimal paperwork) commercial loan, which was even more complicated, but the benefits were huge. I had to come up with a 40 per cent deposit using my own money – I used equity from an investment property – because the bank would only lend me a maximum of 60 per cent loan-to-value ratio.

The interest rate was about two per cent higher than a standard variable home loan. The upfront and exit fees were also higher. These days there's more income evidence required to satisfy a lender, which is worth keeping in mind if you're considering this type of loan.

The most difficult part of my arrangement took place at the very beginning. I needed to advise the lender how long I would need this particular loan. The lender was aware I was going to strata title the building and refinance to a standard residential loan once the units were on separate titles. I chose two years for my commercial loan and

placed the units on separate titles in the second year.

I had no other security connected to this commercial loan. A commercial loan is definitely something an average investor could look at for the purchase of a block of units or a commercial property, as the benefits can be substantial.

MORANBAH

Julie & Robert Green

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HOW ARE THINGS NOW?

Q It sounds like you are some of the lucky ones in Moranbah! Sorry to hear about the uncertainty up there, but congratulations on your first property – it sounds like it's a fantastic investment. What's the latest on your situation with the second investment property that you were struggling to rent out?

The set up of the SMSF same manner as if you a partner. In fact, you can with up to four people.

A We now have tenants for our second property. We finally ended up renting it out for \$1500 per week and obtained a 12-month lease.

The original rent appraisal for this property was \$2200 per week. On the advice of a very experienced local agent, we decided to rent it out for less. A family now occupies the house. We're delighted with this outcome.

THE ABCs OF SMSFs

Ashley Churchill

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SMSF WITH FAMILY?

Q I read your story with interest. I've never heard of people starting a self-managed superannuation fund (SMSF) with someone they're not married to, so reading you'd established one with your mother-in-law caught my attention.

Did you have to do anything differently because of this, or is the structure exactly the same?

Your mother-in-law is obviously a bit closer to retirement than you and your