

# Schedule: SMSF Loans

(Version 1.7 - 1 July 2024)

Ocean/Ultra Products



## 1.1 Loan Purpose

Only for purchases or refinances.

## 1.2 Eligible Consumers

- (a) Trustee of a Self-Managed Super Fund
- (b) 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 relevant legislative requirements and any associated regulations.
- (c) The Property Trustee, which holds the legal interest in the security property on trust for the SMSF, must meet all relevant legislative requirements and any associated regulations.
- (d) Certified copies of all Trust Deeds must be submitted with the loan application.

## 1.3 Guarantors and Guarantees

- (a) All beneficiaries of the SMSF must be personal guarantors on the loan and must meet all the relevant legislative requirements and any associated regulations.
- (b) SMSF Trustee guarantors are not required to complete an application in their own right unless they are making additional super contributions and these contributions are required to service the loan.
- (c) SMSF Trustee borrowers and guarantors must obtain independent legal advice and proof of such advice is a settlement condition. Independent legal advice can be waived under the following conditions:
  - (i) Where SMSF has had at least one other LRBA with Origin MMS (active or discharged); or
  - (ii) SMSF has been established more than 24 months and ATO registration is current (e.g., tax and annual financial and compliance audits are up to date); and
  - (iii) either
    - (A) Well-established SMSF refinance loans (see section 5.1 (b)); or
    - (B) New purchases where the SMSF has had at least one other LRBA (active or discharged).

## 2.1 Residential and Commercial Product and Security Summary

### (a) Residential and Commercial Properties Product Summary

Key Parameters	Standard Documentation
Maximum Loan Size	\$3,500,000
Maximum Exposure	\$7,500,000
Minimum Loan Size	\$50,000
Maximum Loan Term (in months)	359
Maximum number of loans	4

Maximum LVR	90% (inclusive of fees)
Serviceability	NDI 1.00 times cover (or LMI policy if loan insured)
Repayment Types	Principal and Interest Interest Only for maximum of 10 years (5 + 5)

**(b) Residential and Commercial Properties Maximum Loan Size and LVR Matrix**

	LVR (%)	Standard Documentation		
		Inner-City	Metro	Non-Metro
Existing Dwelling <sup>1</sup>	0 - 70.00	\$3,000,000	\$3,500,000	\$3,000,000
	70.01 - 80.00	\$2,000,000	\$3,000,000	\$2,000,000
	80.01 - 90.00	n/a	\$2,500,000 <sup>1</sup>	n/a

<sup>1</sup> Maximum LVR for Inner-City, High Density, High-Risk and Non-Metro postcode properties is 80% (refer to Security Property Postcode Matrix in the Master Lending Policy).

**(c) Residential and Commercial Properties Maximum Loan Size and Repayment Type Matrix**

Loan Amount	Standard Documentation	
	P&I	IO
Minimum individual loan	\$50,000	\$50,000
Maximum individual loan	\$3,500,000	\$3,000,000
Maximum aggregate loans per borrower	\$7,500,000	\$7,500,000

**(d) Residential and Commercial Properties Maximum Loan Terms**

Loan Terms (in months)	Standard Documentation		Alternative Documentation	
	P&I	IO	P&I	IO
Minimum loan term	60	60	N/A	N/A
Maximum loan term	359	359	N/A	N/A
Minimum interest only period	N/A	12	N/A	N/A
Maximum interest only period	N/A	60	N/A	N/A
Minimum fixed rate period	12	12	N/A	N/A
Maximum fixed rate period	60	60	N/A	N/A

**(e) Residential Properties Acceptable Loan Purpose**

Security Type	Standard Documentation		Alternative Documentation	
	P&I	IO	P&I	IO
Purchase investment property	90%	80%	N/A	N/A
Refinance investment property	80%	80%	N/A	N/A

**(f) Commercial Properties Acceptable Loan Purpose**

Security Type	Standard Documentation		Alternative Documentation	
	P&I	IO	P&I	IO
Purchase commercial, retail or industrial property	80%	75%	N/A	N/A
Refinance commercial, retail or industrial property	80%	75%	N/A	N/A

**(g) Commercial Properties Maximum Loan to Valuation Ratio's**

Security Type	Standard Documentation		Alternative Documentation	
	P&I	IO	P&I	IO
Commercial – Torrens Title, Strata Title	80%	75%	N/A	N/A
Industrial – Owner Occupied or Leased	80%	75%	N/A	N/A
Industrial – Tenants	80%	75%	N/A	N/A
Retail – Owner Occupied or Leased	80%	75%	N/A	N/A
Retail – Torrens Title, Strata Title	80%	75%	N/A	N/A
Retail – Tenants	80%	75%	N/A	N/A
Residential ≥ 3 or more on one title	80%	75%	N/A	N/A
Medical/Dental Suites	80%	75%	N/A	N/A
Serviced Apartments	75%	70%	N/A	N/A
Childcare Centre	70%	65%	N/A	N/A
Boarding Houses	70%	65%	N/A	N/A
Retirement Units	70%	65%	N/A	N/A
Student Accommodation	70%	65%	N/A	N/A

**3.1 Rental Income Documentation**

- (a) Rental income sourced from private arrangements must be supported with 6 months bank statements and the current year's tax return.
- (b) To evidence and verify commercial property rental income the following documents must be provided:
  - (i) Minimum 12 months Rental Statements; and
  - (ii) 3 months Bank Statements.
- (c) Where the commercial property is currently vacant Origin will accept a real estate appraisal which must include details related to the outgoing expenses.

**4.1 Serviceability**

- (a) Serviceability for SMSF loan applications for new purchases and/or refinances (where income from other assets is required) will be assessed on the following basis;

- (i) Rental Income in accordance with standard applications.
- (ii) Income from interest/dividend earnings to be assessed using a minimum deeming rate of 4.0% p.a. or the actual return averaged over the preceding 24 months.
- (iii) Income from any other assets to be excluded.
- (iv) Superannuation contributions as follows.
  - i. Regular periodic contributions over a minimum of 6 months (evidenced by YTD payslips or SMSF/Industry fund statements).
  - ii. The average of the last 2 years irregular (evidenced by YTD payslips or SMSF/Industry fund statements). Maximum LVR 80%.
  - iii. Accountant letter (template provided) advising the customers have capacity to make additional contributions based on their current circumstances. This method can be acceptable for a maximum of 10% of gross income for PAYG customers (including Self Employed PAYG) or 10% of the average of the last 2 years net profit before tax for Self Employed customers. Maximum LVR 80%.
- (v) Standard stress testing of loan repayments applies.
- (vi) Must allow for all 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. Origin MMS will use the higher of actual running costs, accountants estimate or a minimum of \$1,500 (GST inclusive).
- (b) Loan tenure and repayment behaviour are key determinants when assessing well-established SMSF refinance applications. As a result, Origin MMS will assess the application where the SMSF is switching to a lower cost product and would meet the criteria of a well-established SMSF under the following circumstances.
  - (i) Confirmation that the existing repayment obligations have been met over a minimum of 12 months (no monthly repayment greater than 15 days in arrears); and
  - (ii) Confirmation that there are no indications of any financial deterioration of the SMSF.

## 4.2 Minimum Serviceability Assessment Rate

- (a) New Loans – a minimum serviceability assessment rate of Actual Consumer Rate plus 2.00%, the prevailing RBA target cash rate plus 3.00% or 5.00%, whichever is higher, is to be used in the serviceability calculations.
- (b) Existing Loans – existing loans include any loans that are either already settled, formally approved, or have finance applications in progress with either Origin MMS or another Lender. Each existing loan must have its minimum monthly repayment recalculated using the higher of:
  - (i) the actual monthly repayment plus 10%; or



- (ii) the minimum monthly repayment calculated on the facility limit (including any available redraw) using an assessment rate of Actual Consumer Rate plus 1.00% on a P&I basis over a 30year term; or
  - (iii) the minimum monthly repayment calculated on the facility limit (including any available redraw) using a minimum benchmark rate of 5.00% on a P&I basis over a 30year term.
- (c) All loans – A recent copy of all existing loan statements or the consumers comprehensive credit report must be provided with the loan submission to confirm the facility limit. Statements must be less than 7 months old.

## Document Revision History

Document Version Number	Date	Author	Section, Page/s and/or Text Revised
Version 1.0	15 March 2020	Andrew Herring	New Loan Product document issued with Master Lending Policy 4.0.
Version 1.1	18 May 2020	Andrew Herring	Correct maximum LVR's for Inner-City, High Density, Non-Metro, Regional and Unclassified Postcode Properties.
Version 1.2	21 September 2020	Andrew Herring	Document restructure. Remove requirement to withhold 5% in linked offset account (Refer Master Lending Policy document). Implement simplified servicing requirements for refinance applications that have greater than 2 years history. Implement year on year SMSF Net Asset position tolerance to allow for COVID-19.
Version 1.3	1 November 2020	Andrew Herring	Security Property Postcode Matrix standardised and moved to the Master Lending Policy.
Version 1.4	1 March 2021	Andrew Herring	Increase maximum loan size.

Document Version Number	Date	Author	Section, Page/s and/or Text Revised
			<p>Standardise investment income at a deeming rate of 3%. Any investment income above 3% required for servicing is capped at the average return over the previous 24months.</p> <p>Specifically address security property non-discretionary costs that need to be included in SMSF running costs noting that actual annual accountant / audit costs are now approx. only \$1,000 p.a.</p> <p>Simplify acceptance of additional super contributions due to the inconsistent nature of these contributions.</p> <p>Remove unnecessary PAYG only restriction on SMSF Refinance.</p> <p>Provide alternative method to validate repayment history</p>
Version 1.4a	1 June 2021	Andrew Herring	Reverse changes to SMSF Refinance application serviceability and SMSF running costs.
Version 1.5	1 January 2022	Andrew Herring	<p>Maximum loan size changes.</p> <p>Change min and max loan term parameters from years to months.</p> <p>Included acceptable conditions where independent legal advice can be waived.</p> <p>Reinstate definition of good conduct on refinance applications (no loan repayments greater than 15 days in arrears).</p>

Document Version Number	Date	Author	Section, Page/s and/or Text Revised
			Implement changes related to Comprehensive Credit Reporting (CCR).
Version 1.6	1 May 2022	Andrew Herring	<p>Maximum Loan Size increases.</p> <p>Reduce minimum loan tenure for refinance applications in line with RG209.</p> <p>Acceptable and unacceptable commercial properties list have been moved to the Master Lending Policy.</p>
Version 1.7	1 July 2024	Andrew Herring	<p>Increase maximum LVR to 90% for SMSF purchases.</p> <p>Max loan size changes.</p> <p>Standardise serviceability stress testing.</p> <p>Update Max Loan Size / LVR / Location tables in line with S&amp;P changes.</p>