

OVERVIEW OF THINKTANK SMSF COMMERCIAL LOANS

Self Managed Superannuation Fund lending is tightly regulated and subject to high, ongoing levels of compliance on the part of the trustee/s of the SMSF. The onus of strict compliance and adherence to numerous Commonwealth regulations also applies to the lender as well as other professionals who will often assist in the loan process such as financial advisers, accountants, lawyers and finance brokers. It is therefore essential for all parties associated with the loan transaction to be conversant with both the requirements of the legislation and those of the lender. With a sound knowledge of both, additional costs and the frustration of delays can be minimised or avoided altogether.

This overview document is intended to highlight the critical steps and most important aspects associated with successfully obtaining a SMSF Commercial Loan. We strongly encourage you to review the following Thinktank SMSF information documents:

- [SMSF Loan Essentials Guide](#)
- [SMSF-LRBA Glossary of Terms & Useful Tips](#)
- [SMSF-LRBA Step Through Checklist](#)

Familiarity with our [Loan Application Form](#) and supporting [Loan Application Checklist](#) will contribute to a well prepared and well managed loan submission.

What a Thinktank SMSF Commercial Loan Offers

Our loans allow SMSF trustees to borrow to purchase or refinance a commercial property the types of which include retail, industrial, warehouse, office and professional suites. In effect, the same criteria applies as for our standard (non-SMSF) commercial loans. Please refer to our schedule of *Eligible Security Types*.

Where the members of the SMSF provide personal guarantees, we will lend up to 75% of the value of the property (LVR) which must be independently valued by a valuer appointed by us. Loans above 70% LVR must make principal and interest repayments while loans at or below 70% may be interest only for up to 5 years. Where personal guarantees are not provided, the maximum LVR is 50% while the loan repayments must be principal and interest from settlement.

Our maximum loan size is \$3m and our loan terms extend up to 25 years which is important in allowing the income from the property, member contributions and the income from other SMSF investments to pay off the loan at or near to the time where the fund members enter the pension phase of their retirement. Thereafter, the members can expect to benefit from very favourable tax concessions concerning the income from the property and Capital Gains Tax that might apply upon eventual sale.

Thinktank SMSF Commercial Loan – Key Features

Loan Size	\$100,000 - \$3 million	Security Types	Retail, industrial, office
LVR Max (Guarantee)	75% (P&I above 70%)	Debt Service Cover	Min 1.50x
LVR Max (No Guarantee)	50% (P&I)	SMSF Net Assets	Min \$250,000
Loan Term	Up to 25 years	Interest Margin	Reduces as loan pays down
Interest Only Period	Up to 5 years (max 70% LVR)	Lender Legals	\$1,800 +GST loans up to \$1.5m
Ongoing Fees	Nil	Bare Trust	Included in legals if required
Loan Purpose	Purchase or refinance	SMSF Member Type	Self-employed (>2 yrs) or PAYG

Our process involves fast turn around times, proactive and cost efficient legal oversight and close management of the transaction by experienced, informed Thinktank personnel. You may be assured of our complete and dedicated attention at all times.

Getting Started – What Really Must Come First

1. **Good Professional Advice:** The trustee/s of the SMSF should ensure they have well informed professional support and advice from one or more of their financial adviser, accountant and solicitor. Poor or no advice will be costly.
2. **What is the Investment Strategy of the Fund?** The Trustee/s must have obtained well informed financial advice such that buying property within the fund and taking out a loan for that purpose is appropriate and meets the fund's formally adopted investment strategy.

3. **Can the SMSF Borrow?** The SMSF trust deed must contain provisions that allow the fund to borrow. If not, it must be amended by the solicitor for the trustee/s.
4. **Minimum Assets:** Does, or will, the SMSF have minimum net assets of \$250,000 by the time the loan application is submitted?
5. **The Property Must Be Acceptable:** The property to be purchased must fit the definition of “single acquirable asset” as set down by the Superannuation Industry Supervision Act 1993 (SISA). This can be confirmed by a solicitor conversant with SMSF compliance. The property must also meet the acceptable criteria set by the lender. *Warning!* Confirm these at the outset or risk un-necessary costs or delays at a later point.

If all the above points can be checked off, you will be off to the best possible start.

Getting the Finance Approved – What the Lender is Looking For

6. **The Loan Application – it’s all in the detail:** Because the compliance requirements on the SMSF and the lender are so extensive, the SMSF loan application must be detailed, fully completed and accurate. Please refer to our [SMSF Loan Essentials Guide](#) and [SMSF Loan Application Checklist](#) which together provide thorough guidance and help on the process. Never hesitate to contact us for assistance or to answer any queries, whether simple or complex. Make sure the following are included:
 - i. **Full details of all the member & trustees** along with signed statements of positions and privacy consents.
 - ii. A copy of the **SMSF Trust Deed**, making sure it has provisions allowing it to borrow.
 - iii. A copy of the **Bare Trust Deed**, if one has been set up or request one from Thinktank.
 - iv. Ensure that **the SMSF is complying** by checking the Super Fund Lookup register.
 - v. Provide a copy of the fund’s **Investment Strategy** and minutes confirming acceptance by the trustee/s.
 - vi. Evidence of **income verification** including the last two years annual returns for the SMSF (to include financial statements and tax returns) along with tax returns for the members and the lease agreement/income to be received from the security property.
 - vii. For property purchases, provide a copy of the **contract of sale** (signed by the trustee/s of the Bare Trust) where already exchanged. If a **re-finance**, include copies of loan statements for the last six months.
 - viii. Attach a copy of the **Statement of Advice (SOA)** provided by the holder of an Australian Financial Services Licence (AFSL) or an Authorised Representative under an AFSL. The SMSF trustee/s must be able to demonstrate they have, or have access to, the knowledge, advice and experience appropriate to borrowing within a SMSF. Please refer to the attached [SMSF-LRBA Statement of Advice \(SOA\) - Thinktank Requirements](#).

We might ask for further information or need to make contact with one or more of the financial adviser, accountant or solicitor acting for the SMSF trustee/s but if all of the above is provided, prompt credit assessment will occur.

Bringing it Home – What Makes for a Seamless Settlement

There are a number of technical steps commencing prior to exchange of contracts through to settlement which must be carried out in the precise order dictated by the state or territory where the property is located. There is no substitute for good legal and financial guidance prior to and throughout this phase.

7. The trustee/s for the **Bare Trust** (also known as a Security Trust or Holding Trust) must be determined and can not be the same as the SMSF trustee/s. Often a corporate trustee is created for this purposes. Legal advice is essential.
8. The trustee/s of the Bare Trust must provide a **resolution to act as custodian** of the property for the SMSF trustee/s.
9. The trustee/s of the SMSF must provide a **resolution to purchase the property** and appoint the trustee/s of the Bare Trust to act on its behalf.
10. In **QLD & SA (WA optional)**, the Bare Trust Deed must be executed **before** the contract of sale is signed.
11. Contract of sale to be **executed by the trustee/s of the Bare Trust** – it should not be signed by the SMSF trustee/s.
12. Ensure **all funds come from the SMSF** to meet the deposit on purchase and any other associated costs.
13. In **NSW, VIC, TAS & ACT (WA optional)** the Bare Trust Deed must be executed **after** the contract of sale is signed.
14. The **loan documentation** must be signed by the trustee/s of the SMSF and the mortgage by the Bare Trust trustee/s.
15. Upon settlement, ensure **all funds come from the SMSF** to meet the balance and any other associated costs.
16. Ensure the SMSF trustee/s are aware of the need to supply Thinktank with a copy of the **annual return each year**.

For those not already possessing experience in SMSF lending, we strongly recommend ensuring professional advisers with confirmed SMSF qualifications are engaged in the transaction from the earliest stage. Please keep in mind, the Thinktank **SMSF Loan Team** is available to assist at any time. **Note: Steps above match our [SMSF Commercial Loan Essentials Guide](#).**