



**FINANCE FOR
FOREIGN NATIONALS
PURCHASING REAL ESTATE IN
AUSTRALIA**

Logic Finance
246 Pirie Street Adelaide South Australia 5000
Telephone +61 8 8232 7272 Fax +61 8 8232 8588
Email: admin@logicwealthgroup.com.au
www.logicwealthgroup.com.au

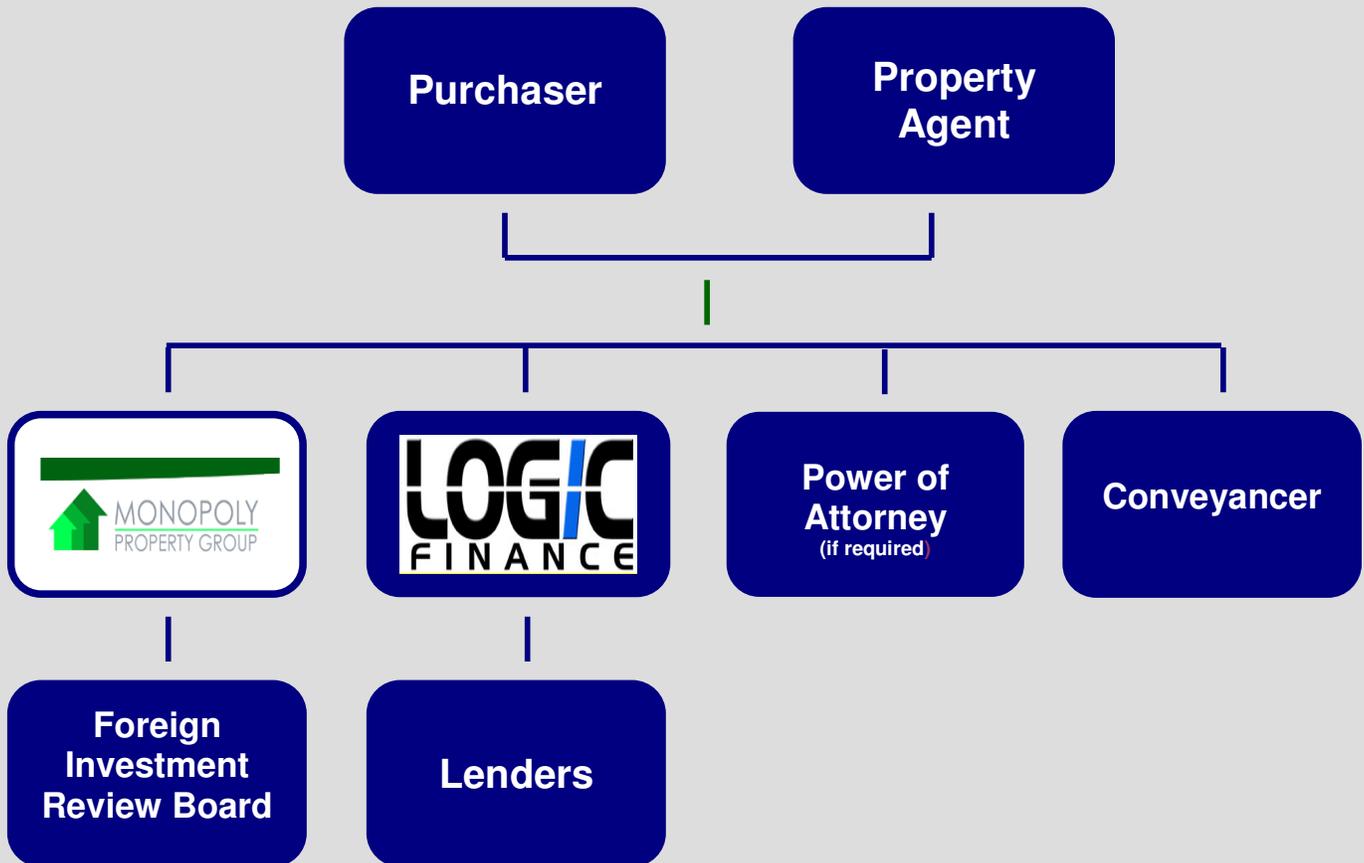
CONTENTS

| | |
|---|----------|
| About Logic Finance | Page 3 |
| Key Relationships | Page 3 |
| Investment Loan Overview | Page 4 |
| Loan Repayment Management | Page 4 |
| Minimum Lender Requirements | Page 5 |
| Frequently Asked Questions | Page 6-7 |
| Property Purchase Milestones | Page 8 |
| Example Property Reconciliation | Page 9 |
| Construction Loan Funding Example | Page 9 |
| Post Settlement Requirements for House and Land Purchasers | Page 10 |

ABOUT LOGIC FINANCE

- Logic Finance offers loan solutions for foreign nationals and immigrants purchasing real estate in Australia either for occupancy or for investment.
- At Logic we understand that everyone's circumstances are different, therefore our aim is to develop and deliver specific and effective finance strategies and facilities.
- We have relationships and accreditations with over 30 Lenders, giving us the capacity to satisfy the wide range needs of our clients.
- Logic finance is a Full Member of the Mortgage & Finance Association of Australia and hold our own credit licence in Australia.

KEY RELATIONSHIPS



INVESTMENT LOAN OVERVIEW

LENDING RATIOS

- The maximum percentage of the purchase price that any Lender will provide to Foreign nationals, who can provide proof of their income is 80% of the purchase price.

PRODUCTS:

- Interest only – 1 to 5 year terms (May be rolled into another term on completion)
- Principal & Interest up to 30 years
- Redraw facilities
- Extra Repayments
- Online Access

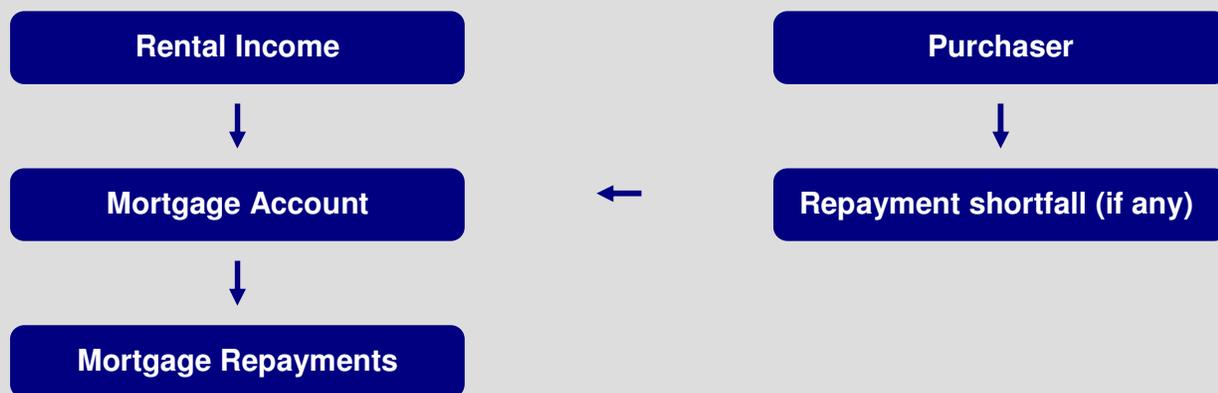
INTEREST RATES

- Variable and Fixed
- The Cash Rate set by the Reserve Bank of Australia and which is affected by issues such as the inflation rate. They meet on a monthly basis and may increase or reduce the Cash Rate depending on the prevailing economic conditions. The lenders use the Cash Rate as a basis for setting their interest rates. Logic Finance will secure the best rate possible for our clients at the time of application and relative to type of funding required.

LOAN REPAYMENT MANAGEMENT

To facilitate the mortgage repayments the rent is paid direct into the mortgage account by the Property Manager together with any repayment shortfall by the purchaser.

The following is a diagrammatic explanation:



MINIMUM LENDER REQUIREMENTS

Types of Purchasers

- The purchaser must be “Natural Persons” as Lenders **will not** provide finance to Company Purchasers.

Proof of Income

- Lenders require various forms of proof of income for both employed and self-employed applicants.
As each country has specific income payment and taxation systems and advice on what form of proof of income is required is on a case by case basis and the client will be advised of the requirements at the time of application.

Proof of Funds to Complete the Transaction

- The borrower will need to provide proof of how the balance of purchase costs will be funded e.g. Savings or Managed Funds Statements, mortgage statement etc.

Proof of Identity

- Identification Documents are a necessity to meet Statutory requirement. the following documents are required for all applicants (**One must have a photograph**)
 - ✓ Passport **or** Birth Certificate
 - ✓ Drivers Licence.

Note:

If your name has changed because of marriage and it is not reflected on the documents, a copy of your marriage certificate will also be required.

Important Mandatory Requirement

The “Anti Money Laundering & Counter Terrorism Act” requires all proof of identity to be in black and white only, stamped and signed as being Certified and Verified by one of the following Acceptable Referees:

- Justice of the Peace
- Police Officer
- Notary Public
- Bank Manager
- A Medical Doctor
- Solicitor

Power of Attorney

- Most Lenders require a Registered Enduring Power of Attorney in Australia in instances where clients do not have residency status.
- Logic Finance has an arrangement with a Solicitor who will act on behalf of the client.

Foreign Investment Review Board (FIRB)

- Foreign Investment Review Board (FIRB) approval is required for property purchased by foreign nationals.
- An FIRB form will be sent to each purchaser by the Property Agent for completion and signing.
- The Developer or Property Agent will submit it to the FIRB on the purchaser’s behalf.

Finance Application Form

- Logic Finance will post a finance application form to the purchaser for completion and signing together with the relative instructions.

FREQUENTLY ASKED QUESTIONS

Q.1 What is the Foreign Investment Review Board (FIRB)?

A.1 *The FIRB is Federal Government department that examines proposals by foreign interests to undertake direct investment in Australia and makes recommendations to the Government on whether those proposals are suitable for approval*

Q.2 I am a foreign person. Can I invest in Australia?

A.2 *Yes. However, whether or not you require foreign investment approval depends on what you wish to invest in. Except in rare circumstances, acquisitions of residential real estate requires prior foreign investment approval before the purchase can proceed.*

Q.3 How long does it take to get FIRB approval?

A.3 *Up to 30 days*

Q.4 Is there any advantage in purchasing a house and land package?

A.4 *Yes, as Government Stamp Duty on the purchase is paid on the Land Value not the combined Land Value plus Construction price (End Value). As in the Appendices of this presentation, the Stamp duty on the Land Value of \$90,000 would be \$2, 1480 as opposed to \$10,855 on an established property valued at \$290,000*

Q.5 Is it necessary to have a Transaction/Savings Account in Australia?

A.5 *No as the rental from the property is deposited direct into the mortgage account and the repayments are also debited from that account*

Q.7 What is the best way to transfer any funds if necessary?

A.7 *By Telegraphic Transfer and the mortgage account can be monitored via the Internet*

Q.8 How long does it take to get a Home Loan Approved?

A.8 *This entirely depends on the Lender having all of the required documentation. Given that they have all they need, Formal Approval should be achieved with 14 working days, however most Lenders will not issue Formal Approval until FIRB approval is received. This highlights the importance of the applicant completing and returning all of the documentation as soon as possible.*

Q.9 What currency values do Non-Residents use when completing the Lender Application form?

A.9 *Use the local currency value, as the Lender will convert it to Australian Dollars at the exchange rate that applies at the time the application is assessed.*

Q.11 Is there a cost for a Solicitor to act as an Enduring Power of Attorney?

A.11 *Yes-Stamp Duty costs are incurred when the documents are registered and the Solicitor will charge a fee. The Solicitor will make contact with the client direct in respect to all procedural matters and fees.*

FREQUENTLY ASKED QUESTIONS (cont)**Q.12 Can a relative, who is a Resident of Australia, act as Power of Attorney?**

A.12 *Yes-But Stamp Duty costs will still be incurred and they will need to reside within reasonable vicinity of the location of where the house is being constructed, as they need to sign documents and verify that each stage has been satisfactorily completed before authorising progress payments.*

Q.13 Can a Company be a finance applicant?

A.13 *No-The purchaser must be "Natural Persons" as Lenders will not provide finance to Company Purchasers.*

Q.14 Can a Trust be utilised?

A.14 *Yes, however the Trustee has to be the borrower and show the relevant proof of income and a copy of the Trust Deed has to be provided to both the lender and the FIRB.*

Q.15 Can Contracts be exchanged prior to FIRB Approval?

A.15 *Yes-You can enter into Contracts as long as they are conditional upon obtaining FIRB approval. If the contract is not conditional, you will be in breach of the Act.*

Q.16 Can another property be purchased by foreign nationals who are on long stay business visas and who already own a home purchased with FIRB approval?

A.16 *Yes-Provided it is not a second- hand residential property. You would normally be granted approval to purchase a brand new home or a unit that has not previously been previously sold or occupied and is part of a development where not more than 50% of the dwellings are already sold to foreign interests. Approval could also be expected on vacant land on the basis that you agree in writing to build a house on the site within 12 months*

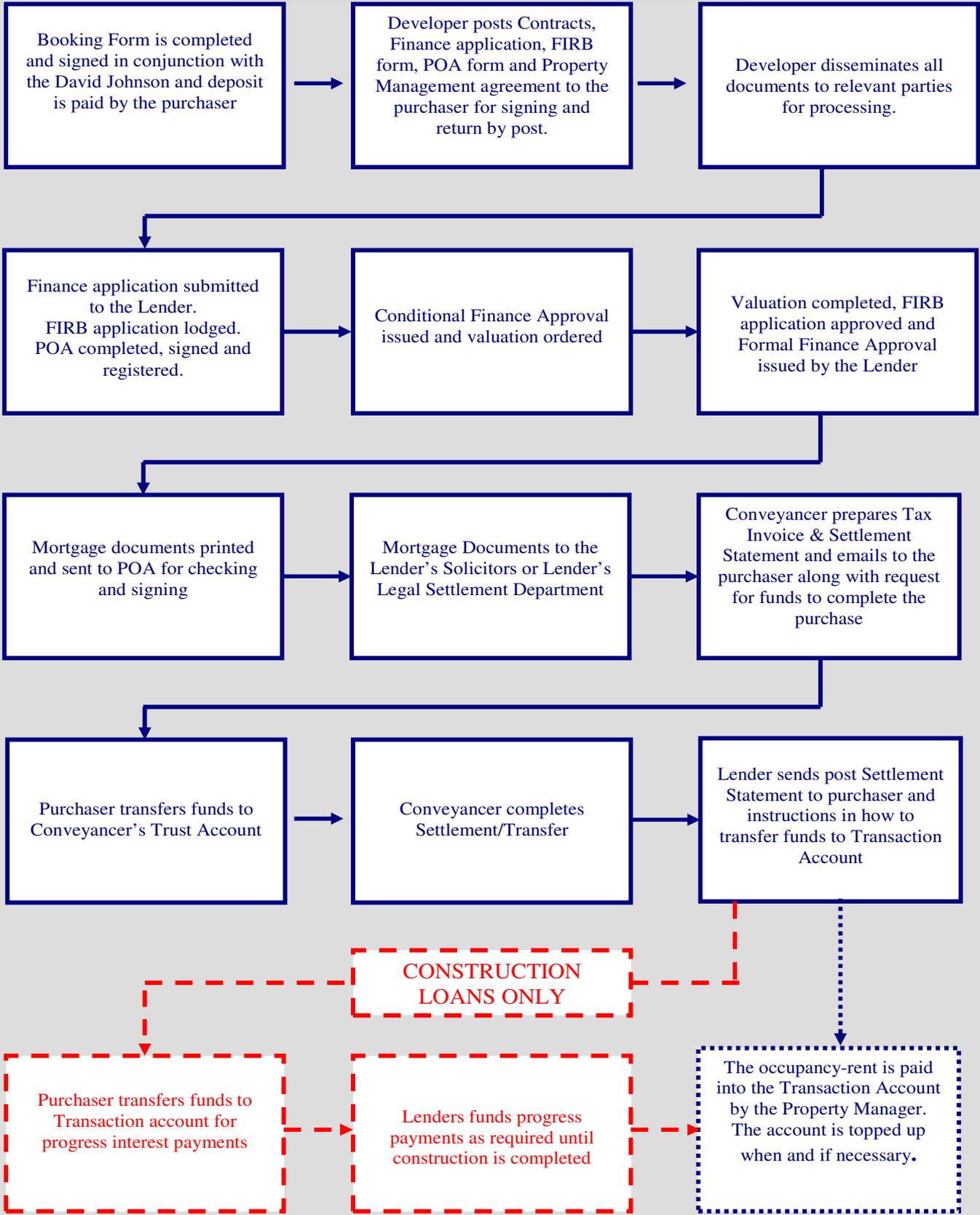
Q.17 is FIRB approval required by foreign nationals intending to reside in Australia and who are purchasing a property jointly with family members who are Australian citizens?

A.17 *Yes-all foreign nationals, unless they have permanent resident status or meet another exemption, need FIRB approval before buying residential property. Approval will depend on what your current visa status is and the nature of the house you wish to buy. The fact that you may buy jointly with family members does not affect how your proposal will be viewed under policy.*

Q.18 Do foreign nationals on long stay temporary visas living in Australia, need FIRB approval to purchase an established house to live in?

A.18 *Yes-if residing for a period exceeding 12 months from the time of application for approval they are eligible for FIRB approval to acquire residential real estate if it is an established dwelling and provided it is to be used as the person's principal place of residence and not for rental purposes and the property must be sold when the visa expires or they cease to reside in Australia.*

PROPERTY PURCHASE MILESTONES



Legend

- FIRB = Foreign Investment Review Board
- POA = Power of Attorney

EXAMPLE PROPERTY RECONCILIATIONS

House and Land Package

| | |
|---|------------------|
| Land component | \$100,000 |
| Construction component | <u>\$200,000</u> |
| Total purchase price | \$300,000 |
| Plus estimated associated purchase costs: | |
| Government fees and charges | \$ 4,500 |
| Lenders fees and charges | \$ 950 |
| Conveyancing fees and charges | \$ 2,100 |
| Allowance for progress interest payments | \$ 4,500 |
| Allowance for Property Management costs | <u>\$ 1,500</u> |
| Total purchase post | \$313,550 |
| Less | |
| Loan (80% of total purchase price) | <u>\$240,000</u> |
| Total purchaser's contribution | \$ 73,550 |
| | |
| Total purchaser's contribution as a percentage of the total purchase price | 24.516% |

Note:

The values in this document are estimates only and based on a house and land purchase price of \$300,000 and should be used as a guide only. The actual values will vary from property to property and may be affected by matters such as interest rates and rental income

CONSTRUCTION LOAN FUNDING EXAMPLE

Assumptions:

| | |
|---|------------------|
| Land Component | \$100,000 |
| Construction Component | <u>\$200,000</u> |
| Purchase Price | \$300,000 |
| Plus | |
| Associated Costs | <u>\$ 13,550</u> |
| Total Cost of purchase | \$313,550 |
| Less | |
| Total Loan required | \$240,000 |
| Contribution by Purchaser (including deposit) | <u>\$ 73,550</u> |

Funding

1. Land Settlement

| | |
|---------------------------------------|-----------|
| \$100,000 + \$13,500 Associated Costs | \$113,550 |
| Less | |

| | |
|--------------------------|-----------|
| Purchaser's Contribution | \$ 73,550 |
| Lender Funding | \$ 40,000 |

2. Footings Poured

| | |
|----------------|---|
| Lender Funding | \$ 40,000 (20% of Construction Component) |
|----------------|---|

3. Completion of wall and Roof Frame

| | |
|----------------|---|
| Lender Funding | \$ 50,000 (25% of Construction Component) |
|----------------|---|

4. Completion of Brickwork & Roof cover

| | |
|----------------|---|
| Lender Funding | \$ 50,000 (25% of Construction Component) |
|----------------|---|

5. Completion of Second Fix Carpentry

| | |
|----------------|---|
| Lender Funding | \$ 40,000 (20% of Construction Component) |
|----------------|---|

6. At Practical Completion

| | |
|----------------|--|
| Lender Funding | <u>\$ 20,000</u> (10% of Construction Component) |
|----------------|--|

| | |
|----------------------|-----------|
| Total Lender Funding | \$240,000 |
|----------------------|-----------|

Note:

The total purchaser contributions are used at Land Settlement. The lender then funds the shortfall for the land purchase and the progressive construction payments. All values above are Australian Dollars.

POST SETTLEMENT REQUIREMENTS

FOR HOUSE AND LAND PACKAGE PURCHASERS

The following points are intended to assist Non Resident purchasers with post settlement activities and their relative responsibilities.

1 Land Settlement

Land Settlement is when the land legally transfers into the purchasers name. Construction will commence as soon as practicable, usually within one month.

2 Progress Interest Payments

Immediately following the land settlement, the purchaser will need to deposit sufficient funds in the mortgage account. for the progressive interest payments which will be applied until the construction is fully completed.

It is estimated that up to \$4,500AUD will be required however this will be largely dependant on the price of the property and the time that it takes to complete construction.

3 Property Management

There are a number of property related expenses which need to be paid before the property can be tenanted these include the following estimates:

| | |
|----------------------------|---------------------------|
| a. Landlords Insurance | \$500.00 |
| b. Emergency Services Levy | \$100.00 |
| c. Water Rates | \$200.00 |
| d. Advertising | \$100.00 |
| e. Letting Fee | \$600.00 (2.5 weeks rent) |

As the majority of above are due and payable before any rental income is received it will be necessary to deposit additional funds into offset account over and above the allowance for the progress interest.

4 Mortgage Account Funds

Considering the above it is recommended that a total of \$6000AUD be initially deposited into the mortgage account.

5 Mortgage Repayments Following Completion of Construction

Following completion of the construction interest will be charged on the total loan and is paid in arrears.

6. Rental Guarantee

The rental Guarantees commence according to the conditions in the agreement relative to each purchase. Please ensure you read this agreement carefully as rental guarantee payments cannot be made before completion of construction and in some cases until tenants have been secured and a lease is signed.

.7. Monitoring of the Mortgage Account

To ensure that sufficient funds are in the mortgage account to meet all associated expenses with the purchase, the purchaser will need to monitor the account via the internet and deposit funds to cover any shortfall.