

Self-Managed Superannuation Fund (SMSF) Parameters

Available to complying SMSFs, our Super Resi and Super Commercial products can assist SMSF borrowers purchase or refinance a single title residential or commercial property.

The loans are structured as a Limited Recourse Borrowing Arrangement (LRBA).

In the event of default, recourse is limited to the asset used to secure the loan, plus member(s) personal guarantees.


KEY PARTIES TO THE APPLICATION

Key party	Required information	Note
Self-Managed Superannuation Fund	<p>Full name of SMSF & ABN details</p> <p>Certified copy of the signed & stamped (where applicable) SMSF trust deed & any amendments</p>	<ul style="list-style-type: none"> RedZed will consider an SMSF with up to 4 members. The SMSF must be a registered & complying superannuation fund as determined by the Australian Taxation Office (ATO).
Corporate Trustee of the SMSF	<p>Full name & ACN details</p>	<ul style="list-style-type: none"> This is the borrowing entity & beneficial owner on behalf of the SMSF. An individual trustee is unacceptable.
SMSF Individual Members	<p>Full names of all members</p>	<ul style="list-style-type: none"> All SMSF members over the age of 18 must guarantee the SMSF loan.
Bare/Security Holding Trust	<p>Full name of trust & ABN details</p> <p>Certified copy of the signed & stamped (where applicable) Bare trust deed & any amendments</p>	<ul style="list-style-type: none"> Established only when a loan is required to purchase a property in an SMSF. If the SMSF can purchase the property without a loan, no Bare trust is required. In conjunction with the Bare trustee it is the Legal owner of the property. A party to the limited recourse borrowing agreement (LRBA) with the SMSF & RedZed.
Corporate Trustee of the Bare/Security Holding Trust	<p>Full name & ACN details</p>	<ul style="list-style-type: none"> Legal owner & purchaser of the security property. It has no discretion & no duties other than to hold the property on behalf of the beneficiary & transfer the property ownership to the beneficiary when the loan is paid off & discharged. It cannot be the same entity as the corporate trustee of the SMSF & cannot be an individual trustee. Provides a guarantee limited to the security property.

Acceptable Income

RedZed will consider a combination of the following income types for both Super Resi or Super Commercial:

- ✓ Member contributions to the SMSF (or retail superannuation fund if the SMSF has been newly established)
- ✓ Rental income from the new security property and any other property held by or on behalf of the SMSF
- ✓ Income that remains ongoing from investments, remove and balance held within the SMSF (deemed at 4%)
- ✓ Additional member contributions where evidence and capacity can be verified from continuation of existing employment and business operations.

 **NOTE:** At least one member of the SMSF must still be in the accumulation phase. An SMSF in full redemption phase is unacceptable.

SMSF Expenses

For loan servicing RedZed will also take into consideration the following expenses or liabilities:

- ✓ Annual SMSF audit and management fees (a minimum \$2,000 applied in servicing)
- ✓ Other ongoing SMSF liabilities (e.g. member insurances etc) and loan or mortgage repayments
- ✓ Other ongoing regular redemptions or withdrawals from the SMSF

 **NOTE:** For loans with additional member contribution only – each member's personal income, liabilities and living expenses is required.

Minimum SMSF liquid asset position

RedZed Super Resi

3 months repayments for all SMSF debts.

RedZed Super Commercial

3 months repayments for all SMSF debts when the security is intended to be leased by a member's self employed business or has an existing lease with expiry > 12 months.

OR

6 months repayments for all SMSF debts when the commercial security is vacant or has a lease expiry < 12 months.

SMSF Loan Servicing

There are multiple ways to qualify serviceability, including both Full Doc and Alt Doc options.

FUND ONLY SERVICING

Available when current superannuation contributions, income generated by the SMSF assets, and any proposed rental income is sufficient to meet our serviceability requirements.

Income type	Verification	Assessed
Contributions to Superannuation fund (SMSF or Retail fund)	<ul style="list-style-type: none"> 12 months superannuation fund statements <p>If Member(s) are PAYG</p> <ul style="list-style-type: none"> Most recent payslip with year-to-date details, OR Letter of Employment (on letterhead with employment status, gross income & net salary details) <p>If Member(s) are Self-employed (min 24-month ABN)</p> <ul style="list-style-type: none"> Evidence confirming active self-employed status from the Australian Business Register using ABN Lookup (www.abr.business.gov.au) 	100%
Rental Income - Residential	<p>Proposed security property or other existing properties held by the SMSF</p> <ul style="list-style-type: none"> Most recent rental statement if tenanted, or agent letter of appraisal (dated within 3 months of application) , OR RedZed valuation may be relied upon for proposed rent where applicable (No short term or holiday let income allowed - standard rental tenancy only), OR Most recent lodged SMSF tax return 	80%
Rental Income - Commercial	<p>Proposed security property or other existing properties held by the SMSF</p> <ul style="list-style-type: none"> Most recent 6 months verification of rental payments via bank statements (refinances) Full copy of executed lease agreement for existing or new tenant (including any proposed tenancy agreements by an SMSF related party) <p>⚠️ NOTE: Rental income will be based on the lower of the market rent as per valuation report, or current lease whichever is the lesser</p>	80%
Income from investments & other non-property assets (Deemed income)	<ul style="list-style-type: none"> Evidence through Annual dividends, interest, or revenue statements, or most recent audited SMSF tax return. <p>⚠️ NOTE: Income from other investments of the SMSF must be assessed based on asset balance post RedZed loan settlement, i.e. excluding any funds withdrawn to meet required contribution to the property purchase.</p>	85%

Expenses / Liabilities	Verification
Annual SMSF audit / management fees	<ul style="list-style-type: none"> SMSF tax return or invoices
Member insurances etc.	<ul style="list-style-type: none"> SMSF tax return or invoices
SMSF loan repayments (existing/new)	<ul style="list-style-type: none"> Most recent loan statement
Regular withdrawals / redemptions	<ul style="list-style-type: none"> SMSF tax return or bank account

Minimum Fund only debt servicing ratio (DSR) = 1.01

SMSF Loan Servicing

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FUND + ADDITIONAL MEMBER SERVICING

- Available when Fund Only servicing does not meet minimum serviceability requirements and the member(s) plans to and has the capacity to make additional ongoing contributions to their SMSF (in addition to current contributions).
- Capacity to make any proposed Additional Member contributions must be demonstrated via a capacity assessment including; personal income, liabilities, living expenses and the proposed additional contributions (refer RedZed SMSF serviceability calculator).
- Acceptable Member(s) personal income can include PAYG, self-employed Full Doc and self-employed Alt Doc.
- Members are required to complete our Additional Member Contribution Declaration.

Additional Member Contribution Verification requirements – Additional to Fund Only requirements are noted above.

Income type	Verification	Assessed
Additional Member SMSF Contributions	<ul style="list-style-type: none"> • Fully executed SMSF Additional Member Contributions Declaration. (section 2.0 of application form) 	100%
Member – PAYG employed (Full Doc)	<ul style="list-style-type: none"> • Most recent 2 payslips, OR • Bank statement showing salary credits of the most recent 2 pay cycles, OR • 1 year to date payslip covering a minimum of 2 pay cycles, AND ONE OF EITHER • Most recent myGov Income Statement, OR • Most recent tax assessment notice, OR • Employment letter detailing employment status, gross & net salary details. 	100%
Member – Self-employed (Full Doc)	<ul style="list-style-type: none"> • ABN registered for 24 months, AND • Most recent year lodged individual / company / trust tax return, AND • Australian Tax Office notice of assessment, AND • If an accounting period ended more than 12 months ago then, additional 2 most recently lodged BAS also required. 	100%
Member – Self-employed (Alt Doc)	<ul style="list-style-type: none"> • ABN registered for 24 months, AND • Alt Doc Income Declaration (section 2.1 of application form), PLUS ONE OF • Accountants Declaration (section 2.2 of application form), OR • 6 months lodged BAS, AND • Australian Tax office portal to confirm tax status, OR • 6 months business trading statements, AND • Australian Tax office portal to confirm paid tax status. (to assist with verification we may seek additional income verification) 	25% (refer Alt Doc criteria below)
Other personal Income e.g. Centrelink	<ul style="list-style-type: none"> • Most recent 6 months statements. (refer to page 6 Income Consideration for more details) 	Variable

Expenses / Liabilities	Verification
Member(s) living expenses	<ul style="list-style-type: none"> • Complete Member Expenses (section 1.5 of application form) • Most recent month's personal bank transaction statement
Member(s) personal debts and liabilities (mortgages, personal loans, credit cards etc)	<ul style="list-style-type: none"> • Most recent statement for all debts

Minimum Fund + Additional Member contributions debt servicing ratio (DSR) = 1.11

SMSF Loan Servicing

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ALT DOC CRITERIA

- Proposed Additional Member contributions established on an Alt Doc basis cannot exceed 25% of the overall income required to meet minimum serviceability requirements.



NOTE

- Overall income is defined as – existing fund contributions, rental income, deemed income **plus** the proposed Additional Member contributions.
- For Alt doc assessment, RedZed will adopt the proposed additional member declaration amount, or, 25% of the SMSF overall income, whichever is the lesser.

FUND + ADDITIONAL MEMBER CONTRIBUTION SERVICEABILITY SCENARIO'S

Full Doc scenario

John wants to diversify his investments in his SMSF by purchasing a residential property. To qualify for the required loan, the SMSF needs to generate \$70,000 in net income. Currently the SMSF is only generating \$50,000 in net income (existing contributions + new rental income + deemed income).

John has proposed to make additional member contribution of \$20,000 to meet the shortfall.

To establish his capacity to make these additional contributions a personal capacity assessment is required.

Verifying Capacity to make Additional Member contributions - Full Doc

\$100,000	Personal Full Doc verified income
-\$45,000	Personal liabilities
-\$30,000	Personal living expenses
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\$25,000	Surplus net income available to make proposed Additional Member contributions

John has demonstrated the capacity to make the proposed Additional Member Contributions to his SMSF to meet the minimum serviceability requirements.

Alt Doc scenario

Jenny wants to diversify her investments in her SMSF by purchasing a residential property. To qualify for the required loan, the SMSF needs to generate \$55,000 in net income. Currently the SMSF is generating \$46,000 in net income (existing contributions + new rental income + deemed income).

Jenny has proposed to make additional member contribution of \$9,000 to meet the shortfall.

To establish her capacity to make these additional contributions a personal capacity assessment is required.

Verifying Capacity to make Additional Member contributions - Alt Doc

\$100,000	Personal Alt Doc verified income
-\$55,000	Personal liabilities
-\$30,000	Personal living expenses
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\$15,000	Initial surplus net income (not all available for serviceability)
\$13,750	Maximum surplus available for serviceability (\$46,000 + \$9,000 X 0.25%) - refer Alt Doc criteria above

Jenny has demonstrated capacity to make the proposed Additional Member Contributions to her SMSF to meet the minimum serviceability requirements.

RedZed recommends the SMSF trustee and members seek appropriate financial advice in relation to the fund's overall investment strategy and plans to make proposed Additional member contributions.



We offer common sense solutions through simple, responsible and tailored loan options designed to help business owners achieve their ambitions.

The income consideration shown is a guide and we strongly encourage you to discuss the circumstances of your loan proposal with your BDM to determine our position, or specific requirements to the individual situation presented.