

## FAQ's on becoming a lender on the **EquityLenders** panel of lenders

### Why are there differences between interest rates that are being offered to me?

If you provide a loan to a property owner or property buyer and it's secured by a registered **1<sup>st</sup> mortgage**, the risk to you as the lender is perceived to be **low** therefore returns to you are from **6.95% pa**.

If you provide a loan to a property owner or property buyer and it is secured by a registered **2<sup>nd</sup> mortgage**, the risk to you is perceived to be **higher** therefore returns are **higher** ie from 14.95% pa.

- 1<sup>st</sup> mortgage rates start from **6.95% pa**
- 2<sup>nd</sup> mortgage rates start from **14.95% pa**

**Note:** It is rate for risk.

### Why does a **2<sup>nd</sup> mortgage** have higher risk compared to a **1<sup>st</sup> mortgage**?

A **2<sup>nd</sup> mortgage** is ranked behind a **1<sup>st</sup> mortgage**, which means that if a property owner doesn't repay their loan and their property is sold, the 1<sup>st</sup> mortgagee will be repaid before the **2<sup>nd</sup> mortgagee**. The **2<sup>nd</sup> mortgage** has a lower ranking compared to the **1<sup>st</sup> mortgage**.

Risks to lenders include:

- the **1<sup>st</sup> mortgagee** is paid in full prior to the **2<sup>nd</sup> mortgagee** receiving funds from sale proceeds
- if the lvr was high ie above 70% and the sale price low ie based on market value, the **2<sup>nd</sup> mortgagee** may receive less than their original loan amount from sale proceeds

How **EquityLenders** mitigates the risk to you as the lender of **2<sup>nd</sup> mortgages** seeking higher returns:

- you nominate the maximum lvr you are comfortable with ensuring there is sufficient remaining equity available to both the **1<sup>st</sup> mortgagee** and you, each being paid out in full - from the proceeds of a property sale
- **EquityLenders** does not exceed 70% lvr which means at least 30% of the remaining equity is available as buffer should either the **1<sup>st</sup> mortgagee** or you as the **2<sup>nd</sup> mortgagee** be entitled to higher amounts
- valuations ordered by **EquityLenders** include both market value and **forced sale values** to ensure that you as the lender are aware of what the property sale can achieve if proceeding with mortgagee in possession
- interest is generally **prepaid for the term** of the loan to reduce loan default or occurrence of arrears
- an email + formal letter + one or more phone calls are sent, issued, or made to the borrower(s) within days of becoming aware a repayment has not been received with instructions to immediately rectify
- at time of borrower(s) accepting your loan secured by a **2<sup>nd</sup> registered mortgage**, all of the borrower(s) personal property is registered on the **PPSR** with your name as the interested party

## When I become a lender on the panel, what is required of me?

Based on your advised requirements to us at the time of lender panel registration we will present you with preliminary and then packaged loan requests for you to consider.

The following is the typical process:

1. you review loan requests and make your own enquiries and judgement on property type(s), property value(s), the borrower(s), the loan term, proposed conditions, rate etc and if this is a loan that wish to lend on
2. you then decide if you wish to lend your funds to the property owner(s)
3. you confirm to **EquityLenders** by return email that you **do** or **do not** wish to lend
4. if you **do not** wish to lend, nothing further is required apart from a return email or call to **EquityLenders**
5. if you **do** wish to lend, you confirm to **EquityLenders** who then provides the property owner(s) with an Indicative Letter of Offer that includes the terms of the loan you wish to provide
6. upon acceptance by the borrower(s) and yourself, **EquityLenders** instructs Bransgroves Lawyers to prepare the loan agreement and attend to pre-settlement requirements
7. a Partner of Bransgroves Lawyers is allocated to you to finalise settlement requirements and you are contacted by phone and email. You are provided with a draft loan agreement to review and approve prior to Bransgroves Lawyers issuing it to the borrower's legal firm
8. the day prior to settlement of the new loan, you will be requested to transfer the required funds to the Trust account at Bransgroves Lawyers in preparation for settlement and only when Bransgroves Lawyers have provided the green light to advance funds
9. after the loan settlement, if you have received prepaid interest for the term of the loan, you are not required to do anything until discharge at the end of the loan term
10. during the loan term and before the end date, your borrower may request a loan extension ie rollover
11. prior to discharge, you will be contacted by Bransgroves Lawyers as they prepare for discharge to seek your instructions on account details for the return of your funds

## How often will I receive the interest on the funds I have lent out?

You nominate how you wish to receive your Interest payments from your borrowers, these can be either:

1. interest payable monthly by the borrower(s) or,
2. the total amount of interest for the loan term can be prepaid at the start of the loan

**Note:** If you choose to receive prepaid interest, the risk of payments being late or missed is **zero**.

## How is my interest paid to me?

The legal firm acting for you (Bransgroves Lawyers) is provided with your banking details over the phone.

- If you have nominated to have your interest payments **prepaid** for some or all the loan term, the amount of interest is credited back to your nominated bank account at or immediately after settlement has occurred
- If you have approved your borrower(s) to make **monthly** interest payments, the first month's interest has been deducted from the borrower's loan and credited to your nominated account at or immediately after settlement has occurred. From then on, monthly interest payments are credited to your nominated account by your borrower(s)

## Who is/are the company borrower(s) that I will be lending to?

Borrowing is limited to:

- Pty Ltd Companies, and
- Pty Ltd Corporate Trustees of Family Trusts

Your funds are **not** made available to:

- ABN holders without a Company
- Family Trusts without a Corporate Trustee
- Individuals and personal names or,
- Sole Traders

**Company Directors** and **Corporate Trustees** nominate one or more property that they own or wish to purchase as security for your loan.

Loans are made to both existing and newly formed Companies and Corporate Trustees. You have the final say in acceptable borrowers.

**Note:** You alone approve **how, when, where** and to **whom** your funds are loaned to!

## Is lending to a Company or Corporate Trustee safe?

Before any Indicative Loan Offer is issued to a Company or Corporate Trustee borrower:

1. a lending Manager at **EquityLenders** discusses the loan requirements with the Company Director(s) and if the borrower can proceed, an **indicative quote** is prepared and issued to the property owner(s)
2. an **application** is provided to, and completed by, the Director(s)
3. **EquityLenders** undertakes **personal credit reports** on all Directors using Equifax and **Company credit reports** on the company using Creditorwatch
4. the **purpose** of the loan is determined, the **exit strategy** is determined, and the amount of available **equity** is determined based on Core Logic desktop valuation(s) and realestate.com.au comparable(s)

As a general rule, Directors and Companies that reveal credit issues including paid and unpaid defaults, court writs, court judgments, payment arrears and unacceptably low credit scores, their loan requests don't progress any further and are not presented to any lender on the panel.

Only applicants with acceptable credit scores together with generous equity are presented to you by **EquityLenders**.

**EquityLenders** management will determine the following before presenting any submission to you:

5. the borrower is a new or established Company with an ACN
6. the Company has a satisfactory credit report with an acceptable credit score
7. the Director(s) personal credit is satisfactory with an acceptable credit score
8. the loan to value ratios (LVR's) are not exceeded ie at or above 70%
9. the property that your funds are being loaned against is verified by a sworn valuation from a panel valuer
10. the borrower's application form and supporting documentation is checked and verified

**Note:** It is not in anyone's interest to provide loans to Directors and Companies that have not first been vetted by **EquityLenders** experienced management, then vetted by you and finally vetted by the gatekeepers Bransgroves Lawyers.

## What happens if I have nominated to receive my interest payments month-by-month, but the borrower is late?

Borrower(s) make loan repayments directly to your nominated bank account. Only you will know when payments are not visible in the account on the scheduled repayment date.

Payments not made, or made late, should be notified to **EquityLenders** upon occurrence.

**EquityLenders** will contact your borrower(s) to remedy the situation at no charge to you. Initial remedies include:

- verbal and written **warnings** issued by **EquityLenders** or Bransgroves Lawyers to your borrower(s)
- daily default interest being payable at the higher rate being applied to their loan repayments every day while their loan remains in default
- **letters** is/are issued to your borrower(s) to enforce your mortgage(s) giving them 14- or 21-days' notice that recovery action will commence or has already commenced

**Note:** Unpaid interest is recoverable under the Mortgage and form part of the Secured Monies under the loan. They are recovered on discharge/refinance/settlement of the sale of the security property.

## If the borrower using my funds goes into default, what am I required to do about it?

**EquityLenders** will be made aware by you that your borrower(s) loan repayment continues not being made and as such the next stage of remedial action is initiated. The mortgage manager **EquityLenders** will contact you and seek your instructions. Your instructions may be to:

- issue a default notice to your borrower(s) with a timeframe for your borrower(s) to rectify
- commence proceedings immediately to enforce your mortgage(s)
- try to work with the borrower(s) to discharge/refinance/sale of their property depending on their situation

**Note:** All fees paid by **EquityLenders** to Bransgroves Lawyers in the unlikely event your borrower is in default, are recoverable under the Mortgage and form part of the Secured Monies under the loan. Fees are recovered from the borrower(s) upon discharge/refinance/settlement of the sale of the security property.

## Can I use my own Solicitor to look after my interests, prepare loan agreements, attend to settlements and anything else that I may require post settlement including arrears management, recovery action and discharge of the loan?

You can, however it is not advisable to use your legal firm unless they are highly specialised in mortgage lending especially when using private funding lines. Fees for Bransgroves Lawyers are payable by your borrower(s), the preparation of loan agreements is often within hours or same day, and settlements are conducted on a national basis.

**Note:** Should you wish to use your own legal firm, you are welcome to do so, and **EquityLenders** management will contact your legal firm to familiarise their processes, their fees, their timeframes and their settlement requirements.

## What if I do not want my personal name, Company name, Trust name or SMSF name on the borrower's mortgage(s)?

When using Bransgroves Lawyers to attend to settlement and post settlement requirements, you can opt to use a Bransgroves Lawyers contributory mortgage facility called **Omicron Mortgages** Pty Ltd.

Omicron Mortgages will be the lender on record while you as the lender are registered in the background using a Bransgroves Lawyers Syndication Deed (with voting rights) and still with 1<sup>st</sup> mortgage or 2<sup>nd</sup> mortgage ranking security as applicable.

A contributory mortgage is where one or more parties wishes to share in a 1<sup>st</sup> or 2<sup>nd</sup> mortgage ie you and another panel lender.

For example, your borrower(s) may require \$200,000. You as the lender may only have \$50,000 available but wish to lend.

Another lender may only have \$150,000 available and wishes to lend.

Both of you can lend (contribute) to the same borrower(s) using the **Omicron Mortgages** facility while each receiving the same interest rate and the same mortgage ranking.

## What happens if I require my money back before the loan term expires?

Under the terms of the loan agreement between lender and borrower, it is not possible to request return of funds sooner than the loan term expiry date.

If the lender on record is **Omicron Mortgages** however, then it is a simple matter of requesting **EquityLenders** to replace you as the lender on the **Omicron Mortgages** Syndication Deed with Bransgroves Lawyers.

**EquityLenders** will then do their best to seek a lender to replace your funds with theirs.

## What is the role of EquityLenders?

EquityLenders is an Arranger and Lender's Broker that arranges private mortgages on behalf of private lenders.

Our role:

Typically, EquityLenders will receive loan applications from Borrower's Brokers who represents the interests of the borrower(s). When a suitable application arrives from a property owner(s), EquityLenders will undertake preliminary due diligence and then contact Panel Lenders (You) to gauge interest.

Once EquityLenders is satisfied there is tentative, non-binding, in principle agreement from you the lender to fund the loan, subject to valuation and due diligence, EquityLenders will then issue an Indicative Letter of Offer to the borrower(s).

The salient features of the Indicative Letter of Offer are that:

- the issuer is EquityLenders (not you as the lender)
- it is an offer to arrange finance (not provide finance)
- the prospective lender 'you' is identified only as "Private Lender/s"
- you will be entitled to withdraw at any time, for any reason
- establishment fees are payable to EquityLenders, upon settlement. Sometimes EquityLenders and the Borrower's Broker will have an email agreement that the Borrower's Broker's fees will be built into one of these fees. The Borrower's Broker will then be paid after settlement by EquityLenders

Upon acceptance of the Indicative Letter of Offer the borrower(s) must pay:

- a commitment fee if requested (so that EquityLenders gets something if the borrower(s) withdraws)
- a deposit on the legal fees (so the Lender's Solicitor gets something if the borrower withdraws)
- a valuation fee (being the valuer's fixed quoted fee)

It contains all information required to prepare security documents namely:

- borrowers
- guarantors
- security
- principal
- higher and lower rates of interest
- special conditions.

The borrower(s) then accept the Indicative Letter of Offer and returns to EquityLenders the offer letter together with any requested upfront fees. Upon receipt, EquityLenders then instructs the valuer(s) and obtains the valuation(s).

EquityLenders may present you with either a brief synopsis of the loan request or the loan request package by email. The email typically includes the application package, signed and accepted letter of offer if available, valuation(s) if available, Equifax (personal credit) reports if available, Creditorwatch (Company credit) reports and Core Logic (property) reports and any observations.

After completing whatever due diligence you may wish to perform (including inspecting the security) you are requested to either call 1300 859 075 or email **EquityLenders** [loans@equitylenders.com.au](mailto:loans@equitylenders.com.au) and indicate you are ready to proceed and or instruct Solicitors.

**EquityLenders** will then email the lender's Solicitor advising that you instruct **EquityLenders** to act on the advance. The email attaches the signed Indicative Letter of Offer.

The Lender's Solicitor, being Bransgroves Lawyers will then prepare security documents on behalf of you and certify title to you the lender. When you accept the certification, you transfer the loan principal or contribution to the principal to Bransgroves Lawyers Trust Account. Bransgroves Lawyers then settle the loan on PEXA (the Australia-wide electronic conveyancing platform).

**EquityLenders** role may then cease, or we may upon your instruction:

- collect and distribute interest,
- act as Bare Trustee,
- act as Administrative Agent,
- manage the loan in the capacity of Mortgage Manager (\*not available on Omicron Mortgages)
- or all the above.

\*If the mortgage is a contributory mortgage i.e. Omicron Mortgages, or there are one or more loans which constitute a common enterprise, you and other lenders ie your SMSF etc enter into a Syndication Deed that provides for the day-to-day management of the loan through voting by you and the other lenders



## What fees do EquityLenders receive?

EquityLenders receives borrower-paid fees from borrower(s) that demonstrably benefit from low interest rates from either a 1<sup>st</sup> registered mortgage or 2<sup>nd</sup> registered mortgage and, longer loan terms provided by you and as sourced by EquityLenders.

Borrower(s) pay low start-up fees, low management fees and low discharge fees to EquityLenders and, receive personalised one-on-one private service from EquityLenders management.

Fees that are paid upfront by the borrower(s) to EquityLenders:

- valuation
- security assessment
- legal deposit

Fees that are paid from settlement proceeds by the borrower(s) to EquityLenders:

- establishment
- application
- mortgage management

Fees that are paid at discharge of the loan by the borrower(s) to EquityLenders:

- deferred establishment if applicable
- deferred application if applicable
- deferred mortgage management if applicable
- arrears management if applicable

**Note:** All fees payable by borrowers to EquityLenders are disclosed to you at the time of presentation.

## Who are the parties mentioned in this FAQ?

**EquityLenders** – Lender Panel, Mortgage Manager, Originator and Lender's Broker

[equitylenders.com.au](http://equitylenders.com.au)

Bransgroves Lawyers – Preparation of Legal Agreements, Settlements, Recovery Action and Discharges

[bransgroves.com.au](http://bransgroves.com.au)

Equifax – Personal and Business Credit Reports with credit scores

[equifax.com.au](http://equifax.com.au)

Creditorwatch – Company Credit Reports with credit scores

[creditorwatch.com.au](http://creditorwatch.com.au)

Omicron Mortgages – Contributory Mortgage and Syndication Deeds owed by Bransgroves Lawyers

[bransgroves.com.au](http://bransgroves.com.au)

Core Logic – Desktop Valuations and property information

[corelogic.com.au](http://corelogic.com.au)

PEXA - Australia-wide electronic conveyancing platform

[pexa.com.au](http://pexa.com.au)