

The DomaCom Fund – Case Study 7

Off The Plan Funding Settlement Issue



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## Case Study 7: Off the Plan funding settlement issue

- A client, William, makes contact with you as he has wants to purchase an off-the-plan property in the Melbourne suburb of Carlton
- As part of the purchase process William sought and was granted pre-approval for a loan at settlement
- William has become aware that off the plan transactions face a heightened risk of settlement failure due to the loan approval not being binding and the lender not delivering on the loan when settlement becomes due
- William is worried about the risk of proceeding with the off-the-plan purchase
- The property developer is struggling to sell the property via an off-the-plan transaction due to the heightened settlement risk

# Case Study 7: Off the Plan funding settlement issue

- Solution:
  - William starts an “Off-The-Plan” purchase campaign on DomaCom and pledges his cash investment
  - Other like-minded investors/clients (including SMSF’s) co-invest any remaining equity required (if any)
  - DomaCom sources the required loan and is the borrower, therefore:
    - No servicing checks on each investor by the lender
    - No need to incur the significant cost of setting up a Bare Trust and source an LRBA (and no requirement for personal guarantees)
    - The loan is non-recourse i.e. recourse is only to the underlying property
    - Conservative borrowing up to a maximum 60% LVR
  - DomaCom Fund the loan on exchange:
    - Settlement is guaranteed
    - Extra capital raised to cover Interest payments
    - Loan refinanced once property has been built
    - DomaCom negotiates a developer discount to compensate for the cost of funding the loan

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