

Case Study

Background: The client is a developer. He had completed a 95 Lot subdivision with 90 presales. Out of those 64 settled and he was able to take out the first mortgagee. But by that time the market had slowed down and the balance 26 pre sales fell through. The 2nd Mortgagee (who had now become the 1st) was charging him 24% interest and refused to extend the loan.

Our View: The client had managed the project well and was unfortunately caught out when the market deteriorated. The sections were in a good suburb and although values had fallen his overall debt position was still reasonable. We believed that he would be able to sell down the sections gradually.

Security Offered: 31 sections .

Loan Amount: \$2,279,000

LVR: 63%

Loan Type: Capitalised Interest only term Loan.

Loan Term: 6 Months.

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Extras:

- At the end of 6 months he had managed to sell 10 of the 31 lots and reduced our LVR to 48%. We then agreed to extend the loan for a further 6 months (and capitalise interest) to allow him to sell the balance of the lots.

Exit Strategy : Through gradual sell down of the Lots. He was able to achieve this before the loan matured.