January 2025

We saved our resi land sub-divider client $58k in duplicate loan fees and exceeded the available LVR on vacant land by using a 2nd facility secured by 2nd mortgage for the land settlement....

Our client purchased and settled 2 adjoining properties on large blocks of land that included a DA to demolish and subdivide into 12 lots. Two to three months after settlement the OP Works will be available and development will commence. The purchasers instructions were clear: there was to be no doubling-up of loan fees and to only use a funding line that offered blended loans. Because the OPW wasn't included in the purchase, a bridging loan was required to settle the land. Upon receipt of the OP Works, a new loan to refinance and construct will be settled.

Location: Ipswich suburb Queensland

Circumstances: Each purchase $1.2m tenanted, DA, 4 month settlement. Max LVR required to purchase and develop based on end values. Balance of funds coming from equity releases. Twelve titled lots ready late 2025, 9 presold to payout loans and owner retaining 3 to construct dwellings for resale. Purchaser engaged a project manager to secure the funding, obtain the OP Works, pre-sell 9 lots, demolish both existing dwellings and appoint contractors and consultants.

Client contributions: Approx $1.4m from an equity release was used to fund the deposits, consultants, valuation fees, settlement fees and balance between purchase and net loan amount.

What I did: Upon being contacted by the project manager, I approached 3 funding lines that offered bridging loans and land development loans. And most importantly, funding lines that offered loans secured by 2nd mortgages to increase the LVR should a lower than expected valuation be returned. All 3 had similar interest rates and fees. Only one funding line was willing to waive establishment fees on the development loan equivalent to the establishment fees on the initial bridging loan and provide a higher LVR in the event of a low valuation using 2nd mortgages. As expected, the valuation was returned $200k lower than the purchase price resulting in the higher LVR being required for land settlement.

Loans provided: A bridging loan to settle the 2 purchases of $1.32m secured by both a 1st and 2nd mortgage settled late March 2025. A draw-down construction loan to refinance the bridging loan upon receipt of the OP Works for $3.25m. No accountant letter required as interest was prepaid for the term. The loan was provided by one of our long-term funding lines.

Outcome successful: The purchaser was able to settle the 2 purchases, secure an additional loan amount as a result of an expected lower valuation amount a week or so before settlement and -- **saved $58k in duplicate loan fees on the development loan!**