May 2025

Broker and Bank let our client down right at the last minute on an unconditional contract for an opportunistic purchase of an apartment in Sydney that will provide signficant profit from owning and selling both to a developer...

Our client already owns one of the three apartments and decided to purchase at auction the adjoining property that came up for sale. Purchasing this property enables the purchaser to control or remove the body corp. Using a bank approval provided by his broker, the client attended the auction and purchased on auction terms with a 30 day settlement.

However, when it came time to prepare for settlement of the loan, it was discovered that there was no approval nor would the purchaser be approved for a loan as the bank advised he wasn't in a position to satisfy the banks requirements resulting in no loan. Our client had paid the 10% deposit of circa $134k and would forfeit this amount should he not settle on the day.

His urgent instructions were now to immediately secure a lender to provide the funds for the upcoming settlement as there were only days remaining and he was already in the penalty period.

Location: Redfern Sydney.

Circumstances: The purchaser had sufficient cash to cover circa 30% of the contract price, sufficient cash to cover the stamp duty and conveyancing but no approval and nothing presenting. The broker was nowhere to be found and because it was considered a residential / commercial apartment, the privates were only considering 65% lvr and max up to 70%. Even if he accepted a lower lvr loan, he couldn't settle. He didn't use an Accountant and as such, was unable to provide an Accountant's letter supporting his income.

Client contributions: Only enough to cover up to 30% of the contract price and stamps but not enough to cover conveyancing fees, 1st month of interest or loan fees. The available equity in the adjoining property was already at 80% bank funded lvr and was of no assistance.

What I did: I arranged a loan to purchase at 70% of the contract price and a further loan secured by 2nd mortgage at 73% to cover 4 months of prepaid interest, estab and loan fees, and the shortfall on the purchase. Without an Accountant letter, I could only assist with a 4 month loan term however, at the end of 4 months, the loan will be extended for a further 8 months without an Accountants letter and he can then pay monthly.

Loans provided: $938k on a 1st mortgage, $51k on a 2nd mortgage with a 4 month loan term.

Outcome successful: Settlement proceeded on the very last day of the penalty period, he didn't have to forfeit $134k or the adjoining property that he will develop, and sell both apartments for a further $4-500k windfall according to the owner.