



# Self-managed super fund (SMSF) LMI

Your super. Your future.

## Frequently asked questions

### Why was the loan amount increased to \$1,000,000?

The previous maximum loan amount of \$500,000 was set when SMSF property lending was first launched over a decade ago. The maximum loan amount was based on lower house prices at the time, as well as the SMSF property lending sector being new. With SMSFs now representing the second largest asset class of superannuation funds in Australia, Helia considers SMSF property lending to have matured, with excellent historical performance, and that an increase in the maximum loan amount is now warranted.

### Why have you increased the LVR from 80% to 90%?

Performance of SMSF property loans have been above average. The increase in the loan to value ratio (LVR) to 90% (including LMI premium capitalisation) makes it possible for SMSFs to hold onto additional funds by increasing the loan amount. The majority of SMSF property loans are on P & I repayments and are 20 or more year loan terms, so the 10% contribution from the SMSF is a sufficient valuation buffer.

### What does the change in the liquidity requirement mean?

As the primary repayment sources of an SMSF property loan are rental income, interest income and

other permitted contributions made to the fund, there must be a liquidity reserve in the fund for loan repayments if there is a loss of tenant or there are other unexpected events.

The prior liquidity requirement was set over a decade ago when the SMSF property lending was originally introduced and was based on the relatively low balances that were held in SMSFs at that time. We have therefore changed the Liquid Asset Requirement to 5% of total SMSF debts to allow increased accessibility (to funds).

### What LMI pricing is being charged to SMSF?

Rates for investors apply.

### Can I use my DUA to approve SMSF?

Yes, this will be confirmed as part of risk policy review.

### Can I use Monthly Premium for SMSF?

Yes, Monthly Premium LMI can be used for our SMSF product.

### Can I use Helia's SMSF product now?

In order to use, we require a copy of your credit policy to undertake compliance and system activities. This process usually takes about 1-2 business days. This is a simple process, please also refer [here](#) for our guidelines.



## SMSF Example

	\$200k Super balance	
	Previous	New limits
Super balance	\$200,000	\$200,000
Max borrowing Loan-to-Value Ratio (LVR)	80%	90%
Liquid asset % requirement	10%	5%
Liquid asset \$ requirement	\$49,500	\$48,500
Borrowing power <sup>1</sup>	\$495,000	\$970,000
Purchasing power <sup>2</sup>	\$645,500	\$1,121,500
Mortgage interest rate assumption	6%	6%
Annual mortgage repayment (P&I)	\$36,000	\$70,000
Interest cost (first year)	\$30,000	\$60,000
Rental yield	5%	5%
Annual rental income	\$32,000	\$56,000
Rental income vs less mortgage payment (annual)	(\$4,000)	(\$14,000)
Rental income vs less interest payment (annual)	\$2,000	(\$4,000)
Total member salaries required for super contributions to offset negative gearing	\$44,000	\$156,000
Note: All figures are approximate to nearest \$500 1. Assumes Standard LMI Premium is capitalised into the loan 2. Does not include additional purchasing costs		

- The previous 80% LVR limit and 10% liquid asset requirement limited borrowers to an ~\$645k purchase if they had a \$200k super balance
- With the updated 90% LVR and 5% liquid asset requirement, borrowers may now consider properties (subject to the rental yield and normal super contributions) up to \$1.21m with a \$200k super balance

These changes will allow borrowers with an average super balance to enter the SMSF market while also enabling sophisticated SMSF's to further invest in residential property.

### Where do I go for more information?

Should you have any questions on our SMSF product, please contact our Customer Service Centre on 1300 661 118.