

Dear Client,

As you know, HomeSec is a short term business lender, and apart from providing emergency funding for small to medium sized businesses, we also fund developers and property investors.

However due to the new NCCP laws which came into effect on July 1, some loans for INVESTMENT purposes can no longer be funded as they now come under the new National Consumer Credit Protection (NCCP) laws . The easiest way to work out what we *can* fund (ie: loans outside the new Consumer Credit Code), and what we *can't* fund is to look at the following hypothetical scenarios below.

RED = Now a Consumer Loan. (we can't fund)

ORANGE = Could be either a Consumer Loan or Business Loan... it depends on what the purpose is. (Send it in and let's see what we can do)

GREEN = This is clearly a Non Coded Business Loan. (We can fund in 24 hours!!)

Scenario 1. An individual wants funding to do some repairs to a *residential* investment property, prior to the listing of the property on the market? A: *This is now a Consumer Loan (covered by the NCCP)*

Scenario 2. An individual wants funding to pay arrears on an existing *residential* investment property. A: *This is now a Consumer Loan (covered by the NCCP)*

Scenario 3. An individual wants funding to pay arrears or do repairs on an existing *commercial* investment property. A: *As it is a commercial property, this falls OUTSIDE the NCCP, and we can fund it!*

Scenario 4. An individual wants to use his/her residential home as security for finance to buy into a friends business. He/she will play an active role in this business. A: *As it is a clear business purpose (regardless of the security property type), this falls OUTSIDE the NCCP, and we can fund it!*

Scenario 5. An individual wants to subdivide a block of land into 2 or 3 blocks and then sell them off once subdivided, but needs short term funding for capital works and permits, etc. A: *This is a Coded Loan if purchased by an Individual. However if purchased through a Company, it falls outside the Code)*

Scenario 6. A company wants funding to buy a residential investment property and shares in a company. A: *Given that it is a company purchasing the property and the shares, this falls OUTSIDE the NCCP, and we can fund it!*

Scenario 7. A registered builder has purchased a block of land in his own name, and is building a spec home for a client and needs funding to complete the construction before he sells the completed house and land as a package. A: *This falls OUTSIDE the NCCP and we can fund it!! Even if the property is 'residential', because it's an investment he's not caught because its funding for his business, not to invest in 'residential'. (This does not apply to Owner Builders, only Registered Builders)*

IN SUMMARY, Basically there are only a couple of relatively small changes. These are....

1. We can still lend on commercial AND residential property, as long as the purpose of the loan is *wholly or predominately* for BUSINESS PURPOSES only. We can no longer lend for "Investment Purposes", EXCEPT when the borrower is a Company.

2. We need some evidence of the actual business purpose. We can no longer rely on a Declaration of Purpose being signed by the borrower. ASIC want you and us as the lender to be able to verify what the borrower is using the funds for. In most cases, this should be very easy.

SO, If the borrower is a Company or Trust, pretty much nothing changes. If the borrower/s is an individual, then the loan needs to be wholly or predominately for *business purposes* OR be for or a Commercial Property transaction.

I hope this is of some assistance to you. There will naturally be some confusion at the beginning whilst we all get used to the changes, however the simplest way is to give us a call or send us an email with any scenarios, and we will tell you straight away of we can fund it or not.

Yours sincerely,

Paul Stone
Director



HomeSec Finance Express Pty Limited™

Australia's Largest National Short Term Business Lender

Tel: (03) 9017 6611

Fax: (03) 8648 6328

Email: pauls@homesec.com.au

Web: www.homesec.com.au

Head Office:

6 / 170 Underwood Rd
Ferntree Gully Vic 3156



This message contains confidential information intended only for the use of the addressee above. If you are not the intended recipient you are notified that you must not disseminate, copy or take any action in reliance on it. If you have received this message in error please notify HomeSec Finance Express Pty Ltd in Australia immediately on 03 9017 6611. This e-mail and any attachments are confidential and may contain legally privileged information and/or copyright material of HomeSec Finance Express Pty Ltd.