



SMSF LENDING EBOOK



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INTRODUCTION

Self-Managed Super Fund (SMSF) property lending has evolved significantly since its introduction in 2008. As of 2025, this sector continues to grow with Australian families increasingly pooling their superannuation savings to purchase property for wealth creation and retirement income.

Key Benefits of SMSF Property Investment

- **Pool Resources:** Up to 6 SMSF members can combine super savings and contributions
- **Tax Advantages:** Property income and capital gains taxed at concessional rates
- **Retirement Planning:** Build a diversified property portfolio for retirement income
- **Control:** Direct control over investment decisions and property selection

How SMSF Lending Differs from Personal Lending

Personal Lending Focus	SMSF Lending Focus
Personal income	Super contributions (now 12% of salary)
Personal savings	Super fund balance
Personal assets & liabilities	Fund's investment capacity
Personal expenses	Fund's cash flow requirements

Current SMSF Lending Landscape

2025 Market Overview

The SMSF lending market has approximately 625,000 SMSFs in existence, with around 10% having SMSF loans via Limited Recourse Borrowing Arrangements (LRBAs), holding around \$63 billion worth of assets.

Current Interest Rates (August 2025)

Lender	Rate	LVR	Comparison Rate
Reduce Home Loans Ezy SMSF 70 Metro	6.39% p.a.	<70%	6.51% p.a.
loans.com.au SMSF Variable	6.49% p.a.	<70%	6.51% p.a.
loans.com.au SMSF Two Year Fixed	6.59% p.a.	<80%	6.93% p.a.
La Trobe Financial Residential SMSF	6.59% p.a.	80%	N/A

Note: Many SMSF loans typically restrict borrowers to 80% LVR with a minimum 20% deposit, however some lenders may allow higher ratios.

SMSF Borrowing Criteria & Requirements

Updated Example: Property Purchase Costs (2025)

Property Value: \$400,000

Cost Component	Amount	Percentage
Deposit (30% LVR)	\$120,000	30%
NSW Stamp Duty	\$11,513	2.90%
Loan Application Fee	\$1,000-\$3,000	0.50%
Legal Fees	\$2,500	0.60%
Property Trust Setup	\$1,200	0.30%
Total Purchase Costs	\$136,213	34.10%

Updated Requirement: An SMSF will need between \$150,000 - \$200,000 between 1-6 members to acquire this property, plus meet liquidity requirements.

Essential SMSF Borrowing Requirements

1. Servicing Income Requirements

- **Historic Employer Super Contributions:** Current superannuation guarantee rate is 12% (increased July 1, 2025)
- **Rental Income Evidence:** Professional rental appraisal for target property
- **Other Fund Income:** Interest, dividends, or existing rental income

2. SMSF Structure Requirements

- ✓ **Established SMSF** with bank account and ABN
- ✓ **Corporate Trustee Structure** (recommended for higher LVR)
- ✓ **Bare Trust Arrangement** for property holding
- ✓ **SMSF Trust Deed** compliant with borrowing rules



Loan Application

Name: _____

3. Liquidity Requirements (New 2025 Standards)

Most lenders now require 10-20% of property value in liquid assets post-settlement. This is a significant change from previous years.

Example Liquidity Calculation:

- Property Value: \$400,000
- Required Liquidity: \$40,000-\$80,000 (10-20%)
- Total Funds Needed: \$176,213-\$216,213

SMSF Residential Property Lending

Parameter	Corporate Trustee	Individual Trustee
Maximum LVR	70-80%	65-70%
Interest Rate Range	6.39-6.99%	6.49-7.09%
Loan Term	15-30 years	15-30 years
Liquidity Buffer	10-20% of property value	10-20% of property value

Stress Testing Requirements

All SMSF lending must meet a 3% lender stress test to ensure properties remain cash flow positive during interest rate rises.

Key Restrictions

- **No Equity Access:** Cannot redraw equity like standard investment loans
- **Refinancing Only:** Must sell property to realize capital gains
- **Property Standards:** Must meet lender's security criteria
- **No Personal Use:** Property cannot be used by SMSF members

Required Documentation

- 1-2 years SMSF financial statements or tax returns
- 2-3 months payslips (proof of super contributions)
- 100 points identification for all trustees
- Rental appraisal and contract of sale
- SMSF trust deed and bare trust deed
- Certificates of incorporation (if corporate trustee)

SMSF Commercial Property Lending

Commercial Lending Landscape 2025

Commercial SMSF loans in 2025 offer interest rates typically ranging from 7.44-8.09%, with terms of 15-25 years.

Commercial vs Residential Lending Comparison

Feature	Residential	Commercial
Maximum LVR	70-80%	65-70%
Interest Rate	6.39-6.99%	7.44-8.09%
Loan Term	15-30 years	15-25 years
Revaluation Requirements	None	Annual/Bi-annual
Liquidity Buffer	10-15% of loan amount	15-20% of loan amount

Enhanced Documentation Requirements

Business Performance Evidence:

- 2 years individual and company tax returns
- 2 years SMSF tax returns or financial statements
- BAS statements for business operations
- Rental agreement between SMSF and business

Additional Commercial Requirements:

- Professional property valuation
 - Lease documentation (if existing tenant)
 - Business financial projections
 - Exit strategy documentation
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SMSF vs Related Party Lending Comparison

Comprehensive Comparison Table

Feature	SMSF Bank Loan	Related Party Loan
Interest Rate	6.39-6.99%	5.35% (ATO safe harbour 2024-25)
Maximum LVR	70-80%	70%
Loan Term	15-30 years	7-15 years
Application Fees	\$1,000-\$3,000	\$500-\$1,500
Personal Guarantee	Required	Not Required
Setup Complexity	Moderate	Low
Ongoing Compliance	Bank managed	Self-managed
Refinancing Options	Available	Limited

Related Party Lending Regulations (Updated 2025)

⚠ Important: Related party loans must now be at commercial rates and terms. They can no longer be at residential rates or other favorable terms to avoid breaching non-arm's length income rules.

Liquidity Requirements & Security Buffers

Understanding the New Liquidity Landscape

SMSF liquidity requirements are a relatively new feature that can reduce your SMSF's borrowing capacity. Most lenders require 10-20% of property value in liquid assets post-settlement.

Impact on Borrowing Capacity

Whilst some of the benefits of an SMSF include greater control, investment choice and deductible fees and direct ownership benefits, the investment decisions are solely the responsibility of the member.

Before Liquidity Requirements:

- SMSF with \$200,000 could purchase property up to \$1,000,000 (20% deposit)

With 2025 Liquidity Requirements:

- Same SMSF can now purchase property up to \$600,000 (20% deposit + 10% liquidity buffer)

Strategies to Optimize Liquidity Requirements

1. **Choose Lower LVR:** Some lenders waive liquidity requirements for borrowings under 70% LVR
 2. **Select Appropriate Lender:** Some lenders like Homestar Finance don't apply liquidity tests
 3. **Hybrid Lending Structures:** Combine different funding sources
 4. **Timing Contributions:** Strategic super contributions before settlement
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Why Choose a Specialist SMSF Broker

Broker vs Bank Direct: Value Comparison

Service Aspect	SMSF Specialist Broker	Bank Direct
Lender Options	15+ SMSF lenders	1 lender only
Product Knowledge	SMSF-specific expertise	General lending knowledge
Liquidity Solutions	Multiple workaround strategies	Limited to bank policy
Compliance Support	Full SMSF regulatory guidance	Basic loan compliance
Cost Optimization	Compare all fees and rates	Single rate/fee structure
Service Model	Works for you	Works for the bank

Current Market Reality

While the big four banks no longer offer SMSF loans, several other lenders do. This makes specialist broker knowledge essential for accessing the limited but competitive SMSF lending market.

SMSF Conveyancing & Legal Requirements

Critical Legal Considerations

⚠️ Double Stamp Duty Risk: Improper documentation can trigger double stamp duty when property ownership transfers from bare trust to SMSF upon loan completion.

Essential Legal Structure

SMSF (Beneficial Owner) ↔ Bare Trust (Legal Owner) ↔ Property Title

Key Requirements:

- Separate bare trustee (cannot be SMSF member)
 - Proper deed documentation and stamping
 - Compliance with Limited Recourse Borrowing Arrangement (LRBA) rules
 - Professional SMSF conveyancing (not general property conveyancing)
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SMSF Deposit Bonds

Deposit Bond Benefits for SMSFs

Advantages:

- 🎯 Capital Efficiency: Avoid tying up deposit funds during construction
- 🎯 Flexibility: Manage liquidity while off-plan property develops
- 🎯 Leverage Opportunity: Potentially invest deposit funds elsewhere

Requirements:

- Proof of SMSF savings capacity
- Demonstrated loan serviceability
- Developer acceptance of deposit bonds
- Professional risk assessment

Cost Structure:

- Annual premium: 1.2-2.5% of deposit amount
 - Term: Typically matches construction timeline
 - Maximum: Usually 10% of property value
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Summary & Key Takeaways

🔥 Bottom Line Up Front

SMSF lending in 2025 offers opportunities but requires careful navigation of new liquidity requirements, higher rates, and stricter lending criteria. Success requires professional guidance and strategic planning.

Key 2025 Updates

- ✓ **Super Guarantee:** Now 12% (increased July 2025)
- ✓ **Interest Rates:** 6.39-6.99% for residential, 7.44-8.09% commercial
- ✓ **Liquidity Requirements:** 10-20% of property value must remain in fund
- ✓ **Fewer Lenders:** Big 4 banks no longer offer SMSF loans
- ✓ **Stricter Compliance:** Enhanced ATO scrutiny and documentation requirements

Strategic Recommendations

1. **Engage Specialists Early:** Use SMSF-specific brokers and conveyancers
2. **Plan for Liquidity:** Budget for higher cash requirements
3. **Consider Corporate Trustee:** Generally access better rates and terms
4. **Professional Advice:** Engage qualified SMSF advisers and auditors
5. **Market Timing:** Consider fixed rates in current environment

Investment Suitability Checklist

Before proceeding with SMSF property investment, ensure you have:

- Minimum \$150,000-\$200,000 in combined SMSF balances
- Stable super contribution history
- Understanding of ongoing compliance obligations
- Professional adviser network (accountant, lawyer, broker)
- Clear investment strategy and exit planning
- Adequate insurance arrangements

Important Disclaimers

General Advice Warning: This ebook provides general information only. Before making financial or investment decisions, consult a licensed financial adviser or SMSF specialist to consider your particular circumstances.

Regulatory Compliance: SMSF investments must comply with the Superannuation Industry (Supervision) Act 1993. Seek professional advice for compliance requirements.

Rate Currency: Interest rates and fees are current as of August 2025 and subject to change. Always verify current rates with lenders before proceeding.

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This ebook reflects current market conditions and regulatory requirements as of August 2025

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