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Off the plan apartment finance profiteering gouging because of strict new lending rules. Desperate search for alternative funding for high-rise apartments

OFF THE PLAN APARTMENT FINANCE PROFITEERING GOUGING



Off the plan apartment finance profiteering gouging. Also published in the Australian Financial Review, overseas foreign investors are surviving an off-the-plan finance crunch, the Australian apartment funding crisis.

Over the past months, finance from Australian major banks has been frozen and foreign off-the-plan apartment purchasers are urgently seeking alternative funding and/or desperate to find another cash buyer.

Liken to profiteering from a natural disaster, the Monopoly game of apartment finance has loan sharks price gouging foreign investors that are at risk of not being able to complete their apartment purchase.

The finance price gouging has spiked broker fees and finance rates to levels higher than is considered reasonable or fair. The exploitative and unethical finance products being offered on social media channels in China such as, Weibo and WeChat include broker and bank fees up to 7% of the loan amount.

To put this into prospective, on a 5% broker fee and a \$500,000 loan the broker will pocket \$25,000 just for submitting an application to a tier two financier.

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SURVIVING THE OFF-THE-PLAN FINANCE CRUNCH

Jul 28 2016 at 10:16 AM

by Duncan Hughes

Highly Recommend Read: <http://www.afr.com/real-estate/how-to-survive-off-the-plan-funding-crisis-20160727-gqev6g>

Off-the-plan investors struggling to complete their apartment purchase because of strict new lending rules are being urged to face tough options to get their financial problems under control.

Financial advisers and financiers say thousands of investors with exposure to billions of dollars in high-rise apartments are searching for ways of deferring, reducing or off-loading payments through alternative funding or selling the apartments, typically around central business districts.

New private-equity products – with much higher charges than bank lending products – are also being launched.

The scale of the problem is unclear but anecdotal observations from financial advisers in Australia and Shanghai (where many buyers live) are that it could be big – and growing.

Many lenders that provided deposits are refusing to provide the additional funding for local buyers amid growing concerns apartment values are falling, particularly in Melbourne thanks to over-supply and falling demand.