

12. How is my investment protected?

The Corporations Law provides various protections to investors, which are enshrined in the Constitution of the Citywide Mortgage Investment Scheme.

The law requires Citywide to hold Fidelity and Professional Indemnity Insurance and undertake an annual independent Financial and Compliance audit.

It's risk management policies and strategies are designed to minimize the risk of loss of capital and interest to investors.

These involve:

- ◆ Extensive loan investigation and approval of borrower applications
- ◆ Professional valuations
- ◆ Prudent loan to valuation ratios
- ◆ Property insurance over buildings
- ◆ Strict compliance monitoring
- ◆ Independent financial and compliance audit

13. How do I invest?

Investment is only available upon completion of the Offer to Invest Form which is available from Citywide.

For further information regarding investing in Citywide Mortgage Investment Scheme please feel free to contact us at our Mount Waverley office.



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UNDERSTANDING YOUR FIRST MORTGAGE INVESTMENT

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UNDERSTANDING YOUR FIRST MORTGAGE INVESTMENT

First mortgages provide the investor with a secure investment with a quality return.

To assist in the understanding of First Mortgage Investments, this brochure provides answers to the most common question. If you have any further questions or if any of these answers provided require further clarification, please don't hesitate to contact us on (03) 9886 6464.

1. What is the Citywide Mortgage Investment Scheme about?

The Scheme provides investments in loans secured by mortgages over legal interest in property. When an individual lends money to another individual and takes a First Mortgage over that person's home or other property, that is known as a First Mortgage Investment. The Mortgage is the security for the payment of the debt.

2. How secure is a First Mortgage Investment?

Three key elements establish the security:

(i) The value of the borrower's property. A professional valuation is obtained from a qualified valuer to ensure that an accurate value of the property is provided or the municipal valuation is used.

(ii) The loan to value ratio. A prudent loan is made based on the value of the property. The loan to value ratio without insurance, will generally not exceed 75% of valuation in the event of a forced sale.

(iii) Management. It is essential that the Mortgage payments are monitored so that in the event of a delay in payment, appropriate steps can be implemented for recovery.

3. What if a Borrower fails to make a payment?

Penalties are paid by a Borrower if payment is late. If the Borrower ignores a late payment notice, proceedings will be commenced to take possession of the secured property. Upon sale, expenses associated with the sale are deducted and the balance is used for the repayment of the investment plus interest.

4. What is a Pooled Mortgage?

It is common to have a Pooled Mortgage where there are two or more contributors to the Mortgage. For administration purposes various lenders funds are used to contribute to a loan, which is advanced in the name of Citywide, which holds the mortgage as trustee for the investors proportional to their contribution to the loan advance. For example, if the loan advance is \$200,000 there may be three separate investors investing say \$100,000, \$70,000 and \$30,000 respectively.

5. Why don't people borrow from a bank?

There are a variety of reasons for the increasing popularity of private finance. **Some** of the reasons include:

- Disenchantment with traditional bank borrowing, its bureaucratic process and the ever increasing bank charges which significantly increase the real rate of interest.
- Requirement for rapid approval and availability.
- Immediate availability of short term finance.
- Interest only advantages of private finance.
- Competitive interest rate.
- Flexibility in terms of loan, principal and interest repayment.

6. Who can invest in a private mortgage?

Any investor is eligible. The investor may be an individual or entity and may include retirees, business people, churches, charities, clubs, friendly societies, internally managed superannuation funds, insurance companies and overseas residents. We currently require a minimum investment of \$10,000.

7. How long do I need to commit myself to a First Mortgage Investment?

One of the advantages of a variable interest First Mortgage is that it can be a relatively short term investment, (generally for periods up to two years) or it may be longer if you wish. A First Mortgage must be treated as a fixed term investment.

The investment term and commensurate rate of return is negotiable.

However, in the case of an emergency, it is usually possible to recover your investment before the end of the term by Citywide finding another investor to take your place. Whilst this cannot be guaranteed, it can usually be arranged.

8. How much does it cost me to enter into a First Mortgage?

There are no entry fees to invest in a First Mortgage Investment. All management, legal and government fees are paid by the borrower at all stages of the investment.

9. If general interest rates rise or fall, will this affect my return?

No. The interest rate will be fixed for the term agreed upon.

10. When is interest paid?

For most private mortgage investments, the interest is paid quarterly in arrears. The method of payment will be directly into a bank account chosen by the investor.

11. How does Centrelink income test the interest?

Because of the deeming rates applied by Centrelink i.e. 2.0% for the first \$42,000 (\$70,000 for couples) and 3.0% for investment over that sum pensioners can receive a significant benefit by investing in Citywide. Whilst Citywide actually pays the pensioner investor say 9.0% the pensioner is only deemed for Social Security purposes to be receiving 2.0% or 3.0% depending on the pensioners total financial investments. Accordingly the pensioner is advantaged to that extent. Moreover if your income exceeds the Centrelink income levels you only lose 50 cents (25 cents for couples) for each dollar in excess.