

Special Report For Property Investors:  
**“How to Structure Your Property Loans for  
Maximum Stability and Control”**

Part 4:

***“Deposits Under Lien (DUL): A powerful loan structuring strategy for  
freeing up security and keeping more in your hands”***

In the previous part to this report, we looked at how to get back a certificate of title from your lender by “substituting security”. You may be able to use this strategy if you are in a high-equity position. However, every situation is different. We recommend that you talk with a qualified professional before making any decisions.

Now in this section we will look at another powerful strategy called “Deposit Under Lien” that can be used to uncross your portfolio so you can move on, even if you’re not in a particularly high equity position.

## **Deposit Under Lien**

A Deposit Under Lien is a useful structure when you don’t want to give the bank any more security than they need. It can also be used to unravel crossed loan structures where crossed loan structures present an actual or potential barrier to your wealth creation goals.

### **What is a Deposit Under Lien?**

A lien is a “right to retain possession of another’s property pending discharge of a debt”.

We can have a lien over real estate or any other kind of property that has value to the holder. A term deposit could have a lien over it pending the discharge of another debt. This is called a “Deposit Under Lien”.

In case this seems a bit confusing, let’s look at a simple example.

### **A simple example:**

Mary owns a company and needs to establish an overdraft. She approaches her bank and they say, “Fine, give us your house as security”. Her home is worth \$400,000 yet she only requires an \$80,000 overdraft. If anything happened to her company, her home would be on the line.

By using a Deposit Under Lien, Mary can obtain the money her company needs and protect her home at the same time.

She would go to her bank, Bank A and offer them a term deposit of equal amount, which would be under lien to her company overdraft. Then she goes

to a different bank, Bank B, and borrows \$80,000 using her house as security, giving the funds to Bank A. These funds will sit in an account with Bank A and be under lien to her company overdraft with them.

Now Mary has 2 banks and she is in total control of her securities. If her company gets into trouble, her house shouldn't be on the line.

### **A slightly more complex example from our files:**

*In this example, restructuring enabled our client to move from a position of **no serviceability** to one of **serviceability**.*

**A Deposit Under Lien can also be used to discharge an existing mortgage over an investment property.** The clients' portfolio had grown substantially but they had no serviceability left with their existing bank. However, they did suit the serviceability requirements of another bank.

Here's an outline of their portfolio:

**Principal Place of Residence (PPoR):** Worth \$700,000, debt of \$212,000 on a variable rate

**Two investment properties:** Combined value of \$685,000, combined debt of \$622,000 with fixed rate loans.

In total, the bank was holding \$1,385,000 worth of security against \$834,000 worth of debt, or a Loan to Value Ratio (LVR) of 60%.

Despite the fact that in general, banks will allow a LVR as high as 80%, the bank refused to allow the client to take out the remaining 20% equity. Some restructuring was required to release this equity.

**Firstly**, they refinanced their PPoR to another bank. Now their original bank that holds their investment properties has a debt of \$622,000 against \$685,000 of security, or a 90.80% LVR.

**Small problem:** banks usually have to insure loans over 80% LVR so the bank said as part of their credit lending policy that they would require \$74,000 to drop the LVR to 80%.

Bear in mind that this bank had already said that they were not prepared to lend any more money. However, they were prepared to accept a Term Deposit Under Lien of \$74,000.

### **Getting the \$74,000**

The client took the \$700,000 PPoR and refinanced it with another bank, structuring the loan to 80% LVR.

The client borrowed \$560,000, which included \$212,000 for their existing mortgage and the \$74,000 for the Deposit Under Lien with the other bank.

**This left them with a surplus of \$274,000.**

This freed up equity gave them more choices to find other opportunities.

### **What about getting the \$74,000 back?**

When and if the two investment properties rise in value, it is possible the security property could be revalued. If these properties rise in value by \$92,500 ( $\$92,500 \times 80\% = \$74,000$ ), the bank could give them back their \$74,000 Term Deposit, which the bank is holding as part of a lien.

**Problem solved, with this bonus:** they also **receive interest** on the cash in the term deposit. However, there may have been some tax implications.

### **The value of correct loan structuring**

In the above example, through restructuring their loan portfolio, our clients were able to access equity that was previously unobtainable and move on with their investing career.

From the previous sections of this Report, I hope you've also seen that proper loan structuring – particularly avoiding cross-collateralisation – is an important strategy for maximising the stability and flexibility of your portfolio.

My hope is that this Report has provided you with some useful knowledge and strategies that will help you become a more successful investor.

But you also have to keep in mind that every situation is different, and that your ability to obtain finance or structure your loans will largely depend on your specific circumstances and the lending criteria of different lenders.

That's why I'd like to extend to you a free, no-obligation consultation with one of our professional mortgage brokers.

**With one 10-minute phone conversation we can usually tell you whether or not we can help you obtain finance or assist you to restructure your loan portfolio.**

To arrange your free phone consultation, pick up the phone and call Loans Approved on **1300 657 132** (business hours), or complete [this Free Consultation form](#) online.

Good luck with your property investing and I look forward to serving you in future.

Sincerely,



Ed Nixon  
Loans Approved Pty Ltd.

P.S. One more thing: if you'd like more information about how we may be able to benefit you, I've placed a couple of resources just below that you might find useful. All the best!

- 1) Read more about this [Free Consultation Offer](#)
- 2) Read [Frequently Asked Questions](#) online
- 3) Read [Testimonials](#) from satisfied clients

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