



making your home ownership dream a reality

# How to turn every **lead** into a **client** using vendor finance



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# Agenda Tonight

- **Introduction:** *Eleanor Clapham - Marketing and Project Manager, Own Don't Rent*
- **Vendor Finance, how it works, how it will benefit your clients and your back pocket:** *Tom Tung Cat -Director, Own Don't Rent*
- **ASIC regulations and Legal Compliance:** *Tony Cordato – Partner, Cordato Partners*
- **Testimonial from a broker:** *Gayle Copeland – Owner, Dollars at Work*



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# Tom Cat

Director of Own Don't Rent



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WHAT MATTERS MOST  
IS HOW YOU SEE YOURSELF.



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Do you know anyone  
who needs a second  
chance?



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# What I'm going to talk about

1. My personal story- why I turned to Vendor finance
2. What we do – nuts and bolts
  - Our licence
  - What is Vendor finance?
3. How we can work together
  - 5 ways you can earn \$\$\$ by working with us



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# My Story

- Sick of renting
- Couldn't get a bank loan
- Learnt about vendor finance
- Bought my home without a bank



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5 of 29



# Helping others



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# Qualifications

- Actively working in vendor finance/property industry for over seven years
- Australian Credit License 385351
- Certificate IV Business Management
- NSW Real Estate Agent License
- Member of Vendor Finance Association



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# How many clients have you turned away?

*What do you do if a client:*

- Does not have enough deposit? *Or* No deposit
- Has impaired credit? *Or* No credit
- Is self employed?
- Doesn't have 2 years of tax records?
- Is a new migrant?
- Whatever reason that they can't get the loan?



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# What do you do next?

**Option 1:** Tell the client to come back when they are ready

**Option 2: Work with Own Don't Rent**



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# How Vendor Finance work?

4 main methods:

**1. Rent To Own (R2O)**

**2. Seller Finance (SF)**

**3. Deposit Finance (DF)**

**4. Own Don't Rent Savings Program (ODR SP)**



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# Rent To Own (R2O)

## How does this work?

### 2 legal contracts

#### 1. Residential Tenancy Lease

- Live in house
- Pay Rent

#### 2. Option

- Right to buy (300K)
- Price locked in today
- Move in today
- Renovate
- Sell it
- Payments are 1% higher than standard bank rates

#### Time

- 1-5 years



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11 of 29

# Benefits of Rent To Own (R2O)

- No bank loan needed - at first
- Special circumstances OK
- Price locked in - any rise in value the buyer keeps
- Move in straight away
- Small deposit
- No stamp duty or mortgage insurance
- Build credit history



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# Rent To Own (R2O)

## Example: Lisa & Paul

### Situation

- Good income

### Challenge

- Small deposit
- Credit impaired

### Solution - Rent to own in St Mary's

- 3 -5 years term
- Build credit history
- Refinanced after 1 year



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# Seller Finance (SF)

## How does this work?

Instead of Bank Finance – Seller Finance

- Title in buyers name
- Use FHOG as deposit
- No bank loan
- Move in straight away
- Payments are 1% higher than standard bank rates



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# Benefits of Seller Finance (SF)

- Equitable title of house
- Use FHOG
- Special circumstances OK
- Build credit history
- Less start up costs
  - no mortgage insurance
  - Smaller deposit 3- 5%



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15 of 29

# Seller Finance (SF)

## Example – Allan

### Situation

- Good income
- FHOG

### Challenge

- Small deposit
- No Credit, only working 9 months

### Solution

- we bought the house on his behalf
- 20 years term
- Renovated
- Sold for profit after 1 year
- Never got a bank loan



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# Deposit Finance (DF)

## How does it work?

80% loan from bank – the rest the seller finances

- Suits a client who qualifies for bank loan but does not have enough deposit
- Interest rate for deposit is same as bank



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17 of 29

# Benefits of Deposit Finance (DF)

- Buy home with very little or no deposit
- No mortgage insurance



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18 of 29

# Deposit Finance (DF)

## Example: Steven

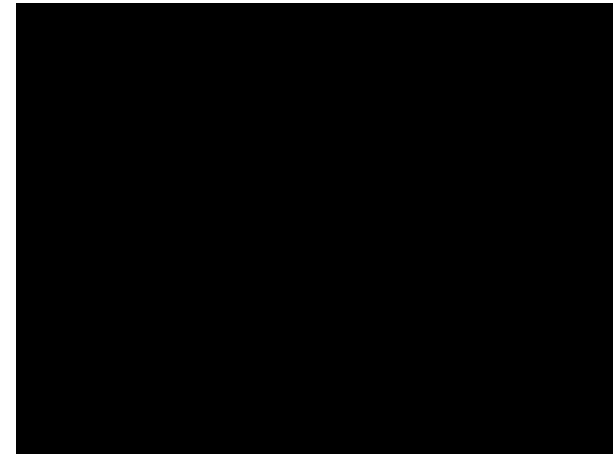
### Challenge:

- No deposit

### Solution:

Seller Financed Deposit - Penrith Area

- 80% loan from bank
- 15% loan from seller
- 30 year loan with bank
- 8 year loan with seller



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19 of 29

# Own Don't Rent Savings Program (ODR SP)

## How does it work?

If a client has NO money at all:

Enter into savings program to save for deposit

- We assess exactly where they need to be
- Funds kept in solicitor's trust account
- Once they hit their target- we get them a home



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# Benefits of Own Don't Rent Savings Program (ODR SP)

- Discipline of savings
- Clear plan set out for them
- Priority of buying home on 'terms'
- Don't have to save as much vs traditional bank loan



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21 of 29



# Own Don't Rent Savings Program (ODR SP)

## Example: Steven

### Challenge:

- No deposit

### Solution:

- Entered into a savings program
- Saved for 6 months
- Bought house in Penrith



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# Recap of the 4 strategies

Name	Deposit Required	Credit
<b>Rent to Own</b>	3-5%	bad credit ok
<b>Seller Finance</b>	3-5%	bad credit ok
<b>Deposit Finance</b>	little to no deposit	good credit required
<b>Savings Plan</b>	no deposit	bad credit ok



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Sounds good, but....

Why would a Seller want to  
use Vendor Finance?



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# Benefits for sellers

## Rent to Own & Seller Finance

- ✓ No Agent fees
- ✓ Sell their property at market price
- ✓ Negative to positive



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# Rewards for you

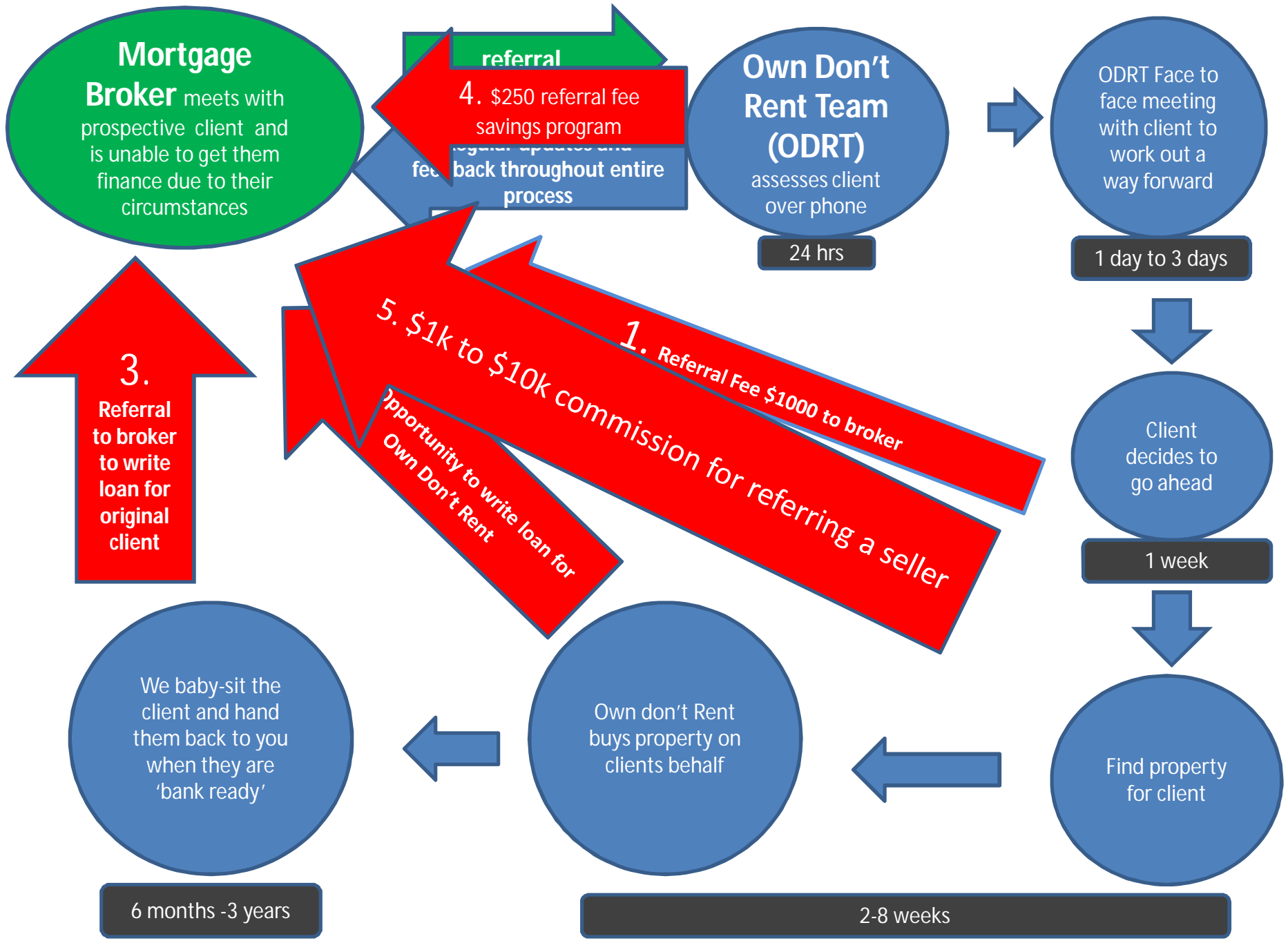
- ✓ \$1000 referral fee (R20, SF, DF)
- ✓ Opportunity to provide finance for Own Don't Rent to buy the property on behalf of the buyer.
- ✓ Write loan for buyer when they become 'bank ready'
- ✓ \$250 for referral of client to Savings Program
- ✓ From \$1K- \$10K for referring seller- if you know some one who wants to sell. (fee paid will depend on level of involvement)



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**Mortgage Broker** meets with prospective client and is unable to get them finance due to their circumstances

**Own Don't Rent Team (ODRT)** assesses client over phone

24 hrs

ODRT Face to face meeting with client to work out a way forward

1 day to 3 days

Client decides to go ahead

1 week

Find property for client

2-8 weeks

Own don't Rent buys property on clients behalf

6 months -3 years

We baby-sit the client and hand them back to you when they are 'bank ready'

6 months -3 years

referral

4. \$250 referral fee savings program

feedback throughout entire process

1. Referral Fee \$1000 to broker

5. \$1k to \$10k commission for referring a seller

2. Opportunity to write loan for Own Don't Rent

3. Referral to broker to write loan for original client

# What kind of client can we help?

- Can service the repayments for a loan up to \$600k
- Want to buy and move into their new home within 3 months
- Have been unsuccessful in securing a home loan
- May be a first home owner (preferred, but not essential)
- Has at least 3- 5% deposit ready
- (or is willing to join a savings plan system)



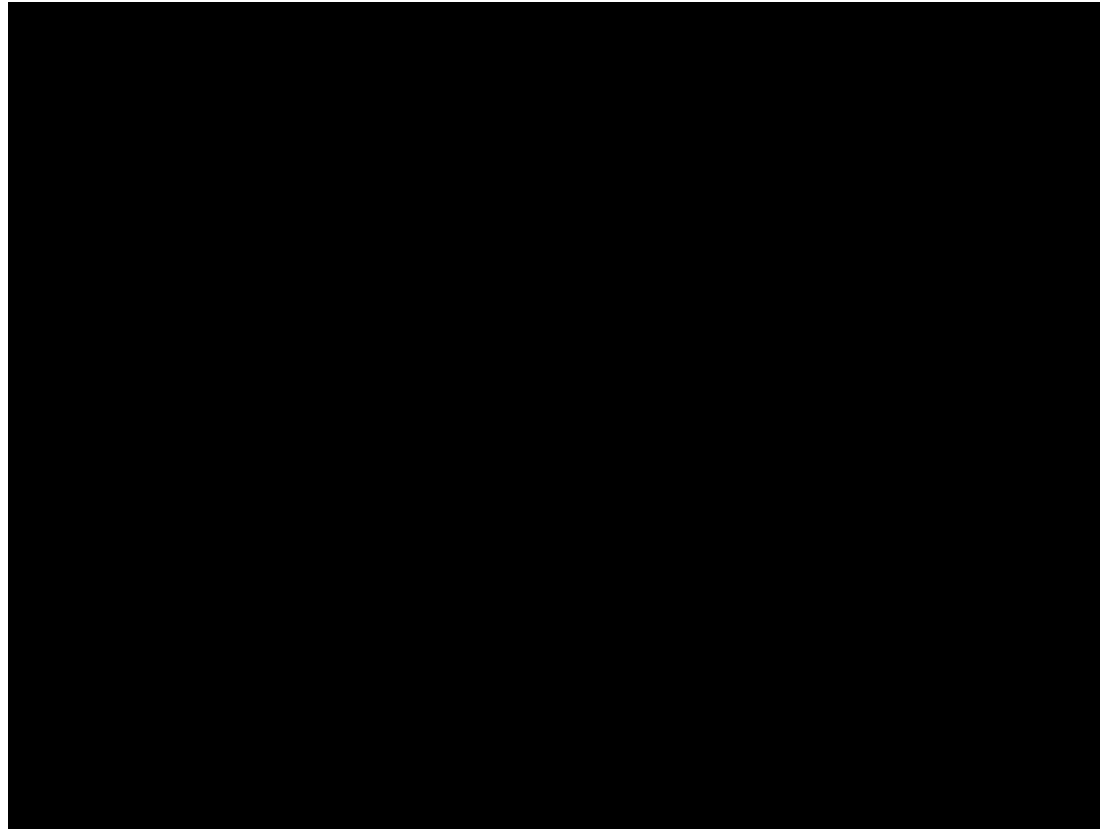
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28 of 29

# Helping others

for more videos go to [www.owndontrent.com.au/testimonials](http://www.owndontrent.com.au/testimonials)



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29 of 29



# Tony Cordato

- Solicitor in private practice since 1975
- Business and Property Lawyer – specialising in vendor finance
- Presenter on Legal Documentation for Vendor Finance at Bootcamps and Seminars
- Author of Legal Documentation used for Vendor Finance in Australia
- Visit his website [www.vendorfinancelawyer.com.au](http://www.vendorfinancelawyer.com.au) for more information.



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# Vendor Finance & Compliance

- Rent to Buy – Residential Tenancy Agreement + Option to Purchase
- Seller finance – instalment contract under the National Credit Code
- Seller finance deposit – Residential Loan Offer + Mortgage + Caveat



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34 of 27

# Gayle Copeland – ACL 391310

- Firsthand experience dealing with Tom & Own Don't Rent team

Example referrals:

- Distressed Vendor - Rockhampton
- Quick Sale – Chatswood
  
- I now never have to turn a client away



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35 of 27

# Next Steps

- 1. REGISTER** as an official referrer with Own Don't Rent (see Jennifer for a copy of the registration form)
- 2. ATTEND** our buyers presentation next Tuesday night on the 26<sup>th</sup> July, same time, same venue. You are welcome to bring along your clients.
- 3. DOWNLOAD** a copy of our presentation slides on the following URL [www.owndontrent.com.au/referrer](http://www.owndontrent.com.au/referrer)



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36 of 27

# Q & A

- Please feel free to ask any questions from any of our three speakers tonight



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37 of 27

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- Linked In: [www.linkedin.com/tomtungcat](http://www.linkedin.com/tomtungcat)
- Twitter: [twitter.com/#!/owndontrent](https://twitter.com/#!/owndontrent)



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38 of 27