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A BIG DEAL

Approached by a business owner with multiple debts, defaults and late payments, **Deanna Wittey**, consultant and broker at Jim's Finance, brokered a multimillion-dollar loan package to save her client's business, reputation and family home

THE FACTS



Loan size and term
\$4.2m for 30 years



Client
Small business owner with multiple properties



Goal
To fix financial complications resulting from a period of ill health



Location
Prahran, Victoria



Lender
Liberty, Pepper Money and La Trobe Financial



Aggregator
AFG

THE TAKEAWAY

It was a happy ending but a stressful process. From a professional perspective, the lack of compassion from the bank was surprising, as this major often speaks about how much they like to help small business owners.

There were also challenges in the client's willingness to face up to the scale of the problem, and you can't help someone without knowing the full picture: big, small and ugly.

There were many considerations as well as learning curves in this deal. For example, second mortgages are expensive so you need pre-approvals in

manageable repayments. I then separated his business banking from his personal assets.

The second mortgage was crucial in providing breathing space – and reducing stress after his health issues – and I was able to break the loans up into dollar-for-dollar refinances, while meeting NCCP criteria. This also achieved a workable rate, which was an added bonus.

To mitigate any future issues, I referred him to trusted professionals who could mentor him with business and accounting advice, as well as estate and succession planning.

THE SCENARIO

Times of ill health can be stressful enough, but for those who own and operate their own businesses they can cause some real challenges, especially if there are no systems in place to keep things ticking over.

This is exactly what happened to a client who approached me. He was a small business owner who had accrued eight properties over many years of hard work, then last year he was hospitalised for some months, and without good systems and structures in place he started to miss loan repayments.

He approached me to help manage the situation and bring him out of the red; however, he wasn't entirely up front about the scale of the problems, and it wasn't until I started to work with him that I realised the severity of the situation. Each time I questioned him on the details of one loan, another came to light.

As the late repayments snowballed, so too did the judgments and defaults. To make things worse, his entire financial portfolio was with one (major) bank, including the mortgage on his family home, and all were cross-collateralised.

There was mounting debt, including a sizeable ATO debt, and the bank was calling upon the client's personal guarantees. He really was at risk of losing everything, and many peers I spoke to told me a deal would be impossible.

The bank was not prepared to advance

any more funds, and at more than \$4m the sheer value of the loan required made refinancing with another lender incredibly difficult. As if that wasn't challenging enough, the loan would also have to be low-doc.

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THE SOLUTION

Despite the large and growing number of problems, not to mention the apparently impossible situation, the client's bank statements and BAS proved business was strong, and I truly wanted to help.

I started to work on a two-pronged attack: firstly, I consolidated all of his debt into a second mortgage in order to pay off the ATO and his creditors, dialling back the initial heat.

Most low-doc lenders won't go above \$2m, so this added further complications. To overcome these, we lodged successful applications with Liberty, Pepper Money and La Trobe Financial. Then I refinanced all his debt, including a second mortgage, and split all lending between these three institutions to create more

place from the start, and you need to be prepared to do a quick refinance out to other lenders, otherwise the client will go broke waiting for an approval.

If a broker thrives on high-level energy and stress, I would recommend looking at deals like this, as there are a lot of potential clients out there in very similar situations. However, before taking it on, there are some key points to remember: communicate with everybody on a daily basis, including accountants, lawyers, and of course the client, even if you have no updates, as they need constant reassurance.

Next, make sure you have all the information, put a strategic plan into place that leaves nothing to chance, and get all the figures up front before you start. Finally, hold on to your seat, as the road can get very bumpy. **AB**



Deanna Wittey
Consultant and broker at Jim's Finance