

**SYDNEY
BUSINESS**
LAWYERS



**Bank of
Mum & Dad**

KNOWLEDGE + INNOVATION + SKILL = SOLUTIONS

What is the bank of mum and dad?

Today it has been estimated that of loans made to help purchase a property in which the buyer will live, in over 50% of those loans, parents of the buyer will have contributed in some way to help make the purchase happen.

Those contributions are often called the “bank of mum and dad”.

It was not that long ago that the % was 15%.

The average contribution is said to be nearly \$90,000.

How does the need for the bank of mum and dad arise?

The need for the bank of mum and dad arises normally because banks will not lend to first home buyers, even second and later home buyers, the level of finance that they require to buy the home that they want to buy, particularly in the Sydney market.

This happens because banks have loan to valuation ratios that they will not normally go beyond in making a loan.

So this means that relative to the market value of a property that is being purchased, banks will only lend up to a certain amount (called the loan to valuation ratio).

Is the banking royal commission likely to impact bank lending?

It is not unreasonable to think that the banking royal commission will have the following results:

- Banks will be subjected to higher scrutiny from the regulators
- Banks will ask for more information about a borrower’s financial circumstances, particularly their expenses
- Banks will lend less than they used to lend and less often
- Banks loan to valuation ratios may go down or at the least, be more tightly administered

All of these things are likely to result in the tightening of bank’s lending criteria.

What impact is the banking royal commission likely to have on the bank of mum and dad?

Unless property prices go down, as bank’s lending criteria is tightened, the demand for contributions from the bank of mum and dad is likely to go up.

Can Sydney Business Lawyers help you with this “bank of mum and dad” need?

Sydney Business Lawyers unique position of advising families in business about their legal needs of their business and the key private client needs of property and death positions it perfectly to assist with the legal needs that are connected to “bank of mum and dad” situations.

What is the bank of mum and dad service offered by Sydney Business Lawyers?

Sydney Business Lawyers is able to assist you with all of the legal aspects that relate to the bank of mum and dad, which include:

- The property purchase transactions that are the subject of the bank lending and the conveyancing of those property purchases
- The bank lending documentation that is attached to the bank loans for the property purchase
- The loan or gift documentation to record the bank of mum and dad contribution that is made to help make the property purchase possible, whether or not there is also bank lending
- The estate planning provision that should be made by parents if they have given 1 or more of their children a helping hand through the bank of mum and dad and the parents want to square up the ledger between their children when they die if they have not already squared it up

The lawyers at Sydney Business Lawyers have over 50 collective years of legal experience helping families and their children purchase and sell property, meeting the bank's requirements for lending related to it and dealing with the loan and/or gift and estate planning requirements that flow from it. So we are well placed to assist with all of the needs that relate to the bank of mum and dad.

As a result of the experience, we have also developed document packages to manage bank of mum and dad contributions and the legal requirements that arise from them.

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