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YSP Podcast Transcript: Episode 010. Macquarie Bank's Jenny Strong And Amanda Farmer Discuss Strata Finance And How To Use It Effectively

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Intro: Welcome to Your Strata Property. The podcast for property owners looking for reliable, accurate, and bite-sized information from an experienced and authoritative source. To access previous episodes and useful strata tips, go to www.yourstrataproperty.com.au.

Amanda Farmer: Hello and welcome. I'm Amanda Farmer and this is Your Strata Property. Today, we're joined by Business Development Director Jenny Strong of Macquarie Bank. Jenny's worked with Macquarie's Business Banking Division since 1999 and specialises in helping strata management businesses and strata owners grow their business and ultimately, their wealth. She's known for finding creative solutions to complex problems and offering solutions which are tailored to the sector's unique back office challenges with the aim of driving efficiency and productivity.

Most strata businesses in Australia bank with Macquarie bank. Jenny holds a Bachelor of Laws and a Bachelor of Business from Queensland University of Technology and relocated to Sydney in 2015 to work more extensively with the strata market in New South Wales. She's been an active member of the SCA for over ten years.

Today, I'm delighted to welcome Jenny Strong from Macquarie Bank. Welcome Jenny.

Jenny Strong: Thank you Amanda and it's an absolute pleasure to be part of your podcast today.

Amanda Farmer: Lovely to have you.

Jenny Strong: Thank you.

Amanda Farmer: Jenny, can you explain for us the various ways that an owners corporation might meet the cost of repairs, maintenance or upgrades to their building?

Jenny Strong: Yes, absolutely I can Amanda. Before we get going, I do apologise to any Queensland listeners, I'm going to use the phrase today 'owners corporation' but very sensitive to the fact that up in Queensland we would be using the term body corporate.

Amanda Farmer: Great.

Jenny Strong: So if we start with that. Now in my experience, I actually found that lot owners in consultation with their strata managers, actually consider one of three options in terms of funding the cost of repairs, maintenance, or upgrades to their buildings.

The first and the most obvious way to meet the cost of these repairs or upgrades would be to look to money that is already available in their sinking fund.

Amanda Farmer: Yes.

Jenny Strong: So, that's step one. Now typically, if that's not a possibility, the second option is for the lot owners to raise what's called a 'special levy', and for your listeners at home, if you're not aware of what a special levy is, it's actually where money is collected from strata lot owners for a specific purpose and to cover a specific set of common shared expenses.

So, if option one and option two are not a possibility, typically, the owners might elect to consider a finance option, such as a Macquarie Strata Improvement loan.



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Amanda Farmer: Excellent. Thank you for that, that's a really great summary of how our owners might be funding those kinds of costs. You've mentioned finance and you've just mentioned Macquarie's product... in your experience, why would a building opt for strata finance, like a product that Macquarie offers?

Jenny Strong: Yes, great question Amanda. Well, I suppose as a starting point, strata finance is just that: it's another option for funding repairs, maintenance, upgrades and the like, and there are quite a number of reasons why an owners corporation might consider strata finance. The most obvious, in my mind at least, is where there are insufficient funds in the sinking fund. It might also be the case that lot owners are unable individually to put their hands in their own pocket and fund a special levy upfront to cover the cost of the works.

So apart from those two obvious examples, there are also potential savings for lot owners for allowing work to be carried out upfront and very quickly. So, what actually happens is, a strata loan or accessing finance of this nature, reduces the immediate cost burden on individual lot owners to fund the upfront capital works, and what this means for lot owners who are listening, is that the funds are available really quickly, and in many cases, the work isn't delayed while the funds are actually being collected.

So this is really a great outcome for your lot owners, and I will actually point out in my experience, one of the reasons why finance might also be an option is that in some cases, multiple repairs or refurbishment works might be bundled into one project, and the benefit is they might save a little bit of time, they might save a little bit of money and more than likely they're going to minimise the disruption for their lot owners.

Amanda Farmer: I had an experience Jenny, and I think it almost fits exactly into that example, where we had a building that was doing a multi-million dollar refurb and they needed to enter into the contract with the building contractor and, in order for the building contractor to give them homeowner's warranty insurance, the homeowners warranty insurer needed to know that the money was in the bank and the money that was payable by the owners corporation under the contract, to the contractor, was secured, and it wasn't money that was going to be collected later down the track by way of levies.

So this particular building obtained strata finance so that they had the money there and ready to go, ready to pay to the contractor and could prove to the homeowner's warranty insurer that they had the funds in place and then they could get their homeowner's warranty insurance.

So, when you are doing those big projects like you say, where you've got multiple refurbs or it's one large project and you need that lump of cash, it's sometimes not good enough to wait for the levies to come in – you've got the money there available to you ready to access and in my mind that's certainly where clients of mine have found strata finance to be really useful.

Jenny Strong: Absolutely, that's a fantastic example Amanda and so many lot owners will have examples just like that where the ability to access finance means that the work can be done quickly and with a high degree of confidence that they can complete the job on time.

Amanda Farmer: Yes, really important. Okay, so we've talked about the offering that Macquarie has and I think you call that the 'strata improvement loan'. Can you kind of explain for us how that works and exactly what that is?

Jenny Strong: Yes, absolutely. So the Macquarie strata improvement loan is actually an unsecured loan which assists lot owners to make repairs, maintenance, upgrades to their properties. The loan in a nutshell is repayable over a maximum term of ten years, by making monthly principal and interest repayments from the account of the strata plan. So what that means is, is that the repayments are actually built in to the regular levies of the lot owners.

So to start the ball rolling, in terms of looking for a quote, we have a great little online inquiry form which is on our webpage and what that means is asking for a quote is really easy. So it's really easy to apply and it's easy to repay and I think that's the key message here.



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Amanda Farmer: Yes. I might put a link directly to that online inquiry in the show notes for this episode.

Jenny Strong: Yes, that's fantastic.

Amanda Farmer: Alright, can I ask you Jenny to share a story around how you or Macquarie has helped a strata building with your skills and your products in this area.

Jenny Strong: Absolutely, and you mentioned in my introduction that I've recently relocated to New South Wales but I am a born and bred Queenslander, and a few years ago when I was working in our Brisbane office of Macquarie bank, the 2011 floods hit Southeast Queensland.

Now, down here in New South Wales you would have seen the images, the damage to local property was extraordinary, and so many buildings were unprepared for the cost of funding repairs and maintenance where insurance wasn't available.

So this is where strata finance was a very good option for some of these buildings, and I suppose the key message here is the damage and the cost of the repair work was unexpected, and consequently, it wasn't provisioned for in the administration and sinking funds of these buildings.

So, natural disasters and unexpected damage are really good examples of where strata finance can be a great option. However, I suppose on the flipside, we also help a lot of newer buildings as well and they certainly have requirements too. But the 2011 floods are really what spring to mind for me.

Amanda Farmer: Yes, really good example of where some buildings would have been left in an incredibly precarious situation without having that kind of facility available to them.

Jenny Strong: Absolutely, really difficult time.

Amanda Farmer: Jenny, what are some of the common questions that you're asked when it comes to strata finance?

Jenny Strong: In my experience, there are three really common questions that are put to me, with respect to strata finance.

Now, the first one is that we're often asked what happens if some of the lot owners don't want to borrow money. For instance, can they pay their share of the works upfront and in cash?

I suppose the answer to this actually lies in the fact that our Macquarie strata improvement loan is provided to the strata plan as an entity, rather than multiple loans to individual owners, so you make that decision as a group.

I suppose the second thing I'm often asked is "how is this loan repaid?" and the answer to that lies in the fact that the loan repayments are actually incorporated into the regular administration or sinking fund levies. So, ongoing levies are typically expected to be increased for the specific purpose of covering those loan repayments.

And the third example, which I'd like to point out in this instance, is that we are often asked "does the loan need to be drawn down in full, right at the start or can we draw it down progressively?", particularly where the works are going to take a long time to complete, and it's really important to know that one of the features of our loan product is that the loan can either be fully drawn, if you would like, straight into a building's trust account or alternatively we can absolutely progressively draw down the loan as you require it.

Amanda Farmer: Sounds like some good options there to take into account the different situations that different buildings might find themselves in.



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Jenny Strong: And I think that's really important Amanda because no two situations, no two set of circumstances, are the same so it's really important that there is a degree of flexibility.

Amanda Farmer: Yes, great. Okay, Jenny, we probably have some listeners who are thinking about maybe they need some strata finance, they want to find out more... what steps can they take today to find out some more about strata finance?

Jenny Strong: Yes, absolutely. The reality is that strata finance is becoming a really readily available option to fund these repairs and improvements to buildings. So, I think what you'll find is that the process for applying for a loan is not as complicated as you might think, it just takes a few minutes to visit our website: www.macquarie.com.au/strataloans and we can provide a quote for your building via our online inquiry form.

From there, you will receive a PDF document that will guide you through the process, along with a manager like myself.

Amanda Farmer: Awesome. Personal question Jenny, what books have you read that have the greatest impact on you and why?

Jenny Strong: Very good question. I have to admit that I am a huge tennis fan and I just finished reading Andre Agassi's Open, which is his autobiography, for the second time.

Amanda Farmer: Oh wow. You must love it [laughing]

Jenny Strong: I do love it. So, Andre Agassi was a – I'm sure most listeners have heard of him – but he was a big name in the 1990s and early 2000s, and what I love about the book is that it's such a great lesson around resilience and determination and defying the odds because Agassi had a lot of injuries and ailments throughout his career, but his determination is something that really strikes a chord with me and it's something I really admire, so definitely worth a read Amanda if you haven't taken a look there already.

Amanda Farmer: Yes, excellent. I'll check it out and I'll put the details of that in the show notes as well, in case any of our listeners are interested too.

Jenny Strong: Fantastic.

Amanda Farmer: Okay, before we say goodbye Jenny, anything that you want to add that we haven't covered yet?

Jenny Strong: I think I mentioned before but I'll stress again, please visit our webpage if you would like a little bit more information and that will be included on your show notes...

Amanda Farmer: Yes.

Jenny Strong: www.macquarie.com.au/strataloans. There are also some contact details on our webpage, so certainly if you have any queries, you'd like a quote, certainly contact us via that webpage.

Amanda Farmer: Fabulous. Thanks so much for your time this morning Jenny, it's been great chatting with you about strata finance.

Jenny Strong: Fantastic. Thanks for your time too Amanda!

Amanda Farmer: Bye.

Jenny Strong: Bye.



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