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LOADED DEALS

"Loaded deals" or "the loading of purchase price in an offer to purchase" can be described as the inflation of the purchase price of a property to enable the purchaser to have access to a higher bond which can include the transfer costs, bond costs and finance for improvements to the property. It is not the same as a cost inclusive offering that a bank may grant to certain qualifying purchasers.

Loading a deal is done by adding amounts to the purchase price to reflect a higher purchase price than was actually agreed upon, or by adding an addendum to the Offer to Purchase stipulating that an amount will be paid back to a purchaser by the seller on registration, which is not presented to the bank during the bond application.

The effect is that the amount that is applied for from the bank is "loaded" with extra costs or funds, other than the value of the property. The conveyancer who registers a bond on behalf of the bank, is obliged to inform the bank if the purchase price reflected in the offer to purchase includes costs or other funds over and above the purchase price.

A transferring attorney must also provide a bond attorney with written confirmation that the purchase price reflected on the offer to purchase is correct and does not include costs or other funds. If a conveyancer therefore knowingly registers a "loaded" transaction, such conduct is unethical, and the conveyancer may be subject to disciplinary action by the Legal Practice Council, and will be removed from the bank's panel of registration attorneys.

Some banks grant funding for transfer and bond costs in certain circumstances, subject to strict criteria, and in these cases the purchase price is still a true reflection of the value of the property, and the bank will for example grant a 105% bond to provide for a portion of the costs of the transaction.

Agents must always advise purchasers that no extra amounts can be added to the purchase price, as loaded deals are not an acceptable practice.