HYBRID STRATA LOANS
THE MYTHS AND THE FACTS

When committees and owners consider a Firstrata Hybrid Loan, questions and concerns are common. Many of these are based on misunderstandings or outdated assumptions.

This document addresses the most common myths and explains how the Firstrata Hybrid Loan works in practice.

MYTH 1: Costly administration

Concern:

Hybrid loans create additional administration, including levy splits, tax reporting and multiple trust accounts, increasing costs for owners.

Fact:

There are no pro rata levy splits and no ATO reporting requirements. Firstrata manages all trust accounts and loan ledgers, integrated with major strata software platforms. Ongoing administration takes less than five minutes per month.

MYTH 2: Taxable interest income for self-funding owners

Concern:

Owners who contribute their own funds receive interest income that is assessable for tax purposes.

Fact:

There is no interest paid on the Self-Funding Owner Loan because the loan is non-interest-bearing.

MYTH 3: Complicated property sale process

Concern:

Selling a property during a hybrid loan is complicated; buyers and valuers may be confused by differing funding arrangements in the same scheme.

Fact:

Firstrata provides a Loan Disclosure Statement for each sale. Purchasers and valuers can clearly see the loan position of the lot and understand price differences based on whether an owner has paid upfront or not.

Sydney
Level 24
101 Miller Street
North Sydney NSW 2060

Melbourne
Suite 2, Level 19
Melbourne Quarter Tower
695 Collins Street
Docklands VIC 3008

Brisbane
Building 2
Gateway Office Park
747 Lytton Road
Murarrie QLD 4172

Perth
Level 27
St Martins Tower
44 St Georges Terrace
Perth WA 6000

firstratafinance.com.au
1800 59 59 00
enquiries@firstratafinance.com.au

Firstrata Finance Pty Ltd
ABN 19 682 756 190
Australian Credit Licence No. 567003

MYTH 4: Facility is not legal

Concern:

Working capital facilities may exceed a strata corporation's legal powers.

Fact:

The Firstrata Hybrid Loan includes a compliant working capital facility, reviewed and approved by leading strata lawyers, ensuring full legislative compliance.

MYTH 5: Joint and several liability

Concern:

Even if you pay upfront, you are still on the hook for budget overruns and future levies arrears.

Fact:

Joint and several liability is the same for hybrid loans as it is for standard strata loans and special levies. If there are budget overruns, all owners are responsible for the extra cost. If a cash shortfall arises from loan levies arrears, this can be covered by the working capital facility, with overdue interest borne by late-paying owners.

MYTH 6: Biggest critics

Concern:

Strata managers dislike hybrid loans because they are difficult to manage and owners dislike the hybrid loan because it causes conflict.

Fact:

Dozens of strata management firms actively support Firstrata Hybrid Loans, and many of them have multiple hybrid loan clients, confirming the product is not difficult to support.

Rather than cause conflict amongst owners, the hybrid loan resolves conflict because no one is forced into a one-size-fits-all funding solution that doesn't suit them.

Why do critics oppose hybrid loans?

Most criticism comes from lenders who do not offer hybrid loans. And the reason why they don't offer a hybrid loan is that typically half of the owners use their own money, and the other lenders want to lock in ALL owners into borrowing money from them – even if you don't need it.

Conclusion

Hybrid loans provide flexibility, transparency and fairness. Firstrata Hybrid Loans offer compliant structures, simple administration and genuine choice for strata communities.

Questions?

If you have any questions about these common myths or anything else about our services, just ask at any time. **We're here to help you.**

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