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Media Release

Strata managers failing in 'duty of care' to owners

Reliance on sinking funds and special levies inequitable, inefficient and out-dated

Direct borrowing by owners an affordable alternative

17 October 2006 – Australia's two million strata property owners and investors are not being properly informed by a sizeable proportion of strata managers.

Despite awareness of alternatives, some strata managers are failing to inform their customers – the apartment owners – that the sinking fund is not the only way to pay for refurbishment and maintenance of common property.

As a result, owners are paying too much and necessary work is either delayed or put off indefinitely.

"There is a 'she'll be right' attitude among many strata managers" said Bill Debney, managing director of Strata Finance. "They have traditionally only relied on the sinking fund and special levies, and quite frankly, can't be bothered to move with the times.

"The losers are owners, who mistakenly trust and rely on these strata manager's expertise. Meanwhile, urgent improvements go undone because the sinking fund will never be sufficient or the owners balk at a special levy.

"We have been talking to state governments in New South Wales and Victoria about making consumers aware of their choice. These strata managers are failing in their duty of care and need to put forward all options.

"Fortunately, there are a number of more reputable strata managers who are keeping owners abreast of options, and owners are urged to ensure their manager is one of them."

What is wrong with sinking funds?

Although there is a place for sinking funds to cover unexpected expenses - they are not a user pays system. What happens if an owner has contributed a significant amount over a number of years and then sell their property and the money has not been used for anything? Why contribute personal money to a sinking fund if you do not have the opportunity to benefit? Especially as other forms of investment provides better returns.

What is wrong with special levies?

Special levies can be appropriate for some situations however they often come at a bad time for owners; they require individual owners to find the funds; are difficult to get approved; and difficult to collect.

They often can be inequitable for many owners who may not have the money and may be forced to sell their asset, with the building often in a deteriorated state, which affects the sale value.

Because special levies are unpopular it may mean that needed works are delayed yet again leading to further building degradation which then ends up costing more for the then owners down the track.

About Strata Finance

Formed in 2003, Strata Finance's single mission is to provide non-mortgage loan funds to owners corporations (body corporates) for major repairs, maintenance and upgrade expenditure on building common areas.

Strata Finance loans require no personal guarantees, liens, or mortgages for individual owners - with no effect on individual's credit ratings.

As Strata Finance loans are not secured by a mortgage over the common property, its interest rates should not be compared to home loan mortgage rates where the security of the property is used by homeowners. Strata Finance, however, has many benefits over this type of funding and others. See <http://www.stratafinance.com.au/compare.html>

Further information: www.stratafinance.com.au

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