

Don't extend the mortgage on apartment repairs

WHEN a big repair job is needed on an apartment building and the maintenance fund doesn't cover the costs, it's the unenviable job of the body corporate management (soon to be called the "owners corporation") to pass a resolution that owners contribute their share of the shortfall. Owners aren't always that keen on having to cough up extra money for work on the building — they'd rather be spending it on their own four walls.

Even if all owners agree to the importance of funding the repair work, how do they go about raising several thousand dollars at short notice? Invariably, it's by

extending the mortgage — a solution that effectively doubles the cost of the bill over the 25-year life of the average mortgage.

"People are throwing money away," says Bill Debney, managing director of Strata Finance, which specialises in offering short-term loans to fund maintenance and repair work on apartment buildings.

A former lawyer, Mr Debney set up Strata Finance after realising that important repair and maintenance work was being neglected in hundreds of apartment buildings where body corporate managers could not get owners to fund the work. The finance represents an alternative way of dealing with

repair costs. Instead of individual owners shouldering the financial responsibility, the owners corporation borrows the money on a fixed-rate, three-year loan, and then incorporates the repayments into the owners' regular body corporate levy.

"The rate is fixed for the whole of the term," Mr Debney says. "So it makes budgeting very easy."

It's also a user-pays system — you only have to pay your share of the interest costs while you're living in the development, rather than still paying it off your mortgage 25 years later even if you've moved.

KARIN DERKLEY

