

Master Lending Policy

(Version 4.7 - 1 July 2024)

Ocean/Ultra Products

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1. Introduction

- (a) The Master Lending Policy (**Lending Policy**) has been developed to specify the responsibilities of the Originator / Mortgage Manager and to assist in writing mortgage loans with a risk profile consistent with that expected of AAA rated mortgage loan securities and industry best practice.
- (b) The funder lending policies are governed by the the funder Risk Committee.
- (c) All loans submitted by Originators / Mortgage Mangers must comply with this Lending Policy and applicable loan product criteria (**Loan Products**) as set out in the relevant schedule (**Loan Schedules**) and such other guidelines and procedures as advised from time to time by the funder.
- (d) The funder reserves the right to accept and approve loan proposals in its absolute and sole discretion and decline any loan proposal notwithstanding the fact that the loan proposal may appear to comply with this Lending Policy.
- (e) This document should be read in conjunction with other the funder updates, guidelines and operations manuals which together form the basis for providing residential and commercial loan funding under the the funder program.
- (f) The funder reserves the right to change the Lending Policy at any time, without prior or subsequent notice to any person.
- (g) No party may rely on the Lending Policy when considering applications for mortgage credit and if, and to the extent that any party does so rely, then the funder bears no liability or responsibility to that third party whatsoever. To the maximum extent permitted by law, the funder disclaims all liability for loss or damage whether foreseeable or not, suffered or incurred by you or any other person howsoever caused (including negligence on the part of the funder) as a result of the use of, or any purported reliance, on this Lending Policy.
- (h) This document is the copyright of the funder and no part of the materials in the Lending Policy may be reproduced or transmitted in any form by any means without the express written consent of the funder. Only the funder approved Originators / Mortgage Managers and their Agents or Brokers may use this Lending Policy.
- (i) Originators / Mortgage Managers are requested to contact the funder if they have any queries regarding their obligations.

1.1 Purpose of the Lending Policy

- (a) This Lending Policy contains residential and commercial lending guidelines for Originators / Mortgage Managers wishing to obtain funding under the funder. It is intended as an easy reference manual to lending guidelines, acceptable credit standards and macro processes.

- (b) These policies are a set of guidelines, to be followed in association with responsible lending obligations,¹ compliance with applicable law and common sense. Every application should be assessed on its own merit. Loans that are outside of the guidelines presented in this Lending Policy will only be considered if there are inherent strengths to the transaction including but not limited to the consumer having requisite capacity to service all financial commitments and without substantial hardship, the loan meets the consumer's requirements or objectives and is not unsuitable; credit risks can be mitigated with justification and sufficient supporting documentation which would enable the loans to be approved. However, any such approval will continue to be at the funders MMS's sole and absolute discretion.

2. National Credit Code

2.1 Introduction

- (a) ASIC is the national regulator for consumer credit and finance broking.
- (b) Effective from 1 July 2010 the National Consumer Protection Act 2009 (**NCCP Act**) commenced which includes the National Credit Code (**NCC**) as Schedule 1 to the NCCP Act. The NCC replaced previous State based consumer credit codes and the Uniform Consumer Credit Code (UCCC). The NCC regulates all consumer lending, including new loans for residential investment property by non-corporate consumers (individuals).
- (c) All businesses conducting a credit activity must firstly be registered with ASIC and hold an Australian Credit Licence (ACL) under the NCC or be appointed as a credit representative of a registered business in order to operate under the new legislation. Credit activities include finance broking, lending, leasing, servicing, and managing NCCP Act regulated loans.
- (d) The aim of the legislation is for credit licensees (banks and non-bank lenders) and credit assistance providers (Originators / Mortgage Managers and Brokers) to meet the responsible lending obligations. The key concept is that credit licensee must not enter into a credit contract with a consumer, suggest a credit contract with a consumer, or assist a consumer to apply for a credit contract if the credit contract is unsuitable for the consumer.
- (e) The NCC regulates the relationship between parties to consumer credit transactions including (but not limited to):
- (i) Providing upfront disclosure documents² and including relevant information in loan, mortgage and security documents (such as amount of credit; interest rates;

¹ RG 209.1 The responsible lending obligations, contained in Ch 3 of the *National Consumer Credit Protection Act 2009 (NCCP Act)*, were made to:

- (a) introduce standards of conduct to encourage prudent lending and leasing to continue, and impose sanctions in relation to irresponsible lending and leasing; and
- (b) curtail undesirable market practices, particularly where intermediaries are involved in lending.

Note: For further information see the *Explanatory Memorandum to the National Consumer Credit Protection Bill 2009 (Explanatory Memorandum)* at paras 3.11 and 3.16.

² Under *Information Sheet 146 Responsible lending disclosure obligations: Overview for credit licensees and representatives (INFO 146)*, Table 1 outlines the disclosure documents as well as a key fact sheet about the loan product (or information disclosing about the loan product) needs to be provided to a consumer:

repayments; fees / charges; statements of account; default rate; enforcement expenses; mortgage, security or guarantee required to secure the loan; commission; insurance requirements and any conditions).

- (ii) Regulating the ongoing conduct of the loan through to discharge (including interest and default interest charging; content and timing requirements for statements of account; notice requirements for variations of interest, fees/ charges, terms and conditions, default notices and procedures).
 - (iii) Requiring plain language loan contracts and securities.
 - (iv) Providing avenues of protection and legal redress for consumers and security providers.
 - (v) Regulating other matters such as conduct of credit providers (including their employees and agents), advertising and linked credit provider relationships.
- (f) The Introducer Code of Conduct outlines the key principles that govern the ethical standards and professional behaviour expected of Originators / Mortgage Managers by the funder. Each of these principles is consistent with the NCC, however the requirement that Originators / Mortgage Managers and their staff, Agents and Brokers will “*comply with the law and observe and abide by any duties and obligations imposed by a legislature*” is particularly relevant.
- (g) When submitting a loan application to the funder, the Originator / Mortgage Manager warrants and represents that each of their staff, Agents or Brokers processing a mortgage loan application has been trained on and understand their obligations under this Lending

Table 1: What credit disclosure documents do need to be provided to consumers?

I am a:	Credit guide	Quote	Proposal document	Written assessment
Credit provider, assignee or lessor	YES (see s126, 127 and 149)	N/A	N/A	YES (Final assessment: see s132 and 155)
Credit assistance provider	YES (see s113 and 136)	YES (see s114 and 137)	YES (see s121 and 144)	YES (Preliminary assessment: see s120 and 143)
Credit representative	YES (see s158)	N/A	N/A	N/A
Debt collector (if a licensee or credit representative)	YES (see s160)	N/A	N/A	N/A

Note: All references in this table are to the NCCP Act.

Policy and requirements and obligations under the NCCP Act including the responsible lending obligations and has complied with this Lending Policy and requirements and obligations under the NCCP Act and the NCC.

2.2 Regulated and Unregulated Loans

- (a) Regarding the funder Loan Products, the NCC regulates credit provided to individuals or strata corporations where credit is to be used wholly or predominantly:
 - (i) for personal, domestic or household purposes (this includes buying or improving a home to live in);
 - (ii) to purchase, renovate or improve residential property for investment purposes (this includes buying or improving, or refinancing credit to buy or improve, residential property for investment purposes); and
 - (iii) to refinance credit that has been provided wholly or predominantly to purchase, renovate or improve residential property whether to live in or for investment purposes;(together and each the "NCC Purposes").³
- (b) Credit for other investment purposes is not a 'personal, domestic or household' purpose. This means, for example, credit to purchase investment products like shares and interests in managed funds is not regulated and the responsible lending obligations do not apply to such loans.
- (c) Loans to individuals or strata corporations that are predominantly⁴ for a purpose that is not a consumer purpose (e.g. to be used for a business purpose) are not regulated and the responsible lending obligations do not apply to such loans.
- (d) The NCC does not extend to loans that are provided predominately for business and/ or investment purposes. If the loan is wholly or predominantly for a business purpose, responsible lending obligations do not apply, even if the borrower is an individual and the loan is secured over that person's home or other personal assets. For example, a loan to a farmer to cover essential farm repairs and purchase feed for stock is for business purposes and is not regulated, regardless of whether it is secured over the farmer's home.

³ **Note:** Where credit is provided to an individual for residential property investment purposes, for investment in multiple residences, and the total amount is more than \$5 million, the credit is not regulated as consumer credit: see reg 65C of the National Credit Regulations.

⁴ '*Predominant*' (as defined in s5(4) of the NCC) means:

- (a) the purpose for which 'more than half' of the credit is intended to be used (e.g. if \$300,000 of a \$500,000 loan is to be used for establishing a small business, and the remainder for making improvements to the borrower's home, the loan is not regulated); and
- (b) if the credit is intended to be used to obtain goods or services—the purpose for which the goods or services are intended to be '*most used*' (e.g. if a small business operator obtains a loan to purchase a motor vehicle which is to be used 60% of the time for work purposes but will also be available for personal use, the loan is not regulated).

- (e) In some cases, a borrower may give a declaration that credit is to be applied wholly or predominantly for a purpose that is not a consumer purpose. These declarations will be ineffective if the lender:
 - (i) knew or had reason to believe; or
 - (ii) would have known, or had reason to believe, if the lender or a prescribed person had made reasonable inquiries about the purpose for which the credit was provided, or intended to be provided,
that the credit was in fact to be applied wholly or predominantly for a consumer purpose.
- (f) If credit is to a company, other than a strata corporation, then the credit is not regulated by the NCC.

2.3 Credit Wholly or Predominantly for Non-NCC Purposes

- (a) If credit applied for by an individual or strata corporation is wholly or predominantly for non-NCC purposes, then the consumer will be required to indicate this by completing the purpose declaration on the application form to exclude any such loan from NCC regulation.
- (b) When the consumer completes the declaration, further inquiries need to be made by the Originator / Mortgage Manager to verify whether the declaration is accurate.
- (c) The declaration cannot be relied on if the Originator / Mortgage Manager knew or had reason to believe, in the circumstances, that the declaration was not correct, or would have known or had reason to believe it was not correct if reasonable inquiries had been made. It also cannot be relied upon if the debtor is able to establish to the contrary in any proceedings ultimately initiated in relation to the loan.
- (d) A declaration is not required if the consumer is not an individual or strata corporation as the loan will be unregulated, or if the loan is regulated by NCC.

2.4 Determining the Purpose of Credit

- (a) Credit is regulated under the NCC if it is for NCC Purposes.
- (b) Even though the NCC does not define what constitutes personal, domestic or household use, it is self-explanatory and generally there should be no difficulty in deciding whether a loan is wholly or predominantly for personal, domestic or household purposes.
For example, using credit:
 - (i) for a holiday or to purchase a car for personal use would be wholly for personal, domestic or household purposes; or
 - (ii) to purchase a vehicle for business use or purchase a commercial property for investment use would be wholly for investment or business purposes.
- (c) For split purpose dwellings (i.e. where the property is used partly for commercial purposes and partly for residential purposes), the loan will be regulated unless the aspects of the dwelling to be used for residential purposes are a small proportion of the dwelling.

- (d) Difficulties may also arise when credit is provided or intended to be provided for different purposes. It is then necessary to consider what the predominant purpose is for the credit application.
- (e) There are two basic methods by which the purpose may be tested the *Money Test* and the *Asset Test*.

2.5 Money Test

- (a) The Money Test is used when more than one asset or service is to be acquired with the credit, and looks at the purpose for which most of the credit is intended to be used.
- (b) If the total value of the assets or services to be acquired exclusively for NCC Purposes exceeds one half of the credit, then the loan is regulated by the NCCP Act.
- (c) If the total value of the assets or services to be acquired exclusively for non NCC purposes (i.e. business or investment purposes excluding investment in residential investment property) exceeds one half of the total credit, then the loan is unregulated.
- (d) If there is no predominant purpose (i.e. when exactly half the loan will be used for both purposes, the guidelines state that the NCC will apply).

2.6 Asset Test

- (a) This test looks at the purpose for which the assets or services to be acquired with the credit are to be most used.
- (b) If the assets or services are to be used mostly for NCC Purposes, then the loan is regulated by the NCC.
- (c) If the assets or services are to be used mostly for non NCC Purposes, then the loan is unregulated.

Note: In some situations, both the Money Test and Asset Test will need to be applied to determine the predominant purpose.

2.7 Small Business Protections

- (a) Although the responsible lending provisions in the NCCP Act do not apply to small business borrowers, small business borrowers do have the benefit of a range of other protections. This includes statutory protections through the consumer protection provisions in Division 2 of Pt 2 the ASIC Act, including protections in relation to unfair contract terms and the right to raise disputes with the Australian Financial Complaints Authority (AFCA).

3. Responsible Lending Obligations

3.1 Responsibilities

- (a) All parties have particular responsibilities that are to be fulfilled to ensure prudent lending practices are followed. Originators / Mortgage Managers and their Agents or Brokers must perform the following tasks:
- (i) Conduct loan interview, discuss loan options and determine the most suitable Loan Product for the consumer.
 - (ii) Complete fact find and preliminary assessment forms and keep originals on file. Copies are to be included with loan submission to the funder.
 - (iii) Assist consumer with the preparation of the loan application if required and advise the consumer about the application and approval process.
 - (iv) Sight all original verification documents required in support of the loan application, check their authenticity and obtain copies for the loan file noting on them that the original documents have been sighted and forward copies to the funder.
 - (v) Independently perform consumer identify verification (VOI). This process may be completed by an approved biometrics/face recognition technology solution (e.g., OCRLabs, IDYou etc.), by an authorised the funder agent (e.g., ZipID), face-to-face or via a recorded internet-based video interview based on a process approved by the funder. Required documentation for the VOI is to be completed and a VOI report is to be provided with the loan application.
 - (vi) If an electronic VOI is not completed as per 3.1.(a)(v) above, then complete the Consumer Identification and Verification form after comparing the consumer and their signature with the photographic ID and taking a copy of the identification documents or any other identification procedures as advised and required by the funder. Wet signature on the Consumer Identification and Verification form is not required.
- (b) In addition, the Originator / Mortgage Manager only (and not their Agents and Brokers) must perform the following:
- (i) Independently verify the applicant's income details via employment verification where the consumers income has not been evidenced by both recent payslips and bank statements showing the salary credits. Overseas employment verification is always required or identification of a minimum of five (5) months of salary deposits via bank statements. Where employment verification is performed a file note must be created noting the name of the caller; the number called; the date and time of the call and the name / position of the person providing the confirmation and full details of what was confirmed i.e. income, length of employment, position and any other material information from the call which would be relevant to a lender assessing a lending application.
NOTE: *Caution must be taken to verify employer / accountant details when mobile phone numbers or numbers supplied by consumers, or third parties are to be used.*

- (ii) Perform background checks on the consumer and each loan party for the purposes of identifying and verifying consumers in accordance with the requirements of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (AML ICTF Act)*. These requirements may be satisfied:
 - (A) using the Equifax ID Matrix services and flagging at the lodgement of application any exceptions that may arise; and
 - (B) completing an approved Customer Identification and Verification form.
- (iii) Obtain credit reports on all parties to the loan application together with associated companies; proprietorships; possible matches and cross-linked files.
- (iv) Document all verification done including details on who conducted such verifications and the date that it was completed.
- (v) Obtain valuations of the security properties via the funder approved valuation methods and accredited valuer panels.
- (vi) If Lender's Mortgage Insurance is required, prepare and submit Lender's Mortgage Insurance application for approval (subject to prior approval from the LMI provider and the funder).
- (vii) Ensure that all loan applications comply with this Lending Policy and any other guidelines and policies, unless submitting the loan applicable with identified exceptions for special consideration by the funder.
- (viii) Ensure that all loan applications comply with all applicable laws, including (without limitation) consumer credit laws.
- (ix) Ensure that each loan application has a legitimate legal purpose, both within the word and the spirit of the law.
- (x) Originator / Mortgage Manager Credit Staff are expected to assess all loan applications in a prudent manner and ensure that the loan is not unsuitable⁵ for the consumer and that the:
 - (A) the loan contract meets the consumer's requirements⁶ or objectives⁷;
 - (B) the consumer will be able to comply with their financial obligations under the product (e.g. they would be able to make repayments as they fall due for the term of the product);

⁵ **Note 1:** There are statutory presumptions that, in specified circumstances, the consumer will only be able to meet their payment obligations with substantial hardship. These presumptions apply:

- a) for all credit contracts where the consumer could only comply with their financial obligations by selling their principal place of residence; or
- b) for small amount credit contracts where the consumer is currently in default under an existing small amount credit contract or has been a debtor under two or more small amount credit contracts in the 90-day period before the assessment.

⁶ The consumer's *requirements* relate to the features of the credit product or credit limit increase that the consumer needs or that is preferred by the consumer.

⁷ The consumer's *objectives* are the end the consumer wants to achieve by obtaining the credit product or credit limit increase

- (C) each consumer has the requisite capacity to service all financial commitments and without substantial hardship; and
 - (D) each consumer has the requisite authority / capacity to grant the supporting securities.
- (the “**prescribed test**”).
- (xi) If the prescribed test is not met, you must assess the loan as being unsuitable, and you must not enter into that product with the consumer, suggest the consumer apply for it, or assist the consumer to apply for it.
 - (xii) In undertaking the assessment, the Originator / Mortgage Manager Credit Staff must:
 - (A) make reasonable inquiries about the consumer’s financial situation; and
 - (B) make reasonable inquiries about the consumer’s requirements or objectives in relation to the loan;⁸ and
 - (C) take reasonable steps to verify the consumer’s financial situation.
 - (c) There is an obligation on the Originator / Mortgage Manager only (and their Agents and Brokers) including consumers not to make a false or misleading representation in relation to matters that are material to entry into the loan or in attempting to induce another person to enter a loan.

3.2 Responsible Lending Obligations

- (a) Without limiting what is required to comply with the requirements and obligations under the NCCP Act, set out below are the minimum standards that the funder requires in relation to compliance with responsible lending obligations for all loan applications (including loan variations and additional advances).
- (b) The details below serve only as a guide that can be customised to ensure these satisfy the specific way Originators, Mortgage Manager and their Agents and Brokers choose to interact with consumers.
- (c) In addition to complying with the current Lending Policy and underwriting requirements as amended from time to time, the funder also requires that all Originators, Mortgage Manager, brokers and introducers make specific enquiries relating to the following:

⁸ **Note 2:** See s117, 130, 140 and 153 of the NCCP Act. See also regs 28HA and 28JA of the National Credit Regulations for prescribed inquiries that must be made.

In addition, the Explanatory Memorandum to the National Consumer Credit Protection Bill 2009 (**Explanatory Memorandum**), states that the minimum required of credit licensees in order to meet the obligation to make reasonable inquiries about a consumer’s requirements and objectives will be to understand the purpose for which the credit is sought. The next step that the licensee should take is to determine whether the type, length, rate, terms, special conditions, charges and other aspects of the proposed credit contract meets this purpose or, if not, to suggest credit contracts or consumer leases that do match the consumer’s purpose: see Explanatory Memorandum, paras 3.68 and 3.138.

If none of the credit contracts that you provide (or provide services about) meets the requirements and objectives for a given consumer (i.e. they are all unsuitable), then you must not enter into a credit contract with the consumer, make unconditional representations about the consumer’s eligibility to enter into a credit contract or suggest a credit contract to the consumer.



- (i) is the consumer aware of any information relevant to his/her/their loan application that has not been provided and may have an adverse impact on his/her/their financial circumstances;
 - (ii) is consumer aware of any future change in his/her/their employment which may adversely affect his/her/their ability to meet his/her/their current and future financial obligations;
 - (iii) does the consumer anticipate any increase to his/her/their expenses/liabilities over the next 12 months (e.g. ill health or disability, a possible claim requiring payment, end of interest free or honeymoon period on a loan);
 - (iv) does the consumer anticipate any decrease to his/her/their income during the next 12 months (e.g. extended leave, retirement, reduction in overtime);
 - (v) does the consumer anticipate any reduction in profit/income/cash flow to his/her/their business activities during the next 12 months; and
 - (vi) probing further into answers given by the consumer or in relation to information which Originator, Mortgage Manager, Brokers or Introducers is aware in relation to the consumer which would be prudent to obtain further details for the purposes of assessing whether the consumer could service the loan comfortably and without substantial hardship or if the loan would be suitable for the consumer.
- (d) Originators / Mortgage Manager and their Agents and Brokers are required to:
- (i) assess the ability of the consumer to meet his or her financial obligations under the Proposed Contract and ability to meet obligations without substantial hardship;
 - (ii) take prudent steps to verify the consumer's financial situation;
 - (iii) assess whether the loan is appropriate and suitable for the consumer according to the information provided by the consumer about their objectives or requirements;
 - (iv) determine whether or not a loan is "not unsuitable" (including having a regard to the stated loan purpose). This will include identifying the loan purpose in appropriate detail (for example, if the loan purpose is too general or is not clear (such "future investment purposes") further detail should be requested) and what the funds are to be used for; and
 - (v) ensure that the settlement proceeds are applied for the stated loan purpose.

3.3 Inquiry Requirements

- (a) The purpose of these requirements is to obtain information you need to understand:
- (i) why a loan is sought by the consumer, and what terms and features are important to them, so that you can determine whether the type, length, rate, terms, credit limit, special conditions, charges and other aspects of the proposed contract meet this purpose, or suggest contracts that do match the purpose for which the consumer has sought credit; and

- (ii) the consumer's ability to meet all repayments, fees, charges and transaction costs under the proposed loan.⁹

3.4 Verification Requirements

- (a) The provisions dealing with unsuitability assessments limit the kinds of information that can be taken into account when deciding whether a loan or credit limit increase is unsuitable under the prescribed test of unsuitability. For the purpose of the prescribed test, information is only to be taken into account if:
 - (i) the information is about the consumer's financial situation, requirements or objectives (or other prescribed matters); and
 - (ii) at the time of the assessment, the licensee had reason to believe the information was true or would have had reason to believe that the information was true if the licensee had made the inquiries or verification that was required.¹⁰

3.5 Assessment

- (a) All Originators / Mortgage Managers and their Agents and Brokers must make the preliminary assessment within 90 days of when the credit assistance is provided. This will be when the Originator / Mortgage Manager or their Agents or Brokers assist the consumer to apply for a loan or an increase to a loan.
- (b) The assessment must state the period the preliminary assessment covers (90 days) and the loan must be drawn:
 - (i) within (120) days of the preliminary assessment if the loan to be provided will be used for the purchase of residential or commercial property and secured by a mortgage over the property¹¹; and
 - (ii) within ninety (90) days of the preliminary assessment for all other type of loans.

If the loan is not drawn within the above timeframes of when the preliminary assessment is completed, all Originators / Mortgage Managers and their Agents and Brokers must complete a new preliminary assessment.
- (c) In order to demonstrate compliance with the law, Originators / Mortgage Managers and their Agents or Brokers must keep written records of the steps taken to make reasonable enquiries: to verify the consumers' financial situation and any relevant commentary to support their assessment. Written records can be stored in electronic form and Originators / Mortgage Managers and their Agents or Brokers must retain a written copy of the latest preliminary assessment (prior to the funding of the loan)¹² to be available for it to be

⁹ **Note:** See the Explanatory Memorandum at paras 3.68–3.69 and 3.138–3.139.

¹⁰ **Note:** See s118(4), 119(4), 131(4), 141(4), 142(4) and 154(4) of the NCCP Act and discussion in RG 209.207–RG 209.212.

¹¹ Section 128 and section 151 of the NCCP Act and Regulation 28J of the National Consumer Credit Protection Amendment Regulation 2012 (No. 4).

¹² A licence condition supports this obligation, by requiring the credit licensee to keep a record of all material that forms the basis of an assessment of whether a credit contract or consumer lease will be '*not unsuitable*' for a consumer in a form that will enable the licensee to give the consumer a written copy of the assessment if a request is made under s120, 132, 143 or 155

provided to consumers¹³ (at their request) or the funder on request up to seven (7) years from the date of the credit assistance. The assessment can be wholly in electronic form (i.e. a suitable record on a system) but needs to contain a statement that a credit assessment has been made on a specified date and the period for which it applies.¹⁴

- (d) The requirements in section 3.5(c) above apply equally to any new loans and principal increases.
- (e) All submitted loan applications will be finally assessed and approved by the funder and the funder reserves the right to accept and approve loan proposals in its absolute and sole discretion and decline any loan proposal notwithstanding the fact that the loan proposal may appear to comply with this Lending Policy.
- (f) All supporting documentation submitted with the loan application must be less than 60 days old (or earlier if explicitly specified in this Lending Policy) when received by the funder. Supporting documentation includes, but is not exhaustive;
 - (i) Pay slips or other income supporting documents (< 60 days);
 - (ii) Employment and Income verification form, when required (< 45 days); and
 - (iii) Credit Reports (< 45 days);
- (g) An approval issued by the funder must be settled:
 - (i) within (120) days of the preliminary assessment if the loan to be provided will be used for the purchase of residential or commercial property and secured by a mortgage over the property¹⁵; and
 - (ii) within ninety (90) days of the preliminary assessment for all other type of loans.

3.6 Life of Approval

- (a) Any application that has not settled within the specified period outlined in *section 3.5 Assessment*, must be reassessed to ensure that there have been no material changes in the consumers circumstances since formal approval.
- (b) For all loans that will not settle within 60 days of formal approval.

¹³ If the consumer requests a copy of the preliminary assessment, you must give the consumer a written copy of the assessment within the prescribed timeframes and free of charge: s120 and 143. If the consumer requests a copy of the preliminary assessment within 7 years of the date of the credit quote, the consumer must be given a written copy of the assessment:

- (a) if the request is made within 2 years of the quote—before the end of 7 business days after the day the licensee receives the request; and
- (b) otherwise—before the end of 21 business days after the day the licensee receives the request.

¹⁴ ASIC may require you to produce a copy of the written assessment through its powers to require the production of documents (see Div 2 of Part 6-3 of the NCCP Act), or by requesting reasonable assistance from you (see s51 of the NCCP Act).

¹⁵ Section 128 and section 151 of the NCCP Act and Regulation 28J of the National Consumer Credit Protection Amendment Regulation 2012 (No. 4).

- (i) An updated credit report to confirm that there has been no material changes in credit limits or repayment history; and
 - (ii) Written confirmation from all consumers that there has been no change in their financial circumstances.
- (c) All other loans must be treated as a new application and reassessed.

3.7 Financial Obligations

The consumer must be able to make their repayments and have the requisite capacity to service all financial commitments and without substantial hardship.

3.8 Risk of Financial Detriment

- (a) The risk or likelihood that a consumer will experience financial detriment by taking on new financial obligations under a loan will be higher where the amount of the new financial obligations would be a proportionately significant part of the consumer's available income. In these circumstances, errors such as overestimating income or underestimating outgoings may mean that your assessment does not identify that the loan or credit limit increase being considered is in fact unsuitable for the consumer.
- (b) If the information provided in response to initial inquiries indicates a higher risk of financial detriment due to underestimation of expenditure and actual inability to meet new financial obligations, further inquiries or more robust verification steps are needed. For example, '*red flags*' of potential financial detriment includes:
 - (i) the consumer's estimated expenditure is at a level that leaves little or no available income after new financial obligations are added;
 - (ii) the consumer has, or indicates they have only recently ended, multiple credit-related debts (e.g. a number of other personal loans, small amount credit contracts, credit cards or other continuing credit contracts, consumer leases, or other forms of unregulated credit such as 'buy now, pay later' arrangements);
 - (iii) the consumer's credit history shows an increasing net debt position;
 - (iv) the consumer's savings account is regularly overdrawn or direct debit transactions reversed;
 - (v) most or all of the consumer's income is withdrawn in a small number of transactions early in the income period; and
 - (vi) the consumer has payment delinquencies on essential utilities and services.

3.9 Substantial Hardship

The following factors must be taken into account when assessing if the credit contract will cause substantial hardship:

- (a) the money the consumer is likely to have remaining after their living expenses have been deducted from their after tax income;
- (b) how consistent and reliable the consumer's income is (and the size of the loan relative to their income level);

- (c) whether the consumer's expenses are likely to be significantly higher than average (e.g. because they live in a remote area);
- (d) the consumer's other debt repayment obligations and similar commitments (e.g. child support, school fees etc.);
- (e) how much of a buffer there is between the consumer's disposable income and the repayments (e.g. how vulnerable they are to an increase in interest rates, or the impact once any 'honeymoon' rate ends); and / or
- (f) whether the consumer is likely to have to sell their assets, such as a car, to repay the loan.

Distribution

4. Lenders Mortgage Insurance (LMI)

4.1 Purpose of Lenders Mortgage Insurance

- (a) Mortgage insurance is for the benefit of the lender only. It does not provide any protection to the consumers; it does however, give consumers greater flexibility on their borrowing capacity.
- (b) Premiums for mortgage insurance are calculated upon the risk of Loan to Value Ratio (LVR) and loan amount, the higher the risk, the higher the premium. Lender's Mortgage Insurance (LMI) covers the risk that the value of the security property upon mortgagee sale is less than the outstanding loan and the risk that for any reason the consumer is unable to meet their monthly payments.
- (c) All Loan Schedules carry a number of specific loan criteria and guidelines, which may be separate to the Master Lending Policies and guidelines. Except where the specific Loan Schedules are more restrictive than Lending Policies, the latter holds overriding precedence.
- (d) 100% primary cover is required for all Lender's mortgage insurance policies.

4.2 Lenders Mortgage Insurance Approvals

- (a) The funder will accredit Mortgage Managers to submit applications directly to the LMI providers on behalf of the funder (subject to consent from the Mortgage Insurer). Pending accreditation, Mortgage Managers will forward applications, inclusive of the completed LMI proposal, to the funder who will review and assess the application before submitting to the LMI providers.
- (b) The LMI providers require confirmation from the funder that they have approved any exception to the the funder Lending Policies. Where a policy exception has been approved, the funder will notify Mortgage Managers that they must resubmit the application to the LMI provider and obtain an updated approval.
- (c) Any Lenders Mortgage Insurance Approval / Acceptance Advice must show the insured as the mortgagee e.g. Perpetual Corporate Trust Ltd.

4.3 Lenders Mortgage Insurance Policy

- (a) The funder requires accredited Mortgage Managers to obtain LMI approval for any applications where the LVR is greater than 80%.
- (b) The funder reserves the right to request accredited Mortgage Managers to obtain LMI approval on applications that are not explicitly identified above.
- (c) The funder reserves the right to obtain LMI approval on any application.

5. Credit Policy

5.1 Maximum Loan Amounts

- (a) As a way of mitigating risk, the funder has set maximum loan amounts for all Loan Products.
- (b) Loan amount limits apply on a “*per security*” basis.
- (c) Loan amount limits may vary by Loan Product, loan purpose or location of security. Refer to the relevant Loan Schedule for maximum loan amounts for full details.
- (d) The funder may limit the loan amount to be approved based on the merit of individual applications and / or the actual loan amount.

5.2 Maximum Loan, Interest Only and Fixed Rate Terms

- (a) The maximum loan term for all Loan Products is 30 years.
- (b) The maximum interest only portion of any loan is 5 years. Interest only extensions are available on request for between 1 and 5 years (maximum accumulated interest only term is 10 years). Approval is required and is at the sole discretion of the funder.
- (c) The maximum fixed interest rate term is 10 years. Fixed term interest rates are provided at the sole discretion of the funder. Refer to relevant Loan Schedules and Rate Charts for available fixed rate terms.

5.3 Maximum Loan to Valuation Ratio's (LVRs)

- (a) The loan to value ratio (**LVR**) is calculated by dividing the mortgage loan amount by the lesser of the purchase price (in the case of a purchase) and the current value as indicated in the formal valuation.
- (b) Maximum LVR's vary by Loan Product, loan purpose and location of security. Refer to the relevant Loan Schedule for maximum LVR's.
- (c) Where the application is a property purchase, the LVR is the amount as a percentage of the purchase price or valuation, whichever is the lesser of the two (please refer to our policy regarding off the plan purchases and favourable purchases).
- (d) Where the application is a refinance or equity release, the LVR is the loan amount as a percentage of the valuation only.
- (e) Please note that the funder may choose to limit the LVR on any approval based on the merits of a loan application or the Loan Product.
- (f) If there are instances where a security property can be classified under more than one '*Property Type*', the lower of the applicable LVR bands applies.

5.4 Maximum Exposure

- (a) The funder has set a limit for each Loan Product to the total exposure they are prepared to consider to a consumer and any associated entities e.g. borrowing in individual name(s)

and separate borrowings in a company name where the individual is a director of borrowing company would both form part of the maximum exposure amount.

- (b) Please refer to the relevant Loan Schedule for maximum borrower exposure limits.

6. Loan Purpose

- (a) Before a loan is approved, it is important to understand how long the funds are required for and what they will be used for. This is to ensure that the loan will not be used for illegal purposes and to minimise the risk of default.
- (b) The funder will provide funds for any worthwhile purpose, provided all consumers obtain a benefit from the transaction, and that the purpose is legal.
- (c) Consumers will be required to provide evidence of the loan purpose for which the funds are to be used (i.e. copies of invoices, financial plans, contracts of sale, statements etc.) and this information is to be held on file.
- (d) Where a component of the loan is Equity Release/Cash Out and the purpose is simply stated as “*personal use (e.g. car, holiday)*” or “*future investment*”, then the funder will cap the Cash Out component to the higher of \$200,000 or 20% of the security property value. Amounts greater than the capped amount allowed will be approved on the condition that the funds are only released upon receipt of reasonable evidence for use (e.g., letter from financial planner, evidence of share or property portfolio, builder quotes for home renovations etc.)
- (e) A *Declaration of Purpose* is required for all loans in individual names that are predominantly (50% or more) for investment or business purposes.
- (f) If a loan is unregulated a Declaration of Purpose must be executed by all consumers applying for the loans.
- (g) The below Rules must be followed when accepting a Declaration of Purpose:
 - (i) A Declaration of Purpose must be taken at the time the loan application is made.
 - (ii) A separate Declaration of Purpose must be taken for each loan.
 - (iii) The Declaration of Purpose will be ineffective if the person taking the declaration or involved in the transaction knows, or has reason to believe, that the loan is to be used predominantly for personal, domestic or household purposes.
 - (iv) All consumers must sign and date the Declaration of Purpose.

6.1 Property Purchase

- (a) A loan that allows for the purchase of real estate for owner occupation or investment purposes as per the approved purpose for the Loan Product.
- (b) Purchase and Debt Consolidation (please refer to Debt Consolidation for further detail) is not acceptable for all Loan Products. The specific Loan Product criteria in the relevant Loan Schedule will outline as to whether debt consolidation is acceptable.
- (c) For a purchase the following conditions must be met:

- (i) repayment history for the last 3 months on other existing mortgages and personal loans must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report));
 - (ii) repayment history for the last 3 months on credit cards, store cards and other forms of credit must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report));
 - (iii) repayment history on all debts reported on the customers comprehensive credit report must not have more than two (2) non-zero repayment indicators in the last 12 months; and
 - (iv) copy of the contract of sale.
- (d) The following documentation must be obtained for verification:
- (i) statements or the consumers comprehensive credit report on all loan/s, credit cards, store cards and other forms of credit; and
 - (ii) a written explanation (emails are acceptable) must accompany the application if there are any arrears, default interest charged or dishonoured payments on the statements, and these will only be considered on a case by case basis.

6.2 Refinance

- (a) A refinance is where a consumer refinances an existing mortgage secured by either a residential or commercial property from another lender.
- (b) Refinance and Debt Consolidation (please refer to Debt Consolidation for further detail) is not acceptable for all Loan Products. The specific Loan Product criteria in the Loan Schedule will outline as to whether debt consolidation is acceptable.
- (c) Refinance and Equity Release/Cash Out (please refer to Equity Release/Cash Out for further detail) is not acceptable for all Loan Products. The specific Loan Product criteria in the Annexure will outline as to whether equity release/cash out is acceptable.
- (d) Refinance Equity Release/Cash Out is acceptable where the funds are being used for the purchase or construction of an additional residential or commercial property.
- (e) For a refinance the following conditions must be met:
 - (i) must be evident that there is financial benefit to the consumer for refinancing;
 - (ii) the full debt must be refinanced, and existing lender's security must be discharged on or before settlement of the loan;
 - (iii) part refinances are not acceptable;
 - (iv) repayment history for the last 3 months of the loan being refinanced, must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by

- copies of the current months loan statements or the consumers comprehensive credit report);
- (v) repayment history for the last 3 months for all other existing mortgages and personal loans must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report));
 - (vi) repayment history for the last 3 months for all credit cards, store cards and other forms of credit must be clear of any arrears, default interest or dishonoured payments (evidenced by copies of the current months loan statements or the consumers comprehensive credit report); and
 - (vii) repayment history on all debts reported on the customers comprehensive credit report must not have more than two (2) non-zero repayment indicators in the last 12 months.
- (f) The following documentation must be obtained for verification:
- (i) statements for the loan being refinanced plus statements or the consumers comprehensive credit report on all loan/s, credit cards, store cards and other forms of credit;
 - (ii) most recent rates notice to confirm property ownership and all rates paid up to date;
 - (iii) where the loans being re-financed are less than 6 months old, statements from the previous financier may be required, or confirmation of the settlement date; and
 - (iv) a written explanation (emails are acceptable) must accompany the application if there are any arrears, default interest charged or dishonoured payments on the statements, and these will only be considered on a case by case basis.
- (g) To ensure refinances (that do not include cash out components) do not encounter settlement shortfalls the loan amount should include the following buffer:
- a. One month's loan repayment; and
 - b. One additional month's interest; and
 - c. The outgoing lenders discharge fee (allow \$1,500 if unknown); and
 - d. A buffer of \$1,500.
- (h) Refinances of private mortgages (i.e. mortgage loans provided by lenders, other than ADI's and tier one non-banks e.g. Origin, Resimac, FirstMac/Loans.com, Pepper, La Trobe, Liberty, Brighten, BC Securities) may be considered at Origin's discretion, and a on a case by case basis.

6.3 Debt Consolidation

- (a) Debt consolidation allows for the purchase of a residential or commercial property or the refinance of an existing mortgage secured by either a residential or commercial property in addition to the consolidation of up to four (4) other personal debts (e.g. personal loans, credit cards, car loans).
- (b) For Debt consolidation the following conditions must be met:

- (i) equity release / cash out is available to a maximum of 20% of the security value.
 - (ii) it must be evident that the consumer's monthly repayments will be significantly less than their existing repayments by combining multiple debts into one monthly repayment. Any application deemed to only satisfy the consumer's repayment issues in the short term will be declined.
 - (iii) any loan not being paid out and / or partial payout of a loan must be reflected as an ongoing debt in serviceability for new loan requested. Current monthly payments must be noted unless evidence of a change in payments or facility limits are provided by the financier at time of assessment.
 - (iv) repayment history for the last 3 months on other existing mortgages and personal loans must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report);
 - (v) repayment history for the last 3 months on credit cards, store cards and other forms of credit must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report); and
 - (vi) repayment history on all debts reported on the customers comprehensive credit report must not have more than two (2) non-zero repayment indicators in the last 12 months.
- (c) The following documentation must be obtained for verification:
- (i) statements for the mortgage being refinanced plus statements or the consumers comprehensive credit report on all loan/s, credit cards, store cards and other forms of credit regardless of whether these facilities are being consolidated / paid out; and
 - (ii) a written explanation must accompany the application if there are any arrears, default interest charged or dishonoured payments on the statements, and these will only be considered on a case by case basis.

6.4 Equity Release/Cash Out

- (a) Equity Release / Cash Out is where a consumer refinances an existing mortgage secured by either a residential or commercial property from another lender and wishes to maintain their existing available credit limit / redraw balance or wants to release equity from their property by way of a cash out component.
- (b) Equity release / cash out is defined as funds derived from proceeds of an approved loan going directly to the consumer/s regardless of the purpose disclosed with the application.
- (c) Surplus funds are usually retained in the applicant's loan account at settlement and are automatically available as redraw.
- (d) The equity release / cash out terms are specifically set out for each Loan Product in the relevant Loan Schedule.

6.5 Off-The-Plan Purchases

- (a) This type of purchase occurs when a property (normally strata plan apartments or town houses) is placed on the market for sale at the initial stage of planning or under construction. Construction periods can take up to 36 months depending on size of the development and time of when actual purchase took place.
- (b) Applications should only be submitted for formal approval once a property is nearing settlement i.e., less than 90 days and valuation report confirms 100% completion of subject apartment & common areas. This will ensure any approval granted remains current, unlike an application at time of purchase which will not be accepted as the consumer's circumstances may have changed significantly since the initial purchase was made.
- (c) In some cases, if the value of the property has appreciated since the initial purchase, the funder may consider lending against the current valuation figure subject to the following conditions:
 - (i) Signed contract of sale must be dated at least 6 months prior to date of application.
 - (ii) Valuation from qualified valuers must be undertaken upon completion of construction, which must support the earlier value and purchase price and confirm that the property has been completed to the standard specified.
 - (iii) Comparable sales must come from outside of the actual development. Additional sales from within the development must be resales only.
 - (iv) Most of these purchases will fall under the High-Density policy and this policy should be adhered to when assessing these applications.

6.6 First Home Buyers

First home buyers generally have no track record to indicate their previous loan repayment behaviour. Credit guidelines as well as the First Home Owner's Grant (FHOG) requirements are to be strictly adhered to for first home buyers.

~~6.7 Family Pledge~~

~~Consumers who would normally be excluded from the property market can borrow sufficient funds with assistance from immediate family members. Family Pledge loans are available to consumers who have immediate family members that are willing and able to offer additional residential property as security enabling the consumers to borrow either 100% of the purchase price, for an existing property, or 100% of the house and land package (land purchase and fixed price construction cost), for construction of a new property plus an additional 10% to cover other costs associated with the purchase or construction (e.g., stamp duty, fees and charges plus cash out up to 5% for landscaping etc.).~~

- ~~(a) Immediate family members (parent, child, sibling) providing the Family Pledge must be guarantors and must obtain independent legal advice.~~
- ~~(b) Each eligible guarantor must provide a full application with supporting financial information. Standard lending policies apply.~~

- ~~(c) Each eligible guarantor must be able to service their own existing commitments plus an additional commitment equal to the amount of the Family Pledge over the same terms as the primary loan.~~
- ~~(d) Only one Family Pledge is acceptable for each loan application and must be supported by either a first or second mortgage, for a specific amount, over the offered residential property. The Family Pledge amount should be established as a separate split and must have P&I repayments.~~
- ~~(e) The maximum LVR for each guarantor is 70% calculated as Family Pledge amount plus any outstanding debt secured by the offered residential property divided by the offered residential property value (per independent valuation report).~~
- ~~(f) The maximum Family Pledge amount cannot exceed 50% of the value of the offered residential property.~~
- ~~(g) The maximum LVR inclusive of the offered residential property is 80% calculated as total loan amount divided by the combined valuation amounts of the primary residential property and the offered residential property.~~

6.8 Marital Property Settlement

These applications will be considered on the following grounds:

- (a) A Family Court Order or solicitor's letter must be held on file and must confirm the agreed property transfer and disclose any amount to be paid to the party being removed from the title at settlement.
- (b) The approved loan amount must be enough to cover payout of the existing debts and proceeds to the party being removed from the title. Approval must not be granted until this has been satisfied.
- (c) The funder must be provided with court order or solicitor's letter and instructed to pay the party being removed from the title at settlement agreed amount from settlement proceeds.

6.9 Construction Loans

- (a) A construction loan is a loan to build, renovate, or extend a property.
- (b) For all construction loans, the consumer's equity contribution must first be utilised to meet progressive payments, prior to drawdown of funds from the approved loan facility.
- (c) On completion valuations are required for construction loans.
- (d) If the property to be constructed is also being used as security (as it typically is) then the value of the property must be determined. There are two ways this can be done on an *as-is valuation* or an *on-completion valuation*.

6.9.1 As-Is Valuation

- (a) With an as-is valuation, you assess the value of the security before any construction, renovations or extensions have started. Using this valuation, you may not need a progress valuation and the consumer may request that all funds are advanced at initial drawdown, however the funder, at its sole discretion, may decide that progress payments are

required to ensure construction work is completed in an acceptable and timely manner. Where the funder has deemed progress payments are required and/or where the works represent major structural changes, namely:

- (i) where internal or external walls are removed / knocked down;
- (ii) roof is being replaced or a 2nd storey extension is being built; or
- (iii) any renovations being undertaken that could threaten the property's structure /stability then an "as is" value cannot be relied upon and a *on-completion valuation* must be completed with progress valuations as applicable.

6.9.2 On-Completion Valuation

- (a) An on-completion valuation is an estimate of the value of the security at the end of the construction, renovations, or extensions. The funder will decide on any of the following methods to ensure the construction is progressing satisfactorily and within its risk appetite:
 - (i) If the building contract is less than \$300,000, or the build requires independent certification, then a progress valuation must be obtained at frame, enclosed/lockup stages and at practical completion.
 - (ii) If the building contract is for \$300,000 or more and does not require independent certification, then a progress valuation must be obtained at each request for drawdown.
 - (iii) An independent Quantity Surveyor (QS) is engaged to verify the build cost before construction commences, before frame and before enclosed/lockup progress payments.
 - (iv) Policy is to use the on-completion valuation as the proxy for qualifying development costs where ColCap has sighted the signed fixed price building contract and has a short form valuation from an Approved Valuer.

6.9.3 Unacceptable Construction Loan Scenarios

The below are unacceptable construction loan purposes:

- (a) construction of demountable homes / transportable / mobile homes;
- (b) non-fixed or cost-plus contracts;
- (c) building contract that does not cover the complete construction (i.e. partial construction to be done by owner or another sub-group contractor, "*Labour-only*" and "*Managed Labour-only*" building contracts etc.);
- (d) non-approved construction;
- (e) refinance of partially completed construction;(case by case)
- (f) any property that is outside existing lending guidelines; and
- (g) Owner Builder construction.

6.9.4 General Construction Loan Requirements

The general Construction Loan requirements are as follows:

- (a) Loan serviceability to be assessed including a minimum of \$300,000 construction costs.
- (b) Loan covenant to commence construction within 6 months; and
- (c) As a minimum, the front and special conditions pages of the contract of sale where there is existence of rebate clauses which may affect the valuation of the property are to be perused and addressed in the valuation report by the Valuer.

6.9.5 Building Contract

- (a) An executed building contract is required prior to Settlement and must satisfy all the following criteria:
 - (i) it is an approved industry accepted contract;
 - (ii) it is in the name of the consumer or its nominee;
 - (iii) must contain a progress payment schedule that satisfies the funder guidelines as published from time-to-time;
 - (iv) address of the property where the dwelling is to be constructed is the same in all documentation;
 - (v) any variations that are included in the loan amount must be supplied and verified by the valuer. If the variations have been included in a revised progress payment schedule, then the funder will pay according to the revised schedule. If the variations have not included in the final build contract and progress payment schedule then the funder will pay the variations with the final progress payment;
 - (vi) there is a fixed time limit clause which must not be greater than 15 months from date the loan is formally approved;
 - (vii) a GST clause is included.

Note: Consideration must be given to how any additional costs possibly outside the building contract (e.g. drive way, turf, floor coverings, window furnishings and fencing) are to be funded to complete the property to a basic/marketable position.
- (b) The funder may request a building costing report where there are uncertainties / complexities with regard to any aspect of the contract price or payment schedule, if the contract price is over \$300,000, the construction is of an unusual or uncommon nature or the contract between parties is not at arm's length.

6.9.6 Documentation Required for Assessment

- (a) For the purpose of credit assessment, all of the following are required supporting documents for construction loans:
 - (i) Builder's quotation and/or tender document (to be held at initial assessment, in the absence of an executed fixed price contract);
 - (ii) evidence of consumer genuine savings and funds contribution must be verified in full at the time of assessment (savings plans are unacceptable); and
 - (iii) draft plan/specification.

Note: Prior to full approval, an executed binding fixed price building contract must be held.

- (b) Prior to the first progress payment to the builder the following documents must be sighted:
 - (i) Industry acceptable executed building contract; and
 - (ii) a copy of the builder's current builder's licence.
- (c) Prior to the first progress payment to the builder (excluding deposit) a Council approved and stamped plan / specification must be sighted.

6.9.7 Insurance Requirements

For Construction Loans the below insurances are required:

- (a) Public Liability Insurance is required for a minimum of \$5million; and
- (b) appropriate building insurance based on the requirement for each state, which covers the loss or damage to materials and work during construction. The policy must include '*Insurance Amount (equal to or not less than the Building Contract price)*', '*name of the owner*', '*name of the registered builder*', '*Origin MMS / Lender of Record's interest noted on the policy*' and '*Australia wide or a region inclusive of the location of the property being constructed*'.

6.9.8 Progress Payment Requests

- (a) Progress payments are to be released on joint application of the consumer and the licensed builder. To ensure that the consumer is fully aware of the progress payment request from the builder, it is required that the builder forward the payment request to the consumer for approval. The consumer is required to sign and date the payment request and forward the signed request to the funder for processing. Progress inspection reports are required.
- (b) Prior to the first progress payment the following must be completed and the builder needs to complete a progress payment request as follows:
 - (i) be in writing on the letterhead of the builder;
 - (ii) detail the builder's bank account to be credited;
 - (iii) provide a break-up of the amount claimed highlighting any price variations; and
 - (iv) be signed and dated by the builder.
- (c) Before processing a progress payment request:
 - (i) All drawdowns must confirm the construction is progressing in line with the Building Contract, and additional funds of \$x (not exceeding the scheduled drawdown amount contained in the building contract) are due for release to the builder.
 - (ii) At all times, sufficient funds must be retained by the funder to ensure completion under the Building Contract. Where an overrun is identified during the drawdown phase, the consumers must contribute additional funds from other sources prior to practical completion.
 - (iii) Confirm we have been authorised by the consumer to process the progress payment request.

- (iv) Confirm that the request is within guidelines and is in order (e.g. the loan is not in arrears; loan covenants are complied with etc.).
- (v) Valuer has recommended payment of the request.
- (vi) Any variation is to be paid for by the consumer from his/her own funds.
- (d) Prior to the final progress payment, the following documentation is required:
 - (i) Builder's progress payment report is confirmed and signed by the consumer;
 - (ii) Council (or Private Certifier where applicable) certificate of compliance / occupancy or equivalent attached to the final progress report for final drawdown;
 - (iii) Engineer's certificate (if applicable);
 - (iv) Survey report (if applicable);
 - (v) Pest control certificate (if applicable);
 - (vi) Any other requirement(s) that may be set out by the valuer in their progress inspection reports; and
 - (vii) A copy of the insurance policy against fire and damages (cover note is not acceptable) and the following noted / included on the policy:
 - (A) insured for the amount as recommended in the valuer's last valuation report;
 - (B) it is for replacement and reinstatement of the dwelling built;
 - (C) it has not expired; and
 - (D) Origin MMS / Lender of Record interest is noted on the policy.
- (di) Consumer should confirm in writing the Loan Product to which they wish the Construction Loan to convert, otherwise the loan will convert to a standard variable rate Loan Product over the remaining loan term.

6.9.9 Escalation of Arrears and Unacceptable Construction scenarios

- (a) The loan must be referred to the the funder arrears team if and when any of the following occurs:
 - (i) consumer fails to make interest payments on the loan for 2 months or 60 days;
 - (ii) consumer fails to have sufficient funds left to complete the construction;
 - (iii) the builder has become insolvent or "walked off" the site;
 - (iv) the construction has not commenced within 6 months from first drawdown /settlement of land loan component; or
 - (v) not able to complete the construction for any other reason (e.g. material variations in the plans).

6.9.10 Home Renovations

- (a) Home Renovations are defined when funds are used, for example, for:
 - (i) replacement or major refurbishment of bathroom or kitchen;

- (ii) swimming pool; and / or
 - (iii) garage
- (b) If a new valuation is required to facilitate the loan, a condition of the loan will be added to ensure the consumer uses the funds for the purpose stated. The funder will have the right to complete a new valuation at the consumers cost to ascertain the property value or use of funds, depending on the loan circumstances.

6.10 Bridging Loans

- (a) Bridging loans provide the consumer with the ability to complete the purchase or construction of a new property prior to selling assets (usually existing encumbered properties) to paydown the new loan. On completion of the bridging period the total debt may be repaid in full or reduced with the sale proceeds of assets leaving an “end-debt” that is repaid over the remaining term of the loan.
- (b) Bridging loans must include the full cost of the new purchase or construction, any refinancing of an existing mortgage on the existing property, plus all costs (e.g., stamp duty on the new property) less any funds being contributed by the consumer.
- (c) Simultaneous settlement is required where the bridging loan includes the refinancing of an existing mortgage. Part refinances are not acceptable.
- (d) Interest only payments are required during the bridging phase. The consumer may borrow funds to cover interest charges, fees and charges, and other government costs.
- (e) At the end of the bridging phase the loan will either be paid in full (no end debt), or the loan will revert to a principal and interest loan for the remaining loan term (refer to the relevant Loan Schedule for further details on the criteria and parameters).
- (f) Bridging and Debt Consolidation (please refer to Debt Consolidation for further detail) is not acceptable for all Loan Products. The specific Loan Product criteria in the relevant Loan Schedule will outline as to whether debt consolidation is acceptable.
- (g) For a bridging loan the following conditions must be met:
 - (i) The maximum LVR at settlement (inclusive of interest coverage, fees, and charges) is 80%. The valuation of existing properties that are provided as security during the bridging phase will be assessed with a 20% haircut. E.g., new property is valued at \$1.0m. Existing property is valued at \$1.0m. The borrowing capacity will be assessed based on the combined value of \$1.8m.
 - (ii) Maximum bridging loan size at settlement is \$5.0m capped at the maximum loan size of the end debt as specified in the Standard Loan schedule.
 - (iii) repayment history for the last 3 months of the loan being refinanced, must be clear of any arrears, default interest or dishonoured payments (evidenced by copies of current loan statements covering the preceding 3 months).
 - (iv) repayment history for the last 3 months for all other existing mortgages and personal loans must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report)).

- (v) repayment history for the last 3 months on credit cards, store cards and other forms of credit must be clear of any arrears (no repayments greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report).
- (vi) repayment history on all debts reported on the customers comprehensive credit report must not have more than two (2) non-zero repayment indicators in the last 12 months; and
- (vii) copy of the purchase contract of sale (or land contract of sale and build contract).
- (h) A valuation is required on both properties at the time of origination which will be used to assess the LVR at settlement (peak debt) and end date. An updated valuation is not required on the remaining property at the end of the bridging phase.
- (i) Where there will be an end date after the existing property is sold, the standard serviceability assessment is required using the remaining loan term (after the bridging phase).
- (j) The following documentation must be obtained for verification.
 - (i) statements for the loan being refinanced plus statements or the consumers comprehensive credit report on all loan/s, credit cards, store cards and other forms of credit;
 - (ii) most recent rates notice of the existing property to confirm property ownership and all rates paid up to date; and
 - (iii) a written explanation (emails are acceptable) must accompany the application if there are any arrears, default interest charged or dishonoured payments on the statements, and these will only be considered on a case by case basis.
- (k) To ensure refinances (that do not include cash out components) do not encounter settlement shortfalls the loan amount should include the following buffer:
 - (i) One month's loan repayment; and
 - (ii) One additional month's interest; and
 - (iii) The outgoing lenders discharge fee (allow \$1,500 if unknown); and
 - (iv) A buffer of \$1,500.

6.11 Unacceptable Loan Purpose

The loan purposes that are not acceptable include:

- (a) vacant land (where the consumer has no intention to construct a dwelling within 12 months from settlement of the loan);
- (b) payment of tax liabilities;
- (c) trade creditors;
- (d) vendor finance;
- (e) reverse mortgages;

- (f) third party mortgages;
- (g) gambling;
- (h) money laundering; or
- (i) any illegal activity.

6.12 Business Purpose

6.12.1 Acceptable loans for a Business Purposes

- (a) Acceptable loans for a Business Purposes include the following:
 - (i) Purchase of Plant and Equipment;
 - (ii) Purchase an existing business; and
 - (iii) Re-finance an existing business loan.
- (b) The requirements of the borrower must be sought to ensure that the business purpose is warranted and not putting the borrower in a worse financial position (e.g. loan to pay salaries to try and keep the business afloat).

6.12.2 Unacceptable Business Purposes

Unacceptable Business Purposes include (but are not limited to) the following:

- (a) Any illegal activity;
- (b) Payment of taxation liabilities;
- (c) Gambling;
- (d) Re-finance private/directors' loans, or part of another business loan (acceptable if loan settled within the last 6 months and evidence of flow of funds is provided);
- (e) Property development activities;
- (f) Consolidation of more than four personal debts (including leases / hire purchase);
- (g) Refinance of loans where there is evidence of arrears in the last 3 months greater than 15 days overdue and/or no non-zero repayment indicators on the consumers comprehensive credit report (evidenced by copies of the current months loan statements or the consumers comprehensive credit report);

7. Consumers/Guarantors

7.1 Eligible Consumers

- (a) The Eligible Consumers for each Loan Product are listed in the relevant Loan Schedule.
- (b) When assessing a consumer credit application by a consumer, consider the following:
 - (i) Ensure that the consumers and any guarantors are not declared bankrupts nor have judgements pending in a bankruptcy case.

- (ii) Ensure that any corporate / trust consumers and any guarantors do not have an administrator, receiver appointed, a credit arrangement put in place, are not declared insolvent nor have any judgements pending in an insolvency case.
 - (iii) Past defaults are checked via a credit-reporting agency (e.g. Equifax Australia Group Pty Limited). A credit report is unsatisfactory if there is any default greater than \$3,000 or \$5,000 in defaults in total within the past 3 years.
 - (iv) All joint consumers to a credit facility must obtain a direct benefit from the loan proceeds and are jointly and severally liable meaning that any joint consumer to a credit facility may become liable for the full amount of the debt.
 - (v) For non-English speaking consumers, ensure a qualified translator (independent of the consumer) is available to interpret the documentation and provide an appropriate certificate.
- (c) Applications for consumers that are greater than 55 years of age must be submitted with an appropriate exit strategy signed by the consumers.¹⁶

7.2 Consumers of Convenience

- (a) A Consumer of Convenience is defined as a consumer who is added to a loan application to provide serviceability support and/or security but receives no financial benefit from the transaction.
- (b) All consumers must receive a benefit from the transaction either by way of joint ownership of the security and / or dependence on the mortgagor in a marital or de-facto relationship
- (c) Any loan where a person is added to a loan for the sole purpose of providing income for a loan to service or providing additional security for another party to purchase a property will be declined.

7.3 Guarantors & Guarantees

- (a) A guarantee is a contractual promise given by a third party that makes the person liable in the event of default by the debtor. A guarantor will be required on an application when the company is a consumer, and/or if the security property is in a different name to the consumer.
- (b) The guarantee must incorporate the following provisions:
 - (i) *guarantee obligation* - an obligation on the guarantor to pay the money owing on demand if not paid by the debtor; and
 - (ii) *indemnity* - if for any reason the debt is not recoverable against the debtor or the guarantor, the guarantor must indemnify the financier for any loss.
- (c) If a security property is in a different name to the consumer, the guarantor must complete a full application form including personal details, assets & liabilities, income & employment

¹⁶ It is presumed that if a consumer will only be able to comply with their financial obligations under the credit product by selling their principal place of residence, then the consumer could only comply with those obligations with substantial hardship.

details and sign on the funder Privacy Act declaration. Standard assessment and verification policies in this document must be adhered to.

7.4 Company Guarantors

The following matters need to be considered when lending to a Company and what guarantees need to be taken:

- (a) Guarantees are to be obtained from owners or a minimum of two directors, sole director/company secretary (if it is a sole director company) as per section 127 of the Corporations Act.
- (b) *Directors' conflicts* – are any directors of the company under a conflict of interest in relation to the execution of the guarantee? If so, do the Articles or Constitution allow the company to enter into a transaction where a director has an interest and permit this director to vote?
- (c) *'Uncommercial' transaction* - will the giving of the guarantee constitute an 'uncommercial' transaction under the Corporations legislation?
- (d) *Trustee company* - is the company a trustee? If so, does the trust deed allow the trustee to give guarantees and indemnities?
- (e) Where the Borrower are the shareholders and directors of the company, as a general rule, we do not require a guarantee from the company when there is little scope of recovering guaranteed debts from retained profits, as they are drawn as directors' salaries or paid out as dividends. On the other hand, if it can be demonstrated that considerable reliance is placed on retained profits, then a guarantee from the company should be taken.

7.5 Legal Advice

- (a) If the guarantor is a company or trust owned by all the consumers, legal advice can be waived.
- (b) Examples of where parties not sufficiently the same:
 - (i) Consumer A, guarantor X Pty Limited, the shareholders and directors of which are A and B. Advice is required by B because B is not a consumer.
 - (ii) Consumer X Pty Limited (A sole director and shareholder) and A and B guarantor. Advice is required by B because B is not benefiting through the company.
- (c) Examples where advice can be waived, the parties are common:
 - (i) A and B consumer, X Pty Limited guarantor of which A and B are all the directors and shareholders. Advice could not be waived if there was an additional shareholder and director C who was not a consumer as there would then not be sufficient commonality.
 - (ii) Consumer X Pty Limited (sole director and shareholder A), guarantor A.
- (d) The guarantee should state that the liability of the Guarantor would not be affected by:
 - (i) any variations of the transaction or the documents between the financier and the debtor;

- (ii) failure by the financier to enforce any security held by the debtor or any other person;
- (iii) the release of any security held by the financier for the guaranteed money;
- (iv) the insolvency of any party to the transaction;
- (v) an increase in the amount guaranteed (in such instances the written consent of the guarantor to the increase must be obtained);
- (vi) the money or any part of it not being recoverable from the debtor or any co-guarantor;
- (vii) a clause prohibiting the guarantor from exercising any right of set-off, or any right of subrogation, or claiming the benefit of any security held by the funder, or proving in liquidation or bankruptcy of the debtor before the funder has been paid; and
- (viii) a clause under which the guarantor must pay all costs in relation to enforcement of the guarantee and requiring interest to be paid if the guaranteed money is not paid when due.

7.6 Unacceptable Guarantors

- (a) Guarantees are not to be accepted from the following or in the following circumstances:
 - (i) Where there is reason to suspect that the proposed guarantor is suffering mental illness or physical illness affecting their mental functioning.
 - (ii) Where there is reason to suspect that the proposed guarantor has intellectual disabilities that would make it difficult for them to understand a guarantor's obligation.
 - (iii) Individuals or companies acting under a Power of Attorney for the guarantor (who is an individual).
 - (iv) Where there is reason to suspect that the proposed guarantor is incapacitated at the time of executing the guarantee (e.g. under the influence of alcohol or drugs).
 - (v) Where there is reason to suspect that the guarantor did not understand the effect of the guarantee at the time it was executed.
 - (vi) Where (it is suspected that) the proposed guarantor is under duress from the consumer or another guarantor or is under the influence of the consumer or another guarantor.
 - (vii) From individuals that are independent to the consumer group.
 - (viii) Do not have the financial resources to repay or service the guarantee obligations.
 - (ix) Would encounter undue hardship (such as, for example, the loss of their home) if required to pay under the guarantee.
 - (x) Anyone under the age of 18.

7.7 Power of Attorney

- (a) A Power of Attorney (**POA**) is a document that appoints one person (the **Attorney**) to act on behalf of another person (the **Donor**). Any lawful action taken by the attorney under the POA is binding on the Donor.
- (b) There are currently two types of POA in Australia:
 - (i) a standard POA which can be used to cover a variety of transactions including dealing in property and loan applications. This can be revoked at any time and also ceases when the Donor loses his or her faculties; and
 - (ii) an enduring POA (**EPOA**) which continues even after the Donor loses his or her faculties.
- (c) POA's need to be registered in accordance with the laws of the State of residence of the person giving the POA for any dealings in real estate.
- (d) It is not the funder Policy to approve borrowings where the request comes from an attorney acting under a POA. This policy applies to new and existing loans where the loan was approved on a first party basis, but the funder is asked to approve further borrowings under a POA executed by the Consumer at a later date.
- (e) Whilst an attorney can legally apply for finance on behalf of a Donor, the funder does not wish to expose itself to any reputational risk in the event that the attorney is not acting in the best interests of the Donor.
- (f) Where the funder is asked to carry out normal administration tasks (e.g. account balances, rollover of fixed rate loans etc.) for a Consumer under a POA given by the Consumer to a third party, the funder must sight the POA and such POA must be registered as required under the various State laws.
- (g) The POA must be produced on each occasion a request is made to deal with a Consumer's account together with a Statutory Declaration from the attorney stating that the POA has not been revoked, withdrawn, cancelled or expired.

8. Employment Types

8.1 PAYG

- (a) PAYG stands for pay as you go and defines those consumers that are employed by another party and can be employed as:
- (i) Permanent Full Time;
 - (ii) Permanent Part Time;
 - (iii) Casual; and
 - (iv) Contract

8.2 Standard Self Employed

- (a) Self Employed is the term used for any consumer that works for themselves and is not employed by another party or if they receive more than 50% of their income (including wages) from a business in which they are the sole trader, a partner, director or shareholder and where they have management control of the company.
- (b) This includes consumers who are:
- (i) sub-contractors; and
 - (ii) professional consultants.

8.3 Basic Self Employed

- (a) Basic Self Employed are Standard Self Employed consumers who either pay themselves a salary / wage, dividends or Directors fees from their business or receive distributions from their partnerships or trust (evidenced by personal bank statements showing salary credits or latest tax assessment notice) and do not rely on any other sources of income to service the loan.

8.4 Professional Self Employed

- (a) Professional Self Employed are Standard Self Employed consumers who are, but are not limited to, Lawyers, Certified Practising Accountants, Dentists, General Practitioners, Hospital-employed Doctors, Medical Specialists, Veterinary Practitioners, Optometrists, Pharmacists, Chiropractors, Speech Therapists and Physiotherapists.

8.5 Breakdown of Employment Types

The table details the breakdown of acceptable types of employment:

Type	Requirements
Permanent full time	<ul style="list-style-type: none"> • Minimum of 6 months in current employment

	<ul style="list-style-type: none"> If in current employment < 6 months, must have been in continuous employment in the same industry for at least 12 months If consumer is on probation, will be considered on a case by case basis
Permanent Part Time	<ul style="list-style-type: none"> Minimum of 6 months in current employment If in current employment < 6 months, must have been in continuous employment in the same industry for at least 12 months If consumer is on probation, will be considered on a case by case basis
Casual	<ul style="list-style-type: none"> Minimum of 12 months in current employment Exercise caution if casual employment is the sole source of income, such as, enquiring with employer on prospects for continuity of employment
Second Job	<ul style="list-style-type: none"> Minimum of 12 months in current employment
Contract	<ul style="list-style-type: none"> Minimum of 6 months in current employment If in current employment < 6 months, must have been in continuous employment in the same industry for at least 12 months Minimum 3 months remaining on contract term
Standard Self Employed	<ul style="list-style-type: none"> Minimum 18 months trading in the current business

9. Acceptable Income

9.1 Australian Income

The table below details the acceptable and unacceptable types of Australian Income:

Type	Requirements
Salary and Wage	<ul style="list-style-type: none"> 100% if employment requirements are met Casual income assessed to a maximum of 46 weeks
Overtime	<ul style="list-style-type: none"> 100% if regular or a condition of employment Must be evidenced over a 6 month period
Shift Allowance	<ul style="list-style-type: none"> 100% if regular or a condition of employment and is an industry standard Must be evidenced over a 6 month period

Bonus / Commissions	<ul style="list-style-type: none"> • 100% if confirmed by current employer for past 2 years • If in current employment < 12 months, must have been in previous employment for at least 2 years in the same industry
Salary Sacrifice	<ul style="list-style-type: none"> • Where an employee voluntarily sacrifices a portion of their salary, 100% of the sacrifice may be taken into account and added to the gross income
Salary Packaging	<ul style="list-style-type: none"> • Where an employee is entitled to package a component of their salary pre-tax (e.g., meal & entertainment card, novated lease etc.), 100% of the packaged amount can be included as non-taxable income • Non-taxable components need to evidence in Salary deposits
Standard Self Employed Professional Self Employed	<ul style="list-style-type: none"> • 100% of current year's net profit capped at 150% of previous year's net profit where the application is assessment is based on tax returns / notice of assessments
Company Income	<ul style="list-style-type: none"> • Minimum 2 years trading in the current business • 100% of current year's net profit capped at 150% of previous year's net profit
Trust Distribution	<ul style="list-style-type: none"> • 100% of gross trust distribution (net profit for trust) as personal income
Car Allowance	<ul style="list-style-type: none"> • 100% against corresponding car loan repayments or added to gross taxable income
Fully maintained company car	<ul style="list-style-type: none"> • Up to \$5,000 can be added to gross income or \$3,500 to net income
Rental Income	<ul style="list-style-type: none"> • 80% of gross rental income for investment properties • 70% of gross rental income for National Rental Affordability Scheme (NRAS) properties • 80% of gross rental income for Specialist Disability Accommodation (SDA) properties (0% allowed where property is also receiving NDIS Income) • 70% of gross rental income for Holiday accommodation properties averaged over the preceding 12 months
NDIS Income	<ul style="list-style-type: none"> • 80% of gross SDA income for investment properties • 100% of gross SDA income for owner occupied properties
Investment Income	<ul style="list-style-type: none"> • 80% of investment income (e.g. shares, dividends etc.)

	<ul style="list-style-type: none"> Interest on deposits, that are being used as funds to complete, are not acceptable Must be consistent over the 2 years
Australian Government Bond Income	<ul style="list-style-type: none"> 100% of Australian Government Bond income
Family Tax Benefit (as supporting income only)	<ul style="list-style-type: none"> 100% where paid via the Family Assistance Office or the Australian Tax Office Payment must be a Family Assistance payment (Part A and Part B only) made by the Federal Government The dependent child/children must be under the age of 11
Child Maintenance (as supporting income only)	<ul style="list-style-type: none"> 100% if child support agreement is registered with the Child Support Agency 3 months bank statements confirming regular receipt of payments Must have at least 5 years to expiry
Employer Maternity Leave Payment / Paid Parental Leave Payment	<ul style="list-style-type: none"> 50% of Employer Maternity Leave Payment and government Paid Parental Leave Payment (Working Parent Payment) is acceptable on the basis that this income is currently being paid and will continue to be paid until the consumer returns to work
Social Security Benefits & Government Pensions	<ul style="list-style-type: none"> 100% accepted where the funder considers the benefit to be a stable income source
Unemployment & Sickness Benefits	<ul style="list-style-type: none"> Unacceptable
Workers Compensation	<ul style="list-style-type: none"> Unacceptable
Income from Boarders	<ul style="list-style-type: none"> Unacceptable
Income Protection & TPD Income	<ul style="list-style-type: none"> Unacceptable

9.2 Foreign Income

The table details the acceptable types of Foreign Income:

Type	Requirements
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Salary or Wage	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if employment requirements are met
Overtime	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if regular or a condition of employment Must be evidenced over a 6 month period
Shift Allowance	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if regular or a condition of employment Must be evidenced over a 6 month period
Bonus/Commissions	<ul style="list-style-type: none"> 80% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) if confirmed by current employer for past 2 years If in current employment < 12 months, must have been in previous employment for at least 2 years in the same industry
Self Employed	<ul style="list-style-type: none"> Minimum 2 years trading in the current business 80% of current year's nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days), capped at 150% of previous year's nett foreign income
Rental Income	<ul style="list-style-type: none"> 80% of gross foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) Copy of Tenant Agreement or Rental Statement will be required if rental income is required for serviceability
Investment Income	<ul style="list-style-type: none"> 60% of nett foreign income, converted to Australian dollars (using the average daily exchange rate over the past 30 days) Must be consistent over the 2 years

10. Documentation and Verification

10.1 PAYG Documentation

(a) PAYG consumers must provide:

- (i) 2 consecutive payslips to confirm income and employment, with the most recent payslip being no more than 30 days old on receipt by the Originator / Mortgage Manager and no more than 60 days old on receipt by the funder; and
- (ii) latest 3 month's bank statements from a financial institution in the name of the employee showing regular salary credits from the employer.

- (b) Where the consumers' income includes casual employment, regular overtime, shift allowances, bonuses or commissions then the most recent financial year ATO income statement or PAYG payment summary will be required to confirm the consumer's annualised income.
- (c) Payslips should be computer generated (handwritten are not acceptable) and include as a minimum the following information:
 - (i) employers name and ABN number;
 - (ii) employee (consumers) name;
 - (iii) income particulars i.e. hourly rate or base salary;
 - (iv) year to Date (YTD) earnings;
 - (v) date;
 - (vi) overtime/allowances (where applicable); and
 - (vii) superannuation.
- (d) Where the consumer is only able to provide payslips or bank statements (i.e. one of the two required forms of salary evidence) the funder will consider the application if a legitimate explanation is provided. The consumer will also need to provide either an employment contract or a letter from the employer on company letterhead detailing:
 - (i) gross annual income (if package, breakdown of package);
 - (ii) role or position;
 - (iii) length of employment;
 - (iv) basis of employment (full time etc.);
 - (v) role of the signatory; and
 - (vi) should not be > 60 days old;
- (e) Where the consumer is employed by a family member, payslips or employment letters must be accompanied by either the most recent tax return or ATO assessment notice. If employment has only been in the current financial year, last 3 months bank statements in the consumer's name must be provided along with payslips or employment letter.
- (f) The funder will reserve the right to request extra documentation if required.

10.2 PAYG Verification

- (a) Computer generated payslips and evidence of salary credits to an account in the consumer's name are sufficient to verify the employment and income.
- (b) To validate the employment and income documentation if computer generated payslips are not available, the following verification must be completed:
 - (i) Obtain employer's contact details through an independent source.
 - (ii) Check employers company existence via an ABN or ASIC search. If further verification is required an ASIC check on the company can be completed.

- (iii) If the employer is overseas, verify employer's existence via searches on Google, employer website and independent business or government search registries confirming employer name, address and contact numbers.
- (iv) Contact the employer's HR department to verify details provided. If privacy requirements restrict the employer from providing information via telephone then email or fax may also be utilised. Employment verification must be submitted with the loan submission and should contain the following information;
 - (i) date of verification;
 - (ii) name and role of person within the organisation who verified the information;
 - (iii) employee name;
 - (iv) length of employment;
 - (v) employment status;
 - (vi) gross/net salary;
 - (vii) probation period (if any); and
 - (viii) check income with documentation provided.
- (c) The funder reserves the right to complete verbal employment checks as outlined above on any application.

10.3 Self Employed and Partnership Documentation

- (a) Basic Self Employed and Professional Self Employed consumers (including Partnerships) who either pay themselves a salary / wage, dividends or Directors fees from their business or receive distributions from their partnerships or trust and do not rely on any other sources of income to afford the loan only need to provide the latest years personal tax assessment notice or personal bank statements providing six months evidence of salary credits.
- (b) Professional Self Employed consumers (including Partnerships) who do not qualify in 10.3(a), only need to provide the latest personal tax return and tax assessment notice or an accountants letter confirming that the latest tax return is the final version held on file and is pending lodgement.
- (c) Standard Self Employed (including Partnerships) consumers must provide latest years' business and personal tax returns; and
 - (i) latest years' tax assessment notices or an accountants letter confirming that the latest tax return is the final version held on file and is pending lodgement; or
 - (ii) latest 6 months Business Activity Statements, supporting business bank accounts and financial status declaration form signed by all applicants.
- (d) Standard Self Employed or Partnership consumers must also provide the latest 2 years financial statements where the annual turnover is greater than \$250,000.
- (e) Where the most recent tax assessment notices are greater than 15 months old (i.e., applications submitted between 1 October 2021 and 31 March 2022 and the most recent tax assessment notices are for FY20) then the two most recent BAS are also required.

- (f) The latest years' tax returns and assessment notices will be acceptable up to 21 months old (i.e., FY20 tax assessment notices are not acceptable as the most recent NOA after 31 March 2022).
- (g) The business must have been trading for a minimum of 18 months.
- (h) Income levels should be reasonably consistent, and the current years' income figure can be used for servicing in most cases. For growing businesses where the current years income is greater than 50% of the previous year's income, we will use the current years income if the two most recent BAS and the two corresponding BAS from the previous year confirm the income is sustainable.
- (i) When assessing self-employed or partnership consumers it is important to separate business income and expenses from personal income and expenses. The key objective is to determine the consumer's base gross income, base net income and other personal income.
- (j) For Standard Self Employed where the annual turnover is less than \$250,000 and the business financial statements show a net loss for either of the last two year's, a variance in the net profit of more than 50%, aged or missing financials, the following documents will be required to assist further assessment:
 - (i) previous year's tax return (if available);
 - (ii) an accountant's letter explaining the income variance; and
 - (iii) interim financials prepared by a qualified accountant.
- (k) When assessing the financial position of a company or trust, the focus is on the activities of the business. The finances of the people involved are also included in this assessment because the income of related parties is usually reported via the business.
- (l) The funder will reserve the right to request extra documentation if required.

10.4 Company or Trust Documentation

- (a) Company or Trust consumers must provide:
 - (i) latest years' business and personal tax returns; and
 - (ii) latest years' tax assessment notices or an accountants letter confirming that the latest tax return is the final version held on file and is pending lodgement.
- (b) Company or Trust consumers must also provide the latest 2 years financial statements where the annual turnover is greater than \$250,000.
- (c) The latest years' tax returns will be acceptable up until 31 March of the current financial year (i.e., applications are not acceptable if tax returns are overdue).
- (d) The business must have been trading for a minimum of 2 years. Newly established SMSF Trusts and Holding entities (companies and/or trusts) are an acceptable exception.
- (e) Income levels should be reasonably consistent, and the current years' income figure can be used for servicing in most cases.

- (f) When assessing company or trust consumers, it is important to separate business income and expenses from personal income and expenses. The key objective is to determine the consumer's base gross income, base net income and other personal income.
- (g) If the business financial statements show a net loss for either of the last two years, a variance in the net profit of more than 50% or aged or missing financials, the following documents will be required to assist further assessment:
 - (iii) previous year's tax return (if available);
 - (iv) an accountant's letter explaining the income variance; and
 - (v) interim financials prepared by a qualified accountant.
- (h) When assessing the financial position of a company or trust, the focus is on the activities of the business. The finances of the people involved are also included in this assessment because the income of related parties is usually reported via the business.
- (i) The funder will reserve the right to request extra documentation if required.

10.5 Self Employed, Company, Partnership or Trust Verification

- (a) To validate the employment and income documentation the following verification must be completed:
 - (i) confirm business existence and trading status via searches on Google, businesses website and independent business or government search registries;
 - (ii) the business has been registered for a minimum of 18 months via www.abr.gov.au; and
 - (iii) the business has been registered for GST for a minimum of 12 months where income exceeds \$75,000.

10.6 SMSF Trust Documentation

- (a) Loan tenure and repayment behaviour are key determinants when assessing well-established SMSF refinance applications. As a result, the funder will accept a reduced set of auxiliary documentation for all SMSF refinance applications from ADI's and tier one non-bank lenders with a minimum of 12 months tenure and good repayment behaviour (no monthly repayment greater than 15 days in arrears).
- (b) SMSF consumers must provide:
 - (i) Most recent year's SMSF Trust Financial Statements; and
 - (ii) Most recent year's SMSF Trust Tax Returns; and
 - (iii) Most recent year's SMSF Trust Audit Report.
- (c) All PAYG beneficiaries must provide a minimum of 2 consecutive payslips to confirm income and employment, with the most recent payslip being no more than 30 days old on receipt by the originator / Mortgage Manager and no more than 60 days old on receipt by the funder. Payslips must include year-to-date super contributions and must reflect annualised contribution consistency. Inconsistency between the payslips and an

annualised year-to-date figure should be supported with additional documentation (e.g. copies of most recent ATO income statement, copy of payslip with Bonus).

- (d) Super contributions must be evidenced with corresponding credits in the SMSF cash management account or industry super fund. Evidence of super contributions are not required for well-established SMSF refinance applications unless required for servicing.
- (e) Additional super contributions, that are required for servicing, must be evidenced over two years via corresponding credits in the SMSF cash management account, super fund or a letter from the consumers accountant stating that the beneficiaries are able to make the additional contributions on an ongoing basis.
- (f) The following Trust documentation is required for all SMSF applications:
 - (i) Certified SMSF Trust Deed (this can be a settlement condition).
 - (ii) Certified SMSF Bare Trust Deed (this can be a settlement condition).
 - (iii) Certificate of Registration or an ASIC search for the SMSF trustee company (ASIC search must be < 60 days old).
 - (iv) Certificate of registration or an ASIC search for the SMSF bare trustee company (ASIC search must be < 60 days old).
- (g) The funder will reserve the right to request extra documentation if required.

10.7 Rental Income Documentation

- (a) To evidence and verify Rental Income the following documents are acceptable in priority order:
 - (i) Rental Statements;
 - (ii) Bank Statements.
 - (iii) Valuation Report;
 - (iv) Tax Returns
 - (v) Real Estate Agent appraisal;
- (b) Evidence of rental income is only required if the rental income is required for servicing.
- (c) Rental income for well-established SMSF refinance applications must be supported with a minimum 9 out of 12 months rental history evidenced from rental statements and/or CMA bank account statements.

10.8 Other Income Documentation

- (a) To evidence and verify other income the following documents are acceptable:
 - (i) pension advices or updates
 - (ii) tax returns;
 - (iii) dividend Notices; and
 - (iv) official documentation proofing income source.

11. Serviceability

11.1 Servicing Assessment

- (a) A servicing test must be completed for all applications. A consumer must demonstrate that they have the ability to service the loan or that the business /incorporated consumer (if applicable) is a viable entity with an ongoing ability to service their loan commitments.
- (b) The funder must not lend solely on the security LVR coverage for a loan, especially if there is material doubt about the loan servicing capability with an application. Sale of a security should be the last option for a debt to be cleared, either by the consumer or by the funder when assessing a loan application.
- (c) Loan serviceability calculations are based on post tax income and loan repayment stress testing based on a minimum serviceability assessment rate and to pass serviceability assessment, consumers must meet the Net Disposable Income (NDI) or surplus income test:
- (d) Minimum serviceability assessment rates may vary by Loan Product. Please refer to the relevant Loan Schedule for full details.

11.2 Net Disposable Income

- (a) The funder uses a Net Disposable Income (**NDI**) calculation to assess the consumer's ability to meet regular fixed repayments including the new loan being applied for.
- (b) It also covers monthly living expenses that are separate from any loan repayments. These are generally known as the cost of living and include such items as groceries, clothing, utility bills, petrol/car running expenses, school fees etc. A single consumer with nil dependents is assumed to have lower monthly expenses than a couple with two (2) dependents hence the living expense will be less for a single consumer. Income tax is also taken into account as net income is used.
- (c) To meet servicing requirements, the NDI ratio must at least 1.00:1. This means that a consumer/s net disposable (after tax and assessed living costs) must be at least 100% of total fixed commitments which includes the proposed loan. A higher ratio maybe required for different Loan Products and/or loan amounts.
- (d) Please refer to Loan Product parameters outlined in the relevant Loan Schedule to confirm the NDI ratio required.

11.3 Debt-To-Income Ratio

- (a) The funder uses a Debt-To-Income (DTI) ratio, as a secondary affordability test, to assess the consumer's ability to meet their debt obligations.
- (b) The DTI calculation is the total of the consumers debt (including the new loan) divided by the total of the consumers gross income. The DTI ratio must be less than 6.00:1 where the LVR of the new loan is greater than 90%. The DTI ratio must be less than 8.00:1 where the LVR of the new loan is greater than 80% and less than or equal to 90%.

11.4 Debt Service Coverage Ratio

- (c) The funder uses a Debt Service Coverage (DSCR) ratio to assess applications that are solely reliant on rental property income.
- (d) The DSCR calculation is the net operating income divided by the principal and interest loan repayment. The DSCR ratio must be greater than 1.20 which means that the annualised net operating income must be 120% of the annualised monthly principal and interest loan repayments.

11.5 Joint Income / Joint Commitments

- (a) Where the consumers have joint commitments with parties other than the loan application, 100% of the existing commitment is to be used in calculating serviceability for the proposed borrowing.
- (b) If a consumer receives an income source with parties not included in the loan application for e.g. rental property income, evidence must be provided to confirm the percentage of ownership. The consumer's tax return or title search on the property will confirm the level of ownership. The confirmed percentage will be used to determine how much of the gross income is used in the servicing calculation for the proposed loan.

11.6 Living Expenses

Living expenses must be accounted for in the serviceability assessment and are determined based on the number of consumers and dependants in a household. The funder requires a comprehensive review and assessment of the consumers declared living expenses.

11.6.1 Existing Debts and Liabilities

- (a) These existing debts and liabilities are commitments that a consumer cannot choose to reduce or eliminate (unless the new credit will be used to repay a debt or liability) and should generally be capable of being identified with a reasonable amount of certainty. Examples include:
 - (i) repayment obligations for other credit (including regulated consumer credit and obligations on the individual to make repayments on unregulated credit such as business or investment loans and existing '*buy now, pay later*' arrangements);
 - (ii) Higher Education Loan Program (**HELP**) debts, such as HECS-HELP and FEE-HELP;
 - (iii) spouse or child maintenance payments;
 - (iv) land tax / rates / body corporate fees on real property owned by the consumer (either the consumer's residence or other property); and
 - (v) if the information you have for income is gross income—any tax commitments or other deductions from that income (e.g. superannuation contributions and salary sacrifice arrangements).

11.6.2 Basic Living Expenses

- (a) The following living expense categories must be included in loan applications:

- (i) Housing / rental;
- (ii) Food and Groceries;
- (iii) Clothing / Footwear / Cosmetics etc.;
- (iv) Utilities;
- (v) Transport – public, cars, fuel;
- (vi) Owner Occupied property expenses (rent, strata, utilities, wear and tear);
- (vii) Spouse / Child maintenance;
- (viii) Health and Education (despite being publicly funded there may be additional costs for those who use these services);
- (ix) Communication and connectivity; and
- (x) Other Expenses.

11.6.3 Discretionary Living Expenses

- (a) The following discretionary living expense categories must be included in loan applications:
 - (i) Education – private school fees, after school activities etc.;
 - (ii) Childcare and nannies;
 - (iii) Insurances – health, life, income;
 - (iv) Non-compulsory asset insurance (e.g. motor vehicle and home and contents), especially if maintenance of the asset is important for maintaining the consumer's income;
 - (v) Elective Medical costs (repeat prescriptions, aid and care);
 - (vi) Additional superannuation contributions;
 - (vii) Recreation – dining out, entertainment and holidays;
 - (viii) Communications – internet, telephone, Pay TV;
 - (ix) Memberships and subscriptions; and
 - (x) Other Expenses.
- (b) The funder will assess serviceability based on the higher of the following:
 - (i) Consumers declared living expenses; or
 - (ii) Housing Expenditure Measure (**HEM**) plus Specifically Excluded Expenses.
- (c) It is recognised it may not be possible to identify with certainty the extent to which current expenditure on items are essential or if the consumer would be able to make some reductions if needed. You are likely to need additional information to determine whether the consumer has higher levels of essential spending, which cannot be reduced or eliminated, because of their particular circumstances. For example, a consumer may have higher expenditure for reasons such as:
 - (i) the number and kind of dependants (e.g. children or adult dependants) they support;

- (ii) they live in a location that involves higher prices for goods and services or that necessitates additional travel; or
- (iii) they or their dependants have special medical needs.

11.6.4 The Household Expenditure Measure (HEM)

- (a) The expense benchmark that is most commonly used is the Household Expenditure Measure (HEM). HEM is published by the Melbourne Institute of Applied Economic and Social Research at the University of Melbourne and available by subscription. This measure is updated quarterly.
- (b) The following spending items are not included in the HEM benchmark (Specifically Excluded Expenses) and therefore the assessment needs to take these into account:
 - (i) private school fees;
 - (ii) life insurance;
 - (iii) sickness and personal accident insurance;
 - (iv) alimony / maintenance payments;
 - (v) counselling services;
 - (vi) lease payments; and
 - (vii) HECS.
- (c) Each of the items outlined above must be specifically addressed by either being included as an existing commitment in the servicing calculator or by being separately identified in the living expenses section of the servicing calculator.

11.7 Allowable Add-backs

- (a) For all consumers, negative gearing on investment properties may be taken into account, where allowed by the ATO, by adding back the interest expense of investment properties if the loan is negatively geared.
- (b) For self-employed consumers, there are some expense items that can be added back to net income for inclusion in debt servicing calculation. These are:
 - (i) directors income/salaries where not already included in servicing calculations;
 - (ii) interest paid on debt being refinanced with proposed application (care to be exercised that interest relates only to debts being refinanced);
 - (iii) business depreciation (not exceeding 20% of business taxable income);
 - (iv) instant asset write-off as allowed from time-to-time by the ATO; and
 - (v) non-recurring expenses.
- (c) Any other expense outside the allowable add-backs described above, are considered unacceptable.

11.8 Rental Expenses

- (a) If a consumer is purchasing an investment property and the application advises the consumer/s live with family or friends “*rent free*”, a minimal rental expense of \$150 per week (\$650 per month) must be included in the loan servicing calculation per consumer. Where evidence is provided that the customer is living rent free, then the minimal rent expense can be removed where the DTI is < 6.00%.
- (b) If the consumer is purchasing an investment property and continues to rent themselves, the “*actual*” rental expense noted on the application must be included in the loan servicing calculation with the minimum being \$150 per week included in servicing if a single consumer or higher if more than 1 consumer as per above.

11.9 Credit Card Limits

- (a) The funder will include a monthly commitment in loan servicing calculations based on the higher of the actual minimum monthly repayment or 3.0% of the card limit unless the consumer provides the last 3 months card statements confirming that the monthly balance has been paid in full each month.
- (b) Credit Card, Store Card and Line of Credit limits are required to be included in the loan servicing calculations. If the consumer has provided the last 3 months of card statements confirming that the card balance has been paid in full each month then the monthly commitment to be used in loan servicing calculations will be 1.5% of the limit.
- (c) Charge Cards without a credit limit do not need to be included in the loan servicing calculations if the consumers comprehensive credit report or 3 months of card statements provides evidence that the card balance is paid in full each month. If the card balance has not been paid in full, the last 3 months card statements will be required and the highest balance over the last 3 months will be used as the card limit.
- (d) Interest free / payment free loans normally provided by department stores for household appliances must be included in servicing for new loan as consumer will eventually need to make repayments at the end of the offer period.
- (e) The funder requires a comprehensive review of all declared Credit Cards, Store Cards and Lines of Credit limits to ensure that all potential commitments have been included for serviceability. All related credit bureau enquiries (within the last 12 months) with credit providers that are not comprehensive credit report participants must be satisfactorily explained and a copy of the most recent statement must be provided to validate the declared limit. Comprehensive credit report participants can be found at the creditsmart.org.au website.

11.10 Other Commitments

- (a) The minimum monthly repayment of all existing loans, not being paid out, must be included in the servicing calculation. Other commitments include, but not limited to, car loans, personal loans and margin loans.
- (b) Short term buy now pay later loans (e.g., Afterpay) do not need to be included if the loan will be paid in full with 90 days from application approval.

- (c) Personal loan < \$10,000, used to secure land purchase (for future construction loan), does not need to be included as a commitment if the loan will be repaid in full within 90 days from construction loan application approval.
- (d) Interest free/payment free loans normally provided by department stores for household appliances must be included in servicing for new loan as customer will eventually need to make repayments at the end of the offer period.

12. Credit History

- (a) Most countries provide credit bureau services - listing all loan and credit enquiries, defaults, legal judgments and credit disputes for individuals, small businesses.
- (b) Credit check reports are one of the important items used to assess the credit worthiness of a consumer. It is therefore mandatory to obtain a credit report from the applicable credit bureau for all consumers and / or guarantors. This covers both individuals and any related business entities associated to the borrowing parties (e.g., directorships). The reports should be clear of any defaults, writs, judgements or bankruptcy listings. Any adverse findings on the credit reports must be supported by a written explanation by the consumers (emails are acceptable).
- (c) Credit check reports, due to directorships, are not required on business entities such as Not for Profit organisations, sporting clubs, schools, charities, associations, or publicly listed companies,
- (d) Credit check reports, due to directorships, are not required on business entities where the SMSF beneficiaries are not reliant on income from that entity for servicing,

12.1 Equifax

- (a) Equifax Australia Group Pty Limited provides Australian credit bureau services - listing all loan and credit enquiries, defaults, legal judgments and credit disputes for individuals, small businesses and companies operating in Australia.
- (b) Information that they hold includes company structure, directorships, and major shareholdings. Their service includes links to the Australian Securities and Investment Commission (**ASIC**), Business Name Extracts, Telstra Electronic White Pages and Investigative Reports for a comprehensive credit report check.

12.2 Credit Bureau Reports

- (a) A credit report is obtained to help assess the credit worthiness of a consumer or business consumer seeking credit. Request the report from a credit reporting agency to:
 - (i) minimise credit risk by alerting the funder to consumers and guarantors with an unsatisfactory credit history;
 - (ii) cross reference information provided in financial statements relating to loans with other credit providers; and
 - (iii) provide other warning signs.
- (b) A credit report is to be obtained for all new or increase in loan credit applications.

- (c) The following guidelines should be used when undertaking & assessing credit reports.
- (d) A signed and dated Privacy Consent Form must be held by the Originator / Mortgage Manager for all consumers prior to requesting any credit reports.
- (e) Credit reports must be less than 45 days at time of receipt of loan application by the funder. Reports must be rerun in all cases if they are > 45 days old at time of receipt of loan application by the funder.
- (f) Care should be exercised where a consumer has changed their name (e.g. marriage where female assumes husband's surname) then a credit report must be obtained under all the consumer names. In this example reports must be obtained on the married name and the maiden name.
- (g) Is it possible for consumers to have more than one credit file, and in each and every case the presence of cross reference files and possible matched files must be checked in accordance with this Lending Policy. The credit reports normally show if a possible match/cross reference is found.
- (h) Spelling of surnames, date of birth, residential address must be reviewed against the application form to ensure they match. Any discrepancies must be investigated and explained. The funder reserves the right to request a new credit report as appropriate. Only consumers who have recently turned 18 or over the age of 60 are the most likely consumers to genuinely have a new credit file created.
- (i) A large number of recent credit enquiries prior to receipt of application, in particular unsecured credit applications should be treated with caution as this might indicate that the consumers are active '*credit seekers*' and potentially under financial duress. All credit enquiries within the past 12 months must be investigated and noted against the purpose and outcome.
- (j) All credit reports showing consumers as directors of a private company/s must provide the most recent years tax returns & financial statements to ensure no losses are being sustained which must be included in servicing calculations if applicable:
 - (i) The tax returns are mandatory even if consumers are employed on a PAYG basis.
 - (ii) The tax returns are not required where the following instances occur
 - (i) the company was only established in the current financial year (confirmed via credit reports);
 - (ii) the company is a not-for-profit organisation, sporting club, school, charity, association, or publicly listed company
 - (iii) no income is required for servicing and the consumer's accountant confirms in writing that the company/s are trading profitably and are meeting their obligations; or
 - (iii) consumer's accountant confirms in writing that the company/s is not trading and has nil liabilities. .

12.3 Acceptable Enquiries

- (a) Consumers must have a clear credit history.

- (b) Small paid default(s), up to a maximum \$3,000 per default and \$5,000 in total within the previous 3year period, may be considered on a case by case basis but will depend upon the merit of the loan application and the explanation provided.

12.4 Unacceptable Enquiries

- (a) Consumers should have a clear credit history and the following are not acceptable:
 - (i) defaults, paid or unpaid (either consumers or guarantors unless allowed per section 12.3 Acceptable Enquiries);
 - (ii) any court judgements and court writs regardless of amount, paid or unpaid;
 - (iii) ATO defaults / judgements regardless of amount, paid or unpaid;
 - (iv) mortgage / finance default/s regardless of amount, paid or unpaid;
 - (v) discharged bankrupts (less than 5 years);
 - (vi) receiver / manager appointed;
 - (vii) liquidator appointed;
 - (viii) clear outs;
 - (ix) wind up petitions;
 - (x) part X(10) or scheme of arrangement; and
 - (xi) more than 6 separate finance enquiries within 12 months (the consumer is to provide an explanation of the excessive number of enquiries if the proposal is to be considered).

Note: Enquiries within a month, to a variety of lenders, for a similar amount, may be treated as one.

12.5 ASIC Reports

- (a) ASIC searches are required in the following circumstances to evidence a business's registration, including name and ABN number.
 - (i) where the company is a consumer or guarantor;
 - (ii) where a company is the appointed trustee of a discretionary or unit trust that is a consumer or guarantor;
 - (iii) where the consumer(s) are using the retained income to service the loan commitment; and
 - (iv) where the standard Credit Report does not reveal all the shareholders and office bearers of the company.

13. Savings / Equity

- (a) Consumers who have saved a deposit are more likely to be prepared for difficult circumstances i.e. interest rate rises, unforeseen expenses.

- (b) With most loans, the consumer must contribute some of their own money towards the purchase price. This is known as the consumer's contribution. It is important to understand where these funds are coming from and to verify that the declared sources of funds are genuine. Where the LVR is greater than 90% then a minimum of 5% of the purchase price must be from the following acceptable sources of funds
- (i) Genuine Savings (excluding Professionals and Essential Workers per below);
 - (ii) Federal and State Government Housing Grants (e.g. FHOG);
 - (iii) Non-Refundable Gifts; and
 - (iv) Non-Refundable Builder / Developer Contributions.
- (c) Genuine Savings criteria can be waived for Professional and Essential Worker customers that meet the following criteria.
- (i) Maximum 95% LVR
 - (ii) For Professionals the main Applicant, based on gross income, must be University Educated Professional and hold an Australian or Overseas University degree (Technology applicants may hold a TAFE or other industry Certificate).
 - (iii) Professional consumers include, but are not limited to, Lawyers, Certified Practising Accountants, Financial Auditors, Dentists, General Practitioners, Hospital-employed Doctors, Medical Specialists, Paramedics, Registered Nurses, Veterinary Practitioners, Optometrists, Pharmacists, Chiropractors, Speech Therapists, Physiotherapists, Executives, Information Technology Specialists and Managerial staff.
 - (iv) For Essential Workers at least one applicant must be a Police Officer, Fire Fighter, Ambulance Officer, Nurse, Assisted Carer, Primary, Secondary or Tertiary teachers.
 - (v) Must be Australian Citizens or Permanent Residents with acceptable Visa living and working in Australia.
 - (vi) Clean Credit (no arrears and no defaults).
 - (vii) Maximum DTI of 6.0.
 - (viii) PAYG applicants must have been in current employment for a minimum 6 months.
 - (ix) Self Employed applicants must have been established for a minimum of 2 years and able to evidence that profit over the 2 years via full financials.

13.1 Genuine Savings

- (a) Genuine savings includes the following:

Type	Requirement	Documentation
Equity in property	Must be held for at least 6 months in the consumer's name	Title Certificates, Rates notice and loan statement (if applicable)

Sale of real estate	Property must have been in the name of at least one of the consumers	Contract of sale and evidence of net sale proceeds in savings account
Accumulated savings	Must be held or accumulated over 3 months in a savings account or term deposit in the consumer's name	Bank statements within the last 3 months
Term deposit	Must be held in the consumer's name for a minimum of 3 months	Bank statements within the last 3 months
Shares	Must be held over 3 months (publicly listed companies only)	Share Certificate
Superannuation Funds	Must be held in the consumer's name	Copy of Superannuation statement confirming funds available for personal use

13.2 Non-Genuine Savings

- (a) The following are not acceptable as genuine savings.
- (i) Additional borrowings where the LVR is greater than 90% (additional borrowings are acceptable provided that a minimum of 5% of the purchase price are from the acceptable sources of funds as outlined in 13(b);
 - (ii) Funds held in company / business accounts; or
 - (iii) Barter money or trade dollars.

13.3 Rental Payment History

- (a) Where the LVR is greater than 90% and the Genuine Savings component of the consumers contributions do not meet the minimum time threshold then evidence of on time rental payments over the preceding 6 months is required.

13.4 Non-Refundable Gifts

- (a) Any gifts that are provided to consumer(s) that constitute part of their deposit (equity) must be supported by written communication from the gift provider, stating the amount of the gift and that the monies are a non-refundable, non-repayable gift.
- (b) The funder requires documentary evidence of the availability of the proposed gifted funds (e.g. copy of bank statement in the consumers name or gift providers name).
- (c) A certified translation of the written communication must be provided where applicable.
- (d) Gifts must be from immediate family members. Consumers aunties and uncles are acceptable.

13.5 Non-Refundable Builder / Developer Contributions

- (a) Any Builder / Developer and/or Vendor rebates or incentives that are provided to consumer(s) that constitute part or all of their deposit (equity) must be supported by a letter from the rebate or incentive provider, signed by an authorised representative, stating that the amount is non-refundable and non-repayable.
- (b) The letter must be provided to the valuer and the valuer must note that they have sighted the letter and taken the contents into consideration in the valuation.
- (c) The maximum rebate or incentive allowed is \$10,000.

13.6 Deposit Saving Plans

- (a) Deposit Saving Plans are acceptable provided that the savings plan has been included as an “Other Commitment” in the servicing calculator.
- (b) Deposit Savings Plans are not required to be included as an “Other Commitment” where the loan is a construction loan and the remaining Deposit Saving Plan term is less than or equal to six (6) months;

14. Security Properties

- (a) All loans are to be secured by a registered first mortgage and all security properties should be in good condition, free of defects and readily saleable.
- (b) The sale of the loan security is an alternative method of clearing the loan debt if the consumer/s does not fulfil their repayment obligations.

14.1 Acceptable Residential Property Types

- (a) Standard Residential Property is property that is primarily used for the purpose of private housing. This includes home industry or home office (as defined by the local government authority, for example hairdresser or accountant). This also includes both owner occupier and tenanted properties.
- (b) The acceptable residential property security types include:
 - (i) Houses;
 - (ii) Units;
 - (iii) Flats;
 - (iv) Apartments;
 - (v) Villas;
 - (vi) Duplexes;
 - (vii) Specialist Disability Accommodation (SDA) properties
 - (viii) Co-living properties – up to 6 bedrooms
 - (ix) Dual Occupancy;
 - (x) Display Homes;

- (xi) Townhouses;
- (xii) Prefabricated/Modular Homes;
- (xiii) Rural Residential;
- (xiv) Vacant Land (except where consumer intends to construct a dwelling within 6 months from settlement of this loan);
- (xv) Warehouse Conversions; and
- (xvi) House and Land Packages.

14.2 Acceptable Commercial Property Types

- (a) Standard Commercial Properties are properties that are used for business purposes. This includes owner occupier, leased from related entity and tenanted properties.
- (b) The acceptable commercial property security types include:
 - (i) Strata Offices & Showrooms (minimum area 30 m²)
 - (ii) Retail outlets (e.g. shops, restaurants)
 - (iii) Industrial Units/Factories (minimum area 30 m²)
 - (iv) Industrial Warehouses
 - (v) Mixed Residential & Commercial Use
 - (vi) Residential Properties (≥ 4 or more on one title)
 - (vii) Co-Living Residential Properties (up to 12 bedrooms)
 - (viii) Industrial Workshops
 - (ix) Medical/Dental Suites
 - (x) Childcare Centres
 - (xi) Serviced Apartments
 - (xii) Boarding Houses
 - (xiii) Student Accommodation
 - (xiv) Strata Retirement Units
 - (xv) Function Halls
 - (xvi) Lifestyle Farms

14.3 Residential Vacant Land Security

- (a) Vacant residential land is unacceptable as stand-alone security except where:
 - (i) the consumer intends to commence constructing a dwelling within 12 months of settlement of this loan; or
 - (ii) the application is for a construction loan where;
 - i. the consumers intend to commence construction immediately (once the land is registered); and

- ii. the consumers have a finalised building contract, please note that the approved building contract must be executed prior to settlement (see section 6.8 Construction Loans).
- (b) In these circumstances it is subject to the following guidelines:
 - (i) Vacant land must be zoned residential or rural residential.
 - (ii) Vacant land is a form of security where the land is devoid of any improvements.
 - (iii) Security property with improvements valued at < 10% of total value of security are classified as vacant land.
 - (iv) Zoning must be residential or rural residential. Where the actual Zoning is not residential or rural residential, but the Current Use is residential, and the valuation confirms residential use the funder will consider these applications on a case-by-case basis.
 - (v) Zoning for commercial properties must be zoned for commercial use.
 - (vi) Must have 3 comparable sales within policy and free of any adverse features and not subject to an extended selling period.
 - (vii) Please refer to the Loan Product parameters for applicable products available and loan amount restrictions.
 - (viii) The vacant land must have sealed road access and connected utilities (i.e. power, water phone & sewerage).
 - (ix) Direct street and vehicular access is available (e.g. an island with a bridge that links it with the mainland is an acceptable location).
 - (x) No adverse features such as the need for essential repairs, poorly maintained or environmental issues.
 - (xi) The land must not be used to derive farm income – it must be solely for private residential purposes.
- (c) Valuation is mandatory and must confirm that the land is a suitable building block and meets the requirements for residential construction as advised by the relevant local authority.
- (d) Registered first mortgage security only (2nd mortgages are acceptable where the funder has the 1st registered Mortgage).
- (e) No commercial vacant land will be accepted as security.
- (f) Vacant land of any type is unacceptable security for any SMSF Loan Product.

14.4 Leasehold Property

- (a) This is only applicable to property located in the ACT or other known leasehold properties. Lease term remaining must exceed term of the loan by at least 5 years.
- (b) The LVR applicable will be dependent on the Security LVR (type of security, size of the unit etc.) and postcode LVR whichever is lower.
- (c) Leasehold acceptable provided enforceable first mortgage on the deed.

14.5 Warehouse Conversions

- (a) Where a loan is secured by typically higher risk property type the funder will consider such an application based on the merits and strength of the consumer's overall position.
- (b) Complex must be completed at time of application in a strong location with no adverse comments in the valuation report.
- (c) Maximum LVR is 80%.

14.6 House and Land Packages

- (a) The funder will consider such properties subject to the following conditions:
 - (i) property must be completed;
 - (ii) valuation report must note that property is part of house and land package and note any rebates and / or any incentives; and
 - (iii) the value of the rebates and / or incentives must be discounted from the purchase price.

14.7 Unacceptable Residential Property Types

- (a) The funder does not accept residential properties for security that is specialised or has a very limited market.
- (b) The unacceptable residential security types include:
 - (i) properties with a minimum living area of less than 30 m² (excluding balconies, storage space and parking);
 - (ii) NRAS properties with a minimum living area of less than 40 m² (excluding balconies, storage space and parking);
 - (iii) properties with three (3) or more property risk ratings equal to five (5) on the valuation report; Exceptions allowed on case-by-case basis;
 - (iv) "Time-share" arrangement properties;
 - (v) properties to be constructed by an owner builder, refer to section 14 Construction Loans;
 - (vi) Company Title & Company Share Title (VIC);
 - (vii) Stratum Title;
 - (viii) Purple Title (WA) or Moiety Title (SA);
 - (ix) limited title (any defects);
 - (x) properties with "Lease of Life" covenants on title;
 - (xi) properties subject to the Western Lands Act;
 - (xii) properties subject to "mines subsidence";
 - (xiii) properties subject to resumption orders by State or Commonwealth authorities;
 - (xiv) properties located outside Australia;

- (xv) flood impacted;
- (xvi) properties affected by land slip;
- (xvii) income-producing properties;
- (xviii) backpacker hostels or boarding-houses;
- (xix) brothels;
- (xx) properties with an area in excess of 10 hectares;
- (xxi) properties with restrictive usage;
- (xxii) retirement complex units – acceptable if on Leasehold;
- (xxiii) transportable homes (excluding dwellings that are built offsite and transported to site);
- (xxiv) relocatable homes (excluding dwellings that are built offsite and transported to site);
- (xxv) properties designed, zoned or used for commercial purposes (excludes residential home units in a commercially zoned development);
- (xxvi) rural zoned properties (unless current use is residential on the valuation report);
- (xxvii) mobile or temporary homes;
- (xxviii) dual key apartments;
- (xxix) bachelor units;
- (xxx) properties affected by contamination; or
- (xxxi) vacant land where the consumer has no intention to construct a dwelling within 12 months from settlement of the loan.

14.8 Unacceptable Commercial Property Types

- (a) The funder does not accept commercial properties for security that is specialised or has a very limited market.
- (b) The unacceptable commercial security types include:
 - (i) Abattoirs
 - (ii) Breweries
 - (iii) Brickworks
 - (iv) Brothels
 - (v) Hotels and pubs
 - (vi) Marinas
 - (vii) Motels
 - (viii) Hospitals
 - (ix) Schools
 - (x) Quarries & mines

- (xi) Gasworks
- (xii) Sawmills
- (xiii) Swimming Pools
- (xiv) Caravan Parks
- (xv) Churches / Places of worship
- (xvi) Rural Acre > 25 hectares
- (xvii) Vineyards / Wineries
- (xviii) Stables
- (xix) Farms
- (xx) Clubs
- (xxi) Golf Courses
- (xxii) Sporting Centres
- (xxiii) Theatres / Cinemas
- (xxiv) Theme Parks
- (xxv) Gaming Centres
- (xxvi) Recording/Film studios
- (xxvii) Foundries
- (xxviii) Funeral Parlours
- (xxix) Tanneries
- (xxx) Petrol Stations

14.9 Security Property Locations

- (a) Real estate properties offered as loan securities vary in market value and ease of sale. As a result, the risk to the funder differs. One way of managing this risk and the quality of the loan portfolio is to classify these properties by geographic locations.
- (b) There are 4 distinct locality zones used by the funder:
 - (i) Inner-City
 - (ii) Metro
 - (iii) Non-Metro
 - (iv) Unclassified
- (c) Please refer to Security Property Postcode Matrix section for further details.
- (d) A reduced Loan-to-Value Ratio (**LVR**) may apply where the funder considers an area to be of higher risk or a reduced maximum lend may be imposed.

- (e) Consideration may still be given on properties subject to the availability of Lender's Mortgage Insurance and Credit approval.

14.10 Concentration Limits

- (a) Concentration limit is a form of control mechanism for the management of identified risk exposures. Concentration limit will be monitored and adjusted in line with market forces and business objectives to control the funders exposure to different portfolio risk dimensions, which may include:
 - (i) security type (e.g. vertical / horizontal development);
 - (ii) industry;
 - (iii) geography;
 - (iv) Loan Product;
 - (v) consumer; and
 - (vi) risk rating.
- (b) Security concentration limits are restricted to a maximum 20% of the total dwellings in any one development. For Inner-City and High Density Postcode Properties (any development with more than 30 apartments) the maximum concentration limit is 10%.
- (c) Consumers are restricted to a maximum of 4 properties in any one development regardless of the above concentration limits.
- (d) The funder can alter its concentration limits at any time based on changes in market conditions that occur from time to time.

14.11 Third Party Mortgages

- (a) The funder will consider on a case by case basis a proposal that includes security from a third party. The security/s offered can be offered in the names of:
 - (i) the consumer and a third-party; or
 - (ii) a third-party only.
- (b) The consumer must meet the funders servicing requirements (i.e. the third-party's income cannot be included to service the loan under any circumstances).
- (c) The third-party must be a guarantor to the borrowing and must obtain independent legal and financial advice. This can be waived under the following circumstances
 - (i) if consumer is a company and the third party is an active director of that company; or
 - (ii) the consumer is a director of a company and the company is the third party.
- (d) The guarantor must be a common law spouse or company of the consumer which there are no additional directors apart from the consumers (an ASIC search must be undertaken to confirm this).
- (e) The assets and liabilities of the third party mortgagor must evidence that the mortgagor will not suffer any financial hardship if the security is called upon in the event of default.

- (f) A signed privacy act must be held for all third parties and credit reports obtained which must be clear of ANY adverse history.
- (g) The security must not be an owner occupied residence and the third party security provider must not reside in the property. In addition, the third party security provider must not rely on the income from this property as their primary source of income.
- (h) An example of an acceptable third party mortgage is Mr. and Mrs. Jones are consumers and meet the funder servicing requirements. The security is a mortgage over property owned by Mr. and Mrs. Jones and another property owned by their family company, X Pty Limited. X Pty Limited must be a guarantor.
- (i) The table below sets out those instances where the funder will consider third party mortgages / guarantees:

Consumer	Mortgagor/Guarantor	Acceptability
A & B Jones	A Jones or B Jones	Y
A Jones or B Jones	A & B Jones	Y
A Jones	B Jones	Only if mortgagor is common law spouse of the consumer
A& B & C Jones	A& B Jones	Y
A & B Jones Pty Ltd	A& B Jones	Only if both guarantors are the only directors of the consumer company
A& B Jones	A & B Jones Pty Ltd	Only if consumers are the only directors of the guarantor company
A Jones	D Smith	Only if mortgagor is common law spouse of the consumer
B Jones	B Jones & D Smith	Only if mortgagors are common law spouses

14.12 Arm's Length Transactions

- (a) The funder will not approve loans deemed not to be Arms-Length Transactions. Arms-Length transactions are deemed to be one of the following transactions:
- (i) Sale of a property where there is no licensed real estate agent acting for the vendor (the contract will usually say "*without the intervention of an agent*").
- (ii) Sales directly from developers.

14.13 Favourable Purchases

- (a) Advantageous/favourable purchase to a family member at a discounted (below market value) price. Immediate family members include:

- (i) Spouse / defacto;
 - (ii) Parents / children;
 - (iii) Siblings; and
 - (iv) Grandparents / grandchildren.
- (b) In these circumstances a valuation is required and must refer to both the nature of the sale and the sale price. The LVR is determined using the valuation amount.
- For example:*
- Parents agree to sell a property valued at \$300,000 to their daughter for a reduced price of \$270,000. the funder will recognise the value of the security as \$300,000.*
- (c) For favourable purchases:
- (i) Consumers must provide at least 5% of the purchase price from genuine savings where the loan-to-value ratio is greater than 80%. (e.g. Advantageous purchase is not a substitute for genuine savings).
 - (ii) Maximum LVR 90%.
 - (iii) LVR will be based on the valuation amount.
 - (iv) If purchase price is substantially lower than the valuation amount, consumers are required to provide written confirmation from the vendor stating that the equity in the property is being gifted and is not subject to being repaid at any time in the future. The document must state the relationship between the parties.
 - (v) The funder will consider favourable purchases from immediate family only.
 - (vi) All credit policy requirements must be satisfied without any exceptions.
 - (vii) Consumers must provide full verification documents as per the funder policy. No reduced certification products are available for favourable purchases.
 - (viii) The asset and liability position of the Consumer is to be commensurate with the age and personal circumstances of the Consumer.
 - (ix) The valuer instructed to undertake the valuation must be notified at time of instruction that the transaction is of a non arm's length nature.
 - (x) The valuation report must have commentary to reflect this and must note the purchase price in all instances.

15. Security Property Postcode Matrix

Acceptable Security Location Postcodes			
State	Inner-City	Metro	Non-Metro
NSW	2000 thru 2005	1000 thru 1920, 2006 thru 2308, 2500 thru 2534, 2555 thru 2574, 2745 thru 2786	1921 thru 1999, 2309 thru 2499, 2535 thru 2554, 2575 thru 2599, 2618 thru 2744,

			2787 thru 2899, 2921 thru 2999
ACT		2900 thru 2920	0200 thru 0799
VIC	3000 thru 3010, 8000 thru 8399	3011 thru 3232, 3235, 3240 thru 3241, 3321, 3328 thru 3340, 3427 thru 3441, 3750 thru 3815, 3910 thru 3920, 3926 thru 3944, 3972 thru 3978, 3980 thru 3983, 8400 thru 8899	3233 thru 3234, 3236 thru 3239, 3242 thru 3320, 3322 thru 3327, 3341 thru 3426, 3442 thru 3749, 3816 thru 3909, 3921 thru 3925, 3945 thru 3971, 3979, 3984 thru 3999, 8900 thru 8999
QLD	4000 thru 4004, 9000 thru 9299	4005 thru 4228, 4270 thru 4313, 4340 thru 4342, 4346, 4500 thru 4575, 9400 thru 9596	4229 thru 4269, 4314 thru 4339, 4343 thru 4345, 4347 thru 4499, 4576 thru 4999, 9300 thru 9399, 9597
SA	5000 thru 5005	5006 thru 5199, 5800 thru 5999	5200 thru 5799
WA	6000 thru 6004	6005 thru 6214, 6800 thru 6999	6215 thru 6799
TAS	7000 thru 7003,	7004 thru 7199, 7800 thru 7899	7200 thru 7799, 7900 thru 7999
NT	0800 thru 0820,	0800 thru 0820, 0828 thru 0832	0821 thru 0827, 0833 thru 0999

High Density Postcodes				
State	NSW	VIC	QLD	SA/WA/NT/TAS
	2000, 2017, 2018, 2020, 2077, 2113, 2114, 2121, 2127, 2141, 2142, 2144, 2145, 2150, 2155, 2160, 2170, 2220, 2241, 2250, 2750	3000, 3003, 3004, 3006, 3008, 3011, 3066, 3122, 3123, 3128, 3141, 3145, 3169	4000, 4001, 4002 4003, 4004, 4006, 4101, 4209, 4215, 4217, 4218	5000, 6000, 6001, 6002, 0800, 7000

High Risk Postcode				
State	NSW/VIC	QLD	SA/NT/TAS	WA

	2834, 2835, 2880	4184, 4413, 4415, 4455, 4581, 4615, 4671, 4680, 4702, 4709, 4717, 4718, 4720, 4721, 4723, 4742, 4743, 4744, 4745, 4746, 4801, 4803, 4804, 4805, 4820, 4825, 4874	5221, 5601, 5722, 5723, 5725 7253, 7467, 7469, 7470	6225, 6254, 6390, 6429, 6430, 6432, 6438, 6440, 6442, 6443, 6620, 6642, 6707, 6710, 6713, 6714, 6716, 6718, 6720, 6721, 6722, 6728, 6743, 6751, 6753, 6754, 6758, 6760, 6762, 6770, 6799
Unacceptable Security Location Postcodes				
All Products	6721, 6722, and 4183 (Stradbroke Island)			
Construction Loans	From 14/10/24 to 31/03/25: VIC 3024, 3029, 3217, 3338, 3753, & 3978. SA 5113. WA 6112 & 6171			

15.1 Inner-City Postcode Properties

- (a) The following restrictions & conditions apply to this type of security location:
- (i) maximum LVR is 85%

15.2 High Density Postcode Properties

- (a) A high-density postcode property is a strata titled apartment which forms part of a development comprising more than 100 apartments in high density postcodes.
- (b) A development can comprise more than one (1) tower to reach the 100 apartments.
- (c) The following restrictions & conditions apply to this type of security:
- (i) maximum LVR is 90%;
 - (ii) maximum exposure is limited to 10% of the development;
 - (iii) at least 2 of the comparable sales in the valuation report must be from similar apartments outside the actual development and only resales within the complex should form part of the additional comparable sales;
 - (iv) general commentary from the valuer to be noted for such items as oversupply and two tier marketing if applicable;
 - (v) minimum floor size 30m² excluding balcony & car spaces with at least one bedroom separate from the living areas.

15.3 High Risk Postcode Properties

- (a) The following restrictions & conditions apply to this type of security location:
- (i) maximum LVR is 85%

15.4 Non-Metro Postcode Properties

(a) The following restrictions & conditions apply to this type of security location:

- (i) maximum LVR is 85%
- (ii) minimum town size population 3,000 or the property is within 25k radius of a major regional town with a population of 15,000.

15.5 Unclassified Postcode Properties

(b) The following restrictions & conditions apply to this type of security location:

- (i) maximum LVR is 80%; and
- (ii) minimum town size population 3,000 or the property is within 25k radius of a major regional town with a population of 15,000.

(c) Security Valuations

- (a) A valuation report completed by a qualified valuer is required for all properties to be offered to the funder as security.
- (b) The funder supports the following five (5) security property valuation types based on certain criteria:
 - (i) An AVM (**Automated Valuation Model**) ordered via CoreLogic's statistical modelling solution; or
 - (ii) A Desktop or EVR (**Electronic Valuer Review**) valuation performed by a suitably qualified and licensed Valuer on the the funder Valuer Panel that conforms to the Australian Property Institute (API) standards; or
 - (iii) An on-premise Short Form valuation performed by a suitably qualified and licensed Valuer on the the funder Valuer Panel that conforms to the Australian Property Institute (**API**) standards (Property Pro);
 - (iv) An on-premise Long Form valuation performed by a suitably qualified and licensed Valuer on the the funder Valuer Panel that conforms to the Australian Property Institute (API) standards; and
 - (v) An on-premise Commercial Valuation report performed by an AAPI certified Practicing Valuer (or equivalent) on the the funder Valuer Panel that conforms with generally accepted industry practice for determining the market value of commercial properties.
- (c) Mortgage Managers / Originators will be accredited by the funder with access to AVM's and EVR's on a case-by-case basis.

16.1 Automated Valuation Model Valuations (Residential Properties)

- (a) The funder will accept an Automated Valuation Model (**AVM**) valuation for Purchases to verify Contract of Sale (**COS**) purchase price under strict Loan Product parameters.
 - (i) Where the LVR exceeds 80% (loan amount divided by purchase price) the purchase price stated in the Contract of Sale must not exceed the value of the property produced by the AVM by more than 5% (purchase price minus valuation divided by purchase price).
 - (ii) Where the LVR is \leq 80% value of the property produced by the AVM must have a Forecast Standard Deviation (**FSD**) less than or equal to 15%.
 - (iii) Purchases only and any rebates, discounts or incentives must be fully disclosed in the COS.

- (iv) Maximum LVR 90%.
 - (v) Maximum loan size \$1,800,000.
 - (vi) Minimum security property value \$150,000.
 - (vii) Single existing residential dwelling.
- (b) The funder will accept an Automated Valuation Model (**AVM**) valuation for Refinances to verify the estimated market value under strict Loan Product parameters.
- (i) The loan-to-value ratio based on the property value produced by the AVM in conjunction with the Forecast Standard Deviation (**FSD**) must comply with the following LVR/FSD matrix:
 - i. > 75% and ≤ 80% LVR – Maximum FSD 7%
 - ii. > 70% and ≤ 75% LVR – Maximum FSD 12%
 - iii. > 65% and ≤ 70% LVR – Maximum FSD 17%
 - iv. > 60% and ≤ 65% LVR – Maximum FSD 22%
 - v. ≤ 60% LVR – Maximum FSD 25%.
 - (ii) Maximum loan size \$1,800,000.
 - (iii) Minimum security property value \$250,000.
 - (iv) Single existing residential dwelling.
- (c) The following properties are not acceptable to the funder for AVM valuations.
- (i) High-Density and High Risk postcodes (please refer to the Security Property Postcode Matrix section).
 - (ii) Purchases that have not been transacted through an independent real estate agent in an arm's length transaction.
 - (iii) Vacant Land.
 - (iv) Heritage Listed properties.
 - (v) Construction Loans.
 - (vi) Purchases which have a settlement date greater than 3 months of the contract date.
 - (vii) Off-the-plan or newly completed which has never been sold.
 - (viii) Property must be habitable and readily saleable per standard LMI parameters.

16.2 Electronic Valuer Review (Desktop) Valuations (Residential Properties)

- (a) The funder will accept an Electronic Valuer Review or Desktop (**Desktop**) valuation under strict Loan Product parameters.
- (i) Maximum LVR 90%.
 - (ii) Maximum loan size \$1,800,000.
 - (iii) Minimum security property value \$150,000.
 - (iv) Single existing residential dwelling.

- (b) The following properties are not acceptable to the funder for Desktop valuations.
- (i) High-Density and High Risk postcodes (please refer to the Security Property Postcode Matrix section).
 - (ii) Purchases that have not been transacted through an independent real estate agent in an arm's length transaction.
 - (iii) Vacant Land.
 - (iv) Land size that exceeds 2 hectares.
 - (v) Heritage Listed properties.
 - (vi) Any known heritage or environment risks impacting the property.
 - (vii) Any property that requires an extended selling period of more than 6 months.
 - (viii) Construction Loans.
 - (ix) Off-the-plan or newly completed which has never been sold.
 - (x) Desktop assessment must comply with LMI requirements.

16.3 Approved Valuers

- (a) All Valuers must be suitably qualified and licensed and must conform to API or equivalent professional industry body standards and requirements.
- (b) The funder using CoreLogic's Valex solution for the purpose of obtaining valuations and managing the the funder Valuer Panel. Authorised Mortgage Managers will be provided access to the funder Valex site to order valuations on behalf of the funder (subject to prior consent from the funder). Any valuations obtained through Valex on behalf of the funder must only be used for the funder loans.

16.4 Valuers' Standing Instructions

- (a) Valuations are ordered via CoreLogic's Valex system. The minimum standards are:
 - (i) the valuer will only accept Valuation instructions via the Valex system;
 - (ii) the valuer must have local knowledge and competence in the geographical area of the property being valued;
 - (iii) all valuations must be prepared in a fixed format as agreed;
 - (iv) the purpose of each valuation is to determine the current market value and the suitability of the property for mortgage security purpose;
 - (v) the valuation is made on a simple in possession and unencumbered basis (unless otherwise stated) subject to any existing or agreed tenancies;
 - (vi) the valuation must be for first mortgage purposes and suitable security;
 - (vii) any other matters not mentioned below that may affect the value, leasing or sale of the property, or affect its value as security, must be brought to the attention of the funder;

- (viii) the valuation report must be signed and dated by the valuer who undertook the inspection / valuation;
- (ix) the valuer acknowledges that it will be responsible for ensuring all agreed standards are maintained by its employees, agents and subcontractors conducting valuations on behalf of the principal;
- (x) the valuer acknowledges that its professional indemnity extends to all activities performed by its employees, agents and subcontractors; and
- (xi) the valuer acknowledges that the valuation report will be relied upon in deciding to approve a loan facility for which the valuation was sought.
- (xii) valuations for Specialist Disability Accommodation (SDA) properties where NDIS income is being relied upon for servicing must meet the following parameters.
 - i. Minimum acceptable annual vacancy rates for Inner City and Metro locations are 5%. All other locations are 10%.
 - ii. Minimum acceptable initial vacancy rate 3 months.
 - iii. When using the DCF method the minimum period is 15 years.
- (xiii) valuations for Co-Living Accommodation properties where rental income from more than 2 rooms is being relied upon for servicing.
 - iv. Minimum acceptable annual vacancy rates for Inner City and Metro locations are 5%. All other locations are 10%.
 - v. Minimum acceptable initial vacancy rate 3.
 - vi. When using the DCF method the minimum period is 15 years.

16.5 Valuation Report

- (a) All valuation reports must adhere to the following requirements:
 - (i) any component of GST cost must be excluded from any valuation amount;
 - (ii) the report must confirm the property is suitable for first mortgage lending purposes
 - (iii) value must be based on current or "as-is" condition or on an "on-completion" basis for construction loans;
 - (iv) separate values must be provided for land and improvements of a property (except for strata title units); and
 - (v) all reports must be signed by the actual valuer who undertook the valuation and co-signed by an AAPI or equivalent (if the actual valuer is not an AAPI or equivalent).
- (b) The valuation report must:
 - (i) be carried out by a registered licensed valuer who carries adequate Professional Indemnity insurance;
 - (ii) be addressed to the funder and other interested parties;
 - (iii) be signed and dated by a qualified valuer; and
 - (iv) be less than 60 days old at the time of receipt of loan application by the funder.

- (c) Make specific comment where any of the following apply:
 - (i) favourable purchase;
 - (ii) off-the-plan purchase;
 - (iii) without the intervention of an agent;
 - (iv) two-tier marketing; and
 - (v) builder or seller incentives.

16.5.1 Checking, signing and certification

- (a) All valuation reports must be prepared by valuers who are:
 - (i) current financial members of the Australian Property Institute (API);
 - (ii) registered or licensed in the state or territory in which the relevant property is located and be one of the following classifications of API members (or such equivalent classifications in any other recognised valuation industry body, and hold Certified Practising Valuer (CPV) status:
 - (A) Technical Associate (TAAPI)
 - (B) Associate (AAPI)
 - (C) Fellow (FAPI)
 - (D) Life Fellow (LFAPI)
- (b) Where valuation reports signed by GAPI (Graduate), TAAPI (Technical) and PAAPI (Provisional Associate) API members with less than 2 years full time post graduate valuation experience are only acceptable when countersigned by a valuer holding one of the above classifications (or equivalents).
- (c) Residential property valuations undertaken by a SAPI (Student) member of the API (or equivalent) are not acceptable.
- (d) Valuations must be checked and approved for accuracy and compliance with this agreement by an authorised officer of the Valuer having regard to the requirements specified in this agreement and any instructions from the funder, the Mortgagee or the funder.

16.5.2 Significant variation between Valuation and Purchase Price / Contract of Sale

- (a) If the formal valuation amount is less than the purchase price of the subject property by 15% or more, the consumer needs to be promptly informed of the situation once identified and given the option to either proceed or withdraw the loan application and given the opportunity to seek independent advice before accepting the funder loan offer.
- (b) Variations of this nature could be the result of “*two tier marketing*”, which is the practice of having two prices or tiers in a real estate market, one for locals who know the market values in the area, and one price for other buyers, often from interstate or overseas, who are not aware of local market prices. Where a Valuation indicates two tier marketing techniques may be in use, additional care is to be taken to ensure the current market value is used in calculating the applicable LVR.

- (c) Two tier marketing typically involves people unfamiliar with the local market purchasing property in excess of the actual value. the funder does not willingly participate in any two tier marketing arrangements as the practice is considered unethical and potentially exposes the funder and the consumer to a security shortfall.
- (d) There are to be no exceptions to this requirement.

16.5.3 Interested Parties

- (a) The valuation must note that it can be relied upon by:
 - (i) Origin MMS;
 - (ii) Columbus Capital Pty Ltd;
 - (iii) Genworth Financial Mortgage Insurance Pty Ltd;
 - (iv) Helia Group Limited;
 - (v) Arch Lenders Mortgage Indemnity Limited;
 - (vi) QBE Lenders Mortgage Insurance Limited;
 - (vii) respective related companies of LMI providers, as advised;
 - (viii) Perpetual Corporate Trust Limited;
 - (ix) Permanent Custodians Limited; and
 - (x) any other parties as directed by Origin MMS.

16.5.4 Land Description

- (a) The description must include the following:
 - (i) identify and report on title encumbrances such as easements, covenants, rights of carriageway and (where applicable) their effect on value of the property. Registered interest on the title must be noted;
 - (ii) physical characteristics of the land should also be reported;
 - (iii) full address and title reference of the property, with comments on the size, shape and dimensions of the land concerned;
 - (iv) registered proprietor;
 - (v) any details as per the planning approvals or outstanding orders on the property; and
 - (vi) comments on adequacy of drainage, if susceptible to high flood risk or land slip, etc.

16.5.5 Location Description

- (a) The description must include the following:
 - (i) comments on any general trends within the surrounding area such as traffic flows, transport availability, population trends etc.;
 - (ii) description of the property's proximity to local facilities, amenities and services;

- (iii) comments on the zoning of the property, and whether existing or potential usage complies with zoning;
- (iv) description of age and quality of surrounding properties and the status of the locality; and
- (v) comments on location of the property, its appropriateness for the proposed use etc.

16.5.6 Property Improvements Description

- (a) The description must include the following:
 - (i) comments on the layout of the building; and vehicular access etc.;
 - (ii) comments on any adverse features of the property and its value impact;
 - (iii) comments on any special features that the property may have which could inhibit any alternative use, or alternatively restrict its appeal to any subsequent purchaser;
 - (iv) comments on potential impacts by pest, rail, road, air, high voltage power lines etc.;
 - (v) comments on the adequacy of services connected or available to the property;
 - (vi) comments on the suitability of the existing or proposed usage, i.e. is the property specialised in nature etc.;
 - (vii) comments on any additional improvements that have been carried out, note the age, quality of work and if there is any obvious non-compliance to local Council regulations. Otherwise note if there is any deterioration etc.;
 - (viii) description of the improvements such as size (gross area and net let able floor dimension), shape of the buildings, the architectural style, quality of finish, floor plan, age, condition and the general state of repair etc.;
 - (ix) make all necessary enquiries from statutory bodies to establish the existence of any outstanding orders in relation to fire; and
 - (x) comments on the existence of rental guarantees provided by the vendor. These are to be excluded from the valuation.

16.5.7 Valuation Risk Rating

- (a) Any valuation report that contains adverse comments on marketability, major defects, environmental impacts, government planning scheme impacts, property resumptions or has more than 3 risk ratings of 3 or any risk ratings of 4 or greater must have appropriate commentary in the report commenting on these.

16.5.8 Comparable Sales

- (a) The valuation report must contain a minimum of 3 acceptable comparable sales within the last 6 months. If the security is a unit or apartment, at least 2 comparable sales outside of the subject development are required.
- (b) Comparable sales must be within an acceptable tolerance level (i.e. 10% of the security property value) and within a 5km radius of the security. If not, sufficient commentary by the Valuer must be provided in the commentary of the report.

16.5.9 Marketability

- (a) Comments on market absorption, supply and demand trends (willing buyer / seller), competitive situation, and their impact upon the property are critical to its valuation.
- (b) Analysis (detailed if necessary) of the current and future market trends and supplementary market study (if appropriate).
- (c) Advice on the length of time required to either sell or let the property.

16.5.10 Photos

- (a) All Full On-Premise valuation reports must have at least two (2) photos provided.
- (b) The photos must be of the front & rear aspects of the property for free standing dwellings. Units/apartments must have an internal & streetscape showing the building where the security is located.
- (c) Additional photos must be provided where it is deemed an adverse feature exists to the property e.g. high tension transmission power lines, essential repairs / faults with property.

16.6 Currency of Valuation

- (a) A valuation report must be less than 3 months old at the date of formal approval of the loan by the funder. The date on the valuation report is deemed as the first day in the 3 month period.
- (b) A construction loan valuation report (TBE) may be relied upon for an additional 3 months after the construction has been completed commencing on the date that the final progress payment was made.

16.7 Valuation Appeals

- (a) Valuation appeals are not normally accepted, however, in certain circumstances it is permissible to request a review of a valuation report.
- (b) These will be assessed on a case by case basis and will also need to be referred for review by the LMI provider.

16.8 Cancelling or Withdrawing Valuations

- (a) Valuations can only be cancelled/withdrawn if the consumer is not proceeding with their application or a purchase is not proceeding
- (b) Under no circumstances should a valuation request be withdrawn from a valuer purely on the basis that the valuer does not concur with the expectation of an introducer/ the funder.

16.9 Contract of sale

- (a) A contract of sale or sale and purchase agreement must be completed and signed by the vendor and purchaser, or their representative.



- (b) A contract of sale or sale and purchase agreement is insufficient to confirm a property's value. A valuation is required in all instances.

Distribution

17. Loan Variations

17.1 Overview

- (a) From time to time a consumer will approach the Originator / Mortgage Manager for a variation on their existing borrowings. The funder will consider such requests in line with current lending policy guidelines at the time of application being received.
- (b) Variations will include but not be limited to:
 - (i) increase on an existing loan;
 - (ii) substitution of security;
 - (iii) additional security with increase in borrowings;
 - (iv) partial discharge;
 - (v) name change (e.g. removal of 1 consumer from joint application and / or adding a new consumer)
 - (vi) increase in loan term
 - (vii) property subdivision, easements and redefinition of boundaries;
 - (viii) Loan Product switch; and
 - (ix) consent to second mortgage.
- (c) All variation requests will be considered on a case by case basis and if there is a change in the risk profile of the loan, a new assessment is required and, if applicable, must obtain approval from the LMI provider.

17.2 Increase of existing loan

- (a) The funder will assess any requests for loan increases based on the loan conduct, loan tenure, original and proposed LVR, and purpose for the increase.
- (b) Any loan increase request that does not satisfy ALL the following conditions will require a full loan increase application with supporting documentation and follow the standard submission process.
 - (i) The loan increase must be for an acceptable purpose (per standard loan purposes).
 - (ii) The maximum loan increase is \$150,000 and is capped at 20% of the original approved loan amount.
 - (iii) The original LVR must be less than 80%.
 - (iv) The proposed LVR is less than 80%. The proposed LVR is based on the original valuation or a new valuation as determined by the funder.
 - (v) The loan must have settled less than 36 months ago.
 - (vi) The loan has no monthly loan repayments greater than 15 calendar days in arrears in the past 12 months.
 - (vii) The DTI < 8.00.

- (viii) The loan does not have guarantors.
 - (ix) The increase must be first ranking priority on the registered mortgage (i.e., no other registered mortgages, caveat etc.).
 - (x) The applicant's employment status has not materially changed.
 - (xi) The applicant's annual income must be at least equal to the income used during the original application. This can be verified by employment check, current payslips or bank statements showing salary credits etc.
 - (xii) Credit Bureau report confirming that the consumer is meeting all current credit obligations plus satisfactory explanation of all new credit bureau enquiries.
 - (xiii) The consumers must not have an the funder Risk Rating greater than Low (please refer to your the funder relationship manager to confirm eligibility).
- (c) The increase is documented by way of a variation of the loan agreement prepared by a panel solicitor.

17.3 Substitution of Security

- (a) Substitution of security involves the release of the current security property and the substitution of a new security property simultaneously.
- (b) The requirements of a substitution of security are:
 - (i) written request from all parties to the loan;
 - (ii) Valuation Report by a panel valuer for the incoming security property;
 - (iii) the proposed substitute property must be of a comparable standard and value or better to the property being released and also comply in respects of acceptable security and LVR parameters;
 - (iv) must meet Loan Product criteria, security and LVR parameters; and
 - (v) LMI approval is required where LMI is now required based on section 4 or the original loan has LMI and continued LMI coverage is required.
- (c) Security Substitution is not allowed on SMSF Loans.

17.4 Additional Security with Increased Borrowings

This is to be treated like a new loan application.

17.5 Partial Discharge

- (a) A partial discharge occurs when a consumer is selling one of the security properties of a loan which has multiple security properties.
- (b) The requirements of a partial discharge are:
 - (i) written request from all parties to the loans;
 - (ii) Valuation Report by a panel valuer for the remaining security property;
 - (iii) the proposed LVR cannot exceed that of the Original LVR without approval by the funder;

- (iv) to ensure LVR parameters, need to determine if additional funds are required;
- (v) must meet the Loan Product parameters; and
- (vi) LMI approval is required where LMI is now required based on section 4 or the original loan has LMI and continued LMI coverage is required.

17.6 Name Change

- (a) A name change will occur in the following circumstances:
 - (i) Marriage; or
 - (ii) Change by deed poll.
- (b) The requirements of a name change are:
 - (i) Marriage Certificate or Change of Name Certificate form State Registry of Births, Deaths and Marriages.
 - (ii) Celebrant provided certificate or deed poll declaration is not acceptable.
- (c) LMI approval is required where continued LMI coverage is required.

17.7 Increase in loan term

- (a) An increase in loan term is generally not accepted and will usually only be considered on a case by case basis with the explanation for extension of the loan term.
- (b) A new loan application pack may be required for assessment.

17.8 Property Subdivision, Easements & Redefinition of Boundaries

- (a) The requirements of these variations are:
 - (i) written request from all parties to the loan;
 - (ii) certified copy of all approved council plans;
 - (iii) copy of prepared documents by consumer's solicitor;
 - (iv) valuation report by a panel valuer;
- (b) LMI approval is required where continued LMI coverage is required.
- (c) A Panel Solicitor must review all documents for acceptance prior to approval of the variation by the funder.
- (d) The variation will be documented via a Variation to a Loan Agreement.

17.9 Release of Borrower, Mortgagor or Guarantor

- (a) The release of a Borrower, Mortgagor or Guarantor will occur in some of the following circumstances but not limited to:
 - (i) Death of a person party to the loan;
 - (ii) Divorce;
 - (iii) Separation; or

- (iv) One party buying the other party out.
- (b) The requirements of a release of a party to the loan are:
 - (i) written request from all parties to the loan;
 - (ii) if death of a party, a copy of the death certificate;
 - (iii) a new application and supporting documentation from the remaining party; and
 - (iv) the remaining party/s to the loan will be assessed and verified as per normal credit criteria.

17.10 Consent to Second Mortgage

- (a) Consent to a second mortgage will be requested when a consumer obtains another mortgage on their security property held by the funder.
- (b) Approval will be considered conditional upon the trustee retaining priority for the full amount of the approved loan facility, including interest, fees and charges that may accrue under the mortgage
- (c) The requirements of consent to second mortgage are:
 - (i) written request from all parties to the loan;
 - (ii) second mortgagee must provide loan amount, interest rate, term and purpose of the advance; and
 - (iii) LMI approval is required where continued LMI coverage is required.
- (d) Consent will be subject to the execution of a Letter of Priority.
- (e) Second mortgage consent is not allowed on SMSF Loans.

18. Product Switch

18.1 Variable Rate to Fixed Rate

- (a) The requirements of changing a Loan Product from variable to fixed are:
 - (i) written request from all parties to the loan; and
 - (ii) approval provided if repayments are within consumers servicing capabilities.

18.2 Fixed Rate to Variable

- (a) The requirements of changing a Loan Product from fixed to variable are:
 - (i) written request from all parties to the loan;
 - (ii) acceptance from consumer of applicable fees e.g. break costs etc.; and
 - (iii) approval provided if repayments are within consumers servicing capabilities.

18.3 Reduced Documentation Loan to Full Documentation Loan

- (a) The requirements of changing a Loan Product from reduced documentation to full documentation are:
 - (i) obtain Full employment and income documentation;
 - (ii) employment and income verification to be completed; and
 - (iii) approval will be provided via a letter to the consumer.

18.4 Interest Only to Principal and Interest

- (a) The requirements to change a Loan Product from interest only to principal and interest are as follows:
 - (i) written request from all parties to the loan; and
 - (ii) approval will be provided via a Variation to a Loan Agreement.

18.5 Principal and Interest to Interest Only

- (a) The requirements to change a Loan Product from principal and interest and interest only are as follows:
 - (i) written request from all parties to the loan;
 - (ii) loan is assessed taking into account:
 - a. reason for variation;
 - b. loan conduct;
 - c. details of the loan e.g. LVR, loan amount.
- (b) Approval will be provided via a Variation to a Loan Agreement