



# **Consumer Credit Underwriting Policy and Guidelines for Brokers**

March 2024

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# 1. Introduction

Bank Australia is here to provide Australians with a real banking alternative, a responsible one. Although the business names may have changed over time, Bank Australia has been operating continuously in the Australian banking industry since 1957.

Bank Australia is committed to observing these obligations by:

1. Providing our credit activities efficiently, honestly and fairly;
2. Providing only those approved credit activities authorised under the legislation;
3. Ensuring that the Bank, through its responsible managers and broking representatives, continues to have the requisite organisational and individual expertise to engage in its credit activities;
4. Lending to customers responsibly, which encompasses offering customers products that meet their needs, only lending to customers who have the capacity to repay, assisting customers in financial hardship and maintaining loan marketing and distribution channels that adhere to the Bank's responsible banking principles; and
5. Managing its credit risks to limit the Bank's exposure, protecting customer funds and monitoring large liability exposures and large credit exposures and taking action to ensure there is no detrimental impact on liquidity and profitability.

## 1.1. What is 'Credit'?

Credit refers to the Bank lending funds to consumers and commercial entities for acceptable purposes, for example the purchase of property.

## 1.2. How to use this Underwriting Policy

This Underwriting Policy is designed to be used to assist in completing applications for and relating to Consumer Credit. It contains requirements and guidance surrounding the various aspects of Credit applications, verification and restrictions.

## 1.3. Applying for Bank Australia Credit

Bank Australia's product range provides options to suit a variety of needs depending on a person's financial situation.

Bank Australia accepts Full Income Documentation applications. A Full Income Documentation application is where an applicant has all required verification documents available for submission to Bank Australia to support and verify the details disclosed in their application for Credit.

Bank Australia does not accept Self Certified Income Documentation/Low Documentation/No Documentation applications. A Self Certified Income Documentation or Low Documentation application is where an applicant does not have all the required verification documents and will in lieu supply a signed statement listing their net income and confirm that they can service all commitments without any hardship. This statement may be supported by interim income documents. A No Documentation application is where an applicant cannot produce and submit any supporting documentation to verify their disclosed position.

## 2. Borrowers and Guarantors

### 2.1. Acceptable Borrowers and Guarantors

Borrower Type	
Individuals	<p>Individuals who are working and living in Australia and are:</p> <ul style="list-style-type: none"> <li>• Aged 18 years or older, and</li> <li>• Either a citizen or permanent resident of Australia or New Zealand</li> </ul> <p>Minors can be considered where the individual applies as a co-borrower with an adult individual.</p> <p>An applicant who is both a non-citizen and non-permanent resident is not an acceptable form of borrower.</p>
Non-residents	<p>A non-resident is an Australian or New Zealand citizen who is living in a country other than Australia. This borrower can be considered on an exception only basis.</p>
Non-Citizens / Non-Permanent Resident	<p>A non-citizen and/or non-permanent resident is a non-Australian or New Zealand citizen who is living in Australia.</p> <p>This borrower can be considered on an exception only basis.</p>
Companies	<p>The Company must be registered in Australia.</p> <p>Where the borrower is a Private Company, Bank Australia requires an unconditional, unlimited and irrevocable Guarantee (joint and several if more than one) of each director of the company.</p> <p>Directors must meet the individual borrower requirements above.</p>
Trust	<p>The Trust must be registered in Australia.</p> <p>Where the Trustee is a company the mortgage is to be given in the company's corporate capacity and trustee capacity. In addition, Bank Australia requires an unconditional, unlimited and irrevocable Guarantee from all non-professional trustee directors of the Trustee company. In the case of a unit trust, guarantees are required from all unit holders.</p> <p>Trustees must meet the individual borrower requirements above.</p>

### 2.2. Unacceptable Borrowers

- Minors applying in sole name
- Overseas nationals (unless granted approval on an exception only basis)
- Australian and New Zealand permanent residency visa holders living in a country other than Australia

- Companies with directors and Trusts with the trustees who are living and working in a country other than Australia
- Company directors purchasing property from their own developments for investment purposes (unless approved on an exception only basis)
- Bankrupt borrowers
- Self-Managed Superannuation Fund
- Non-residents who are self-employed overseas

### 2.3. Co-borrowers

If, on the information that the co-borrower has provided in the course of applying, they will not receive a substantial benefit from the loan, Bank Australia will not approve them as a co-borrower unless we:

- have taken reasonable steps to ensure that the co-borrower understands the risks associated with entering into the loan, and understand the difference between being a co-borrower and a guarantor;
- have taken into account the reasons why they want to be a co-borrower; and
- are satisfied that the co-borrower is not experiencing financial abuse.

A substantial benefit includes where:

- the co-borrowers acquire a reasonably proportionate legal or equitable interest in assets purchased with the loan funds; or
- a reasonable portion of the loans funds are used to repay the co-borrowers debts, or other obligations owed by the co-borrowers.

### 2.4. Guarantors

- It may not be necessary to assess the guarantors ability to service the debt, just their ability to repay it in full without hardship
- It must be clearly established that the guarantor understands their obligations should the borrower fail to meet theirs and that their guarantee is freely given
- The guarantor is required to obtain Independent Legal Advice (ILA) before accepting the guarantee. Certificate of ILA and financial advice are obtained for the benefit of the bank.

Guarantor Type	
Family	<ul style="list-style-type: none"> <li>• Only accepted from the parent/s (or step parent/s) of the borrower/s</li> <li>• Loan amount cannot exceed the purchase price plus costs – the loan cannot include consolidation of other borrowings or the acquisition of other assets</li> <li>• Will not be accepted if the guarantor is in receipt of pension or superannuation benefits unless the mortgaged asset is supplementary to the family home (e.g. an investment property) or the guarantor holds significant other investments that could be converted to cash to extinguish the guarantee without jeopardising the family home</li> </ul>

- The Bank will limit the guarantee to the amount required to avoid LMI on all occasions in order to protect the guarantor/s liability.
- The guarantor must be deemed to be of sufficient financial means that the giving of a mortgage would not create financial hardship in the event of default and repossession
- An application to release a guarantor may occur when the loan liability is reduced to the acceptable LVR of the borrower's security (utilising a valuation no older than 12 months). The request is to be approved via standard contract variation delegations.

#### Security

- Where a guarantor uses property they own jointly or in their own name in support of a loan, usually for a partner or for their business.
- The Bank will limit the guarantee to the loan amount.

## 3. Deposit and Equity

### 3.1. Funds to complete

Funds to complete a transaction must be from an acceptable source and fully verified. Supporting documentation must meet the verification standards and be held on file.

The borrowers loan application must evidence adequate funds to complete a purchase including stamp duty, legal fees and any other associated costs, utilising a combination of loan proceeds and available funds. Borrowed funds against an existing property are acceptable.

### 3.2. Genuine Savings

For mortgage applications:

Requirement	Where the LVR is above 90%, the borrower must provide at least 5% of the purchase price from genuine savings
Definition of Genuine Savings	<p>Genuine savings is defined as a demonstrable savings pattern established over a minimum period of 3 months in the name of at least one borrower prior to the loan application being received.</p> <p>Genuine savings can be from any of the following sources:</p> <ul style="list-style-type: none"> <li>• Accumulated savings (savings account)</li> <li>• Sale proceeds of shares, other tradeable instruments (including crypto currency or micro-investments) or managed funds (net any tax due)</li> <li>• Equity in or from real estate</li> <li>• Non preserved superannuation contributions (provided the borrower has access to funds in cash form)</li> <li>• Additional loan repayments that are able to be redrawn</li> <li>• For First Home buyers, rental ledger</li> </ul>

Borrowed funds	<p>The sale of real estate or additional borrowing against real estate is acceptable. Where LMI is required, the sale/borrowed funds must be held in the name of at least one of the borrowers for a minimum period of 3 months prior to the loan application being received.</p> <p>Ensure that the additional borrowings is included in the servicing calculations.</p> <p>Borrowed equity cannot be an incentive from a builder or vendor.</p>
Gifts	<p>Where funds from a non-repayable gift are being used to complete a purchase, the gift must be from an immediate family member and, if LMI is required, the funds must be held in an account in the name of at least one borrower for a minimum period of 3 months prior to the loan application being received.</p> <p>Immediate family members are:</p> <ul style="list-style-type: none"> <li>• Spouse / De Facto partner</li> <li>• Parents / Children</li> <li>• Siblings</li> <li>• Grandparents / Grandchildren</li> </ul>
Term Investments	<p>Lump sums (e.g. term deposits) must have been held in an account in the name of at least one borrower for a minimum period of 3 months prior to the loan application being received.</p>
Non-acceptable forms of genuine savings	<ul style="list-style-type: none"> <li>• Government grants / rebates (including First Home Owners Grant)</li> <li>• Gifts (not from immediate family members)</li> <li>• Inheritance (not from immediate family members)</li> <li>• Advance on wages/commission</li> <li>• Barter Card or other swap negotiations</li> <li>• Builder discount/finance or any form of incentive</li> <li>• Proceeds from gambling</li> <li>• Proceeds from illegal activities</li> <li>• Rental discount</li> <li>• Vendor gift / discount / finance / rebate or any form of incentive</li> <li>• Advantageous / favourable purchases</li> <li>• Lender finance of 5% deposit</li> <li>• Borrowed funds (e.g. personal loan)</li> </ul>

### 3.3. Advantageous purchase

Advantageous purchase (aka favourable purchase) can be considered as 'gifted equity' when the purchase is from an immediate family member or the estate of an immediate family member. In these circumstances a registered 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. Borrowers must provide at least 5% of the purchase price from genuine savings. Advantageous purchase is not a substitute for genuine savings.



### 3.4. Zero Equity Purchases

Where a borrower is purchasing a property with gifted equity either in the form of an advantageous purchase, gifted money, or a guarantee with nil contribution from the borrowers own genuine savings and/or equity; it is considered a 'zero equity purchase'.

For this type of purchase, demonstrated capacity of the borrower to meet and manage the commitment must be strongly considered including consideration to the reasons why the borrower is not contributing to the purchase (e.g. evidence of meeting rental commitment, university graduate in new employment).

## 4. Employment and Income

### 4.1. PAYG employment

Any probationary period in current position needs to have been completed. Where the probationary period is not yet completed and/or the minimum tenure requirement for permanent positions is not met, applicants with over 12 months continuous employment in the industry or recent completion of a related university degree are acceptable.

Type of Employment	Minimum Requirements
Permanent full time / contract	<ul style="list-style-type: none"> <li>✓ Probationary period has been completed</li> <li>✓ Minimum three months tenure in current position and</li> <li>✓ No more than two jobs in the past 12 months.</li> </ul> <p>Where the probation or minimum tenure criteria above are not met, applicants with over 12 month's continuous employment within the same industry or occupation or, applicants who have recently completed a related university degree, are acceptable.</p>
Permanent part-time (principal employment)	<ul style="list-style-type: none"> <li>✓ Probationary period has been completed</li> <li>✓ Minimum three months tenure in current position and</li> <li>✓ No more than two jobs in the past 12 months.</li> </ul> <p>Where the probation or minimum tenure criteria above are not met, applicants with over 12 month's continuous employment within the same industry or occupation or, applicants who have recently completed a related university degree, are acceptable.</p>
Second Job / Casual / Part-time	<ul style="list-style-type: none"> <li>✓ Probationary Period has been completed</li> <li>✓ Minimum 12 months in current position</li> </ul>
Employed by family	<ul style="list-style-type: none"> <li>✓ Probationary Period has been completed</li> <li>✓ Minimum 6 months in current position or 12 months continuous employment within the same industry</li> </ul>

### 4.2. PAYG income

Type of Income	Treatment of Income
Salary packaging	Provided the borrower's total package is available in cash at the borrowers option, then the total package can be treated as gross income (less compulsory superannuation contribution) for loan servicing purposes.
Base Regular income	All of the borrower's regular income may be used in the servicing assessment.
Overtime	50% if evidenced over the past 6 months and if either a condition of employment and/or reasonable to expect in an industry (e.g. emergency services, trade and labour contracts with large companies).  If derived from a small business, overtime should not be considered due to the risk of instability.
Shift Allowance	100% if either a condition of employment and/or reasonable to expect in an industry (e.g. emergency services, trade and labour contracts with large companies).  To be evidenced on income verification
Commission / Bonus	80% if evidenced as received and consistent for two years from current employer. Use the lowest of the two years.
Vehicle/Car Allowance (not mileage)	100% if it is a condition of employment.  Any corresponding lease or hire purchase payments must be included at 100%.
Mileage Reimbursement	Unacceptable
Fully Maintained Company Vehicle	Unacceptable
Foreign Income	Convert the foreign income into Australian Dollars by using the RBA website. 80% of the AUD amount can be used. Only PAYG income or pensions to be considered (not self-employed). Must be employed by a large company, multi-national preferred.  This income can be considered on an exception only basis.

#### 4.3. Non-PAYG income

Type of Income	Treatment of Income
Rental Income – standard residential	80% of the gross rental income
Rental Income – high density and holiday homes	70% of the gross rental income from high density apartments can be used to service the loan repayments.

Rental Income - general commercial property or lease	80% of the gross rental income, capped at a maximum gross annual yield of 5% of the value of the property is acceptable for a general commercial property or lease
Rental Income – display property	80% of the gross rental income with the rental income figure being calculated by either the valuer advised amount in the valuation report or by an annual yield of 4.5% of the value of the property.
Family Allowance	Family Allowance types A & B are acceptable where the allowance is determined to be available for the term of the loan and/or a minimum 5 years from the date of loan assessment, whichever comes first. 100% can be accepted.
Pensions	Must be of a permanent nature. 100% can be accepted.  Note: NDIS is not an income source to be used for servicing. NDIS is designed to provide reimbursement and/or payment of specific disability related expenses (e.g. a carer, medical expenses); it is not surplus income available for debt repayments.
Child Support	100% may be accepted if it is registered and received via the Child Support Agency, the last three months of consistent payments can be evidenced and it is expected to continue for the term of the loan and/or a minimum 5 years from the date of loan assessment, whichever comes first.
Investment Income	80% of investment income (tax to be applied) can be accepted if evidenced via the last two years tax returns and the income is relatively stable. Ensure that the underlying asset generating the income will be retained.

#### 4.4. Self Employed Income

A borrower is considered self-employed if the servicing of the loan is reliant on income derived from a business that the borrower owns.

Understanding the borrower's occupation and industry is crucial as this will indicate the likely turnover and expenses of the business and assist with a reasonableness test.

A minimum of two years trading is preferred.

Where the borrower's self-employed income in the latest year (year 2) has not increased by greater than 20% compared to the previous year (year 1) then year 2 income can be used.

Where the borrower's self-employed income has increased by greater than 20% in year 2 compared to year 1, then year 1 income calculated at 120% can be used.

Where the borrower's self-employed income has decreased by greater than 20% in year 2 compared to year 1, then year 2 income should be used supported by a full explanation by the assessor as to the reason for the decrease in profitability.

Acceptable add backs include:

- ✓ Interest paid on debt being refinanced or included as a liability for assessment purposes
- ✓ Income/salaries of directors (where not already included in income calculations) who are co-borrowers on the loan
- ✓ Non-recurring expenses (where fully explained)

✓ Directors' superannuation in excess of the minimum superannuation guarantee levy

☒ Depreciation is not an acceptable add back.

Applications relying on income from self-employed should be assessed with a particular focus on the impacts of Covid-19 on the business.

#### 4.5. Other Income

Any additional income not listed in policy may be considered as an exception on a case-by-case basis, where it can be relied upon to service the debt and be sufficiently verified.

## 5. Servicing Capacity

Borrowers must be able to demonstrate sufficient income to pay their financial obligations and living expenses without hardship. Two calculations are used to determine servicing capacity:

- Remaining Disposable Income (RDI)
- Debt to Income Ratio (DTI)

<b>RDI</b>	<p>RDI is the amount of income surplus after paying fixed and living expenses on a monthly basis.</p> <p><math>RDI = (\text{combined net monthly income}) - (\text{combined sensitised monthly fixed expenses}) - (\text{monthly living expenses})</math></p> <p>Borrowers must be able to demonstrate sufficient income to service any new application for credit, all existing debt obligations, any ongoing expenses plus living expenses without hardship.</p> <p>The bank's preferred RDI is \$500.</p>				
<b>DTI</b>	<p>DTI is defined as the ratio of the credit limit of all debts held by the borrower, to the borrower's gross income.</p> <table border="1" data-bbox="507 1332 1412 1892"> <tr> <td data-bbox="518 1355 694 1422"><i>Borrower's gross income</i></td><td data-bbox="710 1355 1412 1512">Borrower's annual before tax income verified by an ADI, excluding any compulsory superannuation contributions and before any discounts or haircuts under the ADI's serviceability assessment policy.</td></tr> <tr> <td data-bbox="518 1534 694 1601"><i>Debt-to-income ratio</i></td><td data-bbox="710 1534 1412 1892"> <p>The ratio of the <b>credit limit</b> of all debts held by the borrower, to the <b>borrowers' gross income</b>.</p> <p>Include the <b>credit limit</b> of any debts, such as other mortgage lending, personal loans, credit-cards, consumer finance, margin lending, buy now pay later (BNPL) debt, Higher Education Loan Program (HELP) or Higher Education Contribution Scheme (HECS) debt, and any other debts held by the borrower, to any party, to the extent this is known to the bank.</p> </td></tr> </table> <p>The bank's preferred DTI ratio is below 4. It is expected that a higher RDI would be available to support loans with high DTI ratios.</p>	<i>Borrower's gross income</i>	Borrower's annual before tax income verified by an ADI, excluding any compulsory superannuation contributions and before any discounts or haircuts under the ADI's serviceability assessment policy.	<i>Debt-to-income ratio</i>	<p>The ratio of the <b>credit limit</b> of all debts held by the borrower, to the <b>borrowers' gross income</b>.</p> <p>Include the <b>credit limit</b> of any debts, such as other mortgage lending, personal loans, credit-cards, consumer finance, margin lending, buy now pay later (BNPL) debt, Higher Education Loan Program (HELP) or Higher Education Contribution Scheme (HECS) debt, and any other debts held by the borrower, to any party, to the extent this is known to the bank.</p>
<i>Borrower's gross income</i>	Borrower's annual before tax income verified by an ADI, excluding any compulsory superannuation contributions and before any discounts or haircuts under the ADI's serviceability assessment policy.				
<i>Debt-to-income ratio</i>	<p>The ratio of the <b>credit limit</b> of all debts held by the borrower, to the <b>borrowers' gross income</b>.</p> <p>Include the <b>credit limit</b> of any debts, such as other mortgage lending, personal loans, credit-cards, consumer finance, margin lending, buy now pay later (BNPL) debt, Higher Education Loan Program (HELP) or Higher Education Contribution Scheme (HECS) debt, and any other debts held by the borrower, to any party, to the extent this is known to the bank.</p>				

## Assessment Rates (Floor rates)

The bank applies an interest buffer on top of the interest rate that will apply to any new loan. The interest rate buffer will apply to all new and existing mortgage debt to ensure that the borrower can absorb a series of interest rate increases.

In addition to the interest rate buffer, the bank applies a floor rate to all new and existing mortgage debt. Where the floor rate is higher than the current rate plus the interest rate buffer, the floor rate will apply.

Current floor and buffer rates applicable are:

Owner Occupier	7.25%
Investment	7.25%
Buffer	3.00%

## Living Allowances

The Bank will always ensure each applicant supplies an estimate of their living expenses that will apply once the loan is advanced.

The Bank uses the Household Expenditure Method (HEM) as a check in determining the reasonableness of the borrower's declared living expense. HEM data is subscribed through and provided by the Melbourne Institute of Applied Economic and Social Research.

The verification level of the application (see section 11 – Verification Requirements), will determine whether the applicants living expense estimate is relied upon for the purposes of a serviceability assessment, or whether the bank will review the borrowers transactional data in detail to verify the living expenses.

For verification level 1;

- Where the applicants living expense estimate equates to 70% or more of the applicable HEM figure and is deemed reasonable for the living situation, no further detail is required.
- Where the applicants living expense estimate equates to less than 70% of the applicable HEM figure, a detailed breakdown of living expenses by category should be gathered and checked for reasonableness. If the living expense estimate remains less than 70% of the applicable HEM figure, full verification of the applicants' living expenses by review of transactional statements is required.

For verification level 2;

- Verification of the applicants living expenses by review of transactional statements removes the need to gather a detailed breakdown. The bank will review this against the borrower's transactional data and will query any discrepancies.

A borrowers capacity to repay will be determined using the higher of either:

- The borrowers declared living expense, or
- The applicable HEM figure for the living situation and income level derived from the table issued quarterly.

	<ul style="list-style-type: none"> <li>The living expenses verified by review of transactional statements.</li> </ul>				
<b>Credit Limits</b>	<p>Where the borrower has credit cards, the monthly repayments must be considered and are calculated on a percentage of the limit:</p> <table> <tr> <th>Credit Card Limits</th><th>Repay over 3 years</th></tr> <tr> <td>Store Card Limits</td><td>5%</td></tr> </table> <p>Charge cards such as Diners Club and American Express do not have a minimum repayment. The cardholder is expected to pay the balance in full each month. For servicing capacity, the monthly repayments are calculated as 5% of the balance outstanding.</p> <p>Store card definition also extends to interest free purchase facilities such as EziPay. The monthly repayment should be 5% of the initial purchase amount.</p>	Credit Card Limits	Repay over 3 years	Store Card Limits	5%
Credit Card Limits	Repay over 3 years				
Store Card Limits	5%				
<b>Buy Now Pay Later (BNPL)</b>	<p>An interest free purchase facility that is similar to a traditional lay-by where purchases are split into fortnightly or monthly instalments and the payment period capped at maximum period (e.g. 6-8 weeks). The application will be displayed on the borrower's credit report and allocated an account limit. Providers include Afterpay, ZipPay, Klarna among others.</p> <p>The balance on any BNPL facilities should be loaded as a liability with nil repayments to ensure it is included in the DTI calculation, and the assessment should consider if the borrower has the short term ability to make the repayments either from retained savings and/or available credit limits. Multiple purchases should be listed separately.</p>				
<b>Term Loans</b>	<p>Where the borrower has term loans, such as personal loans, car loans or mortgages, the repayments must be considered. Where a term loan is subject to a higher assessment rate, the servicing capacity will be based on the higher of the borrower's actual loan repayments or the repayment amount determined using the assessment rate.</p>				
<b>Line of Credit / Equity Overdraft</b>	<p>Where the borrower has a Line of Credit or Equity Overdraft, the repayments are calculated on an interest only basis utilising the Banks Premium Home Loan Reference interest rate.</p>				
<b>Foreign Loans</b>	<p>Ensure that the foreign debt is converted to Australian Dollars using the RBA website at 100% (even if the income is discounted to 80%).</p>				
<b>Margin Loans</b>	<p>Calculate on an interest only basis using the total limit multiplied by the Bank Australia Lifestyle Personal Loan for Property Buyers interest rate, divided by 12 to determine the monthly repayment.</p>				
<b>Other commitments</b>	<p>The borrower may have varying other fixed payments, such as</p> <ul style="list-style-type: none"> <li>Child Support/Maintenance</li> <li>Lease Payments</li> </ul>				

	<ul style="list-style-type: none"> <li>• Rental Commitments</li> <li>• Private School Fees</li> </ul> <p>Ensure any additional commitments the borrower may have are considered in the servicing capacity.</p>
<b>Study and training support loans (e.g. HECS, HELP)</b>	<p>Compulsory repayments of study and training support loans are made through the income tax system and are evidenced on payslips for PAYG employees. For self employed employees, the compulsory repayment is noted on the ATO Notice of Assessment.</p> <p>Compulsory repayments are subject to income thresholds which are updated annually on the ATO website.</p> <p>The outstanding loan balance must be considered in the DTI ratio calculation and should be loaded as a liability with nil repayments. The net income should then be adjusted to cater for any HECS/HELP deductions.</p>
<b>Borrowers approaching retirement</b>	<p>Investigations into the borrowers 'exit strategy' upon retirement is required if any borrower will reach or surpass the age of 67 during the loan term and</p> <ul style="list-style-type: none"> <li>• is aged 55 and over or</li> <li>• is aged between 50 and 55 with an RDI below \$1000</li> </ul> <p>The exit strategy must be considered reasonable and not result in the borrower being placed into a future position of financial hardship.</p>
<b>Significant Future Changes</b>	<p>Upon enquiry by the broker, if the borrower discloses any significant future changes the servicing capacity needs to have consideration for any changes that may or will impact on the borrower's capacity to repay without placing the borrower into a future position of potential financial hardship.</p> <p>Some examples of significant future changes include:</p> <ul style="list-style-type: none"> <li>• Parental leave</li> <li>• Change in working hours, position, employer, occupation, industry, income. Career change.</li> <li>• Disposal of assets</li> <li>• Acquisition of assets (and possibly associated debts)</li> </ul>
<b>Interest Only Loans</b>	<p>For new and existing Interest Only facilities, the borrower's capacity to repay will be determined using the remaining principal and interest period.</p>
<b>Bridging Loans</b>	<p>Servicing capacity will be considered on the residual debt at the end of year one and the end of year two, making allowances for accrued interest in both years and a reduced sale price in year two.</p>
<b>Owner Builders</b>	<p>As requests for additional credit are common from owner-builders, servicing capacity is to consider if the borrower has the potential to service a higher debt. A minimum \$2,000 RDI must be present within the servicing calculation to meet this test.</p>

## 6. Property / Security

### 6.1. Acceptable Property Types – with maximum LVR

All maximum LVRs described below are subject to the applicable valuation restrictions described in section 12.2.

For LMI applications, follow the QBE LMI Guide – Acceptable and Unacceptable property types.

Residential properties – house, land, unit & townhouse, maximum land size 10 hectares									
Licensed Valuation	Licensed Valuation (Partially Serviced)	Licensed Valuation (with approved LMI)	Desktop Valuation	Desktop Valuation (with approved LMI)	AVM	Contract of Sale	Rates Notice – Unimproved Capital Value (land)	Rates Notice – Capital Improved Value (house and land)	Company Titles, Stratum Titles
80%	70%	95%*	80%	90%*	75%	80%	80%	50%	50%

For all purposes excluding construction, the maximum LVR does not include the LMI premium.

◆ LMI requires:

- ✓ major use is a residential property and residential use is a complying use of the land
- ✓ dwelling must be ≥40 square metres and contain at least one bedroom, one bathroom, a kitchen, a living space, a laundry (can be a part of the kitchen or bathroom)
- ✓ the site must be fully serviced with mains electricity (properties with solar as their primary source can be accepted), town water or a drinkable supply, sewerage and access via a sealed or all-weather public road
- ☒ **partially serviced properties are unacceptable for LMI**

**Fully serviced:** Must have electricity (properties with solar as their primary power source can be accepted), town water or a drinkable supply and access via a sealed or all-weather public road

**Partially serviced:** Must have electricity (properties with solar as their primary power source can be accepted) and either town water or access via a sealed public road.

Unit/Townhouses are those that:

- ✓ Do not share a common entrance/foyer/stairwell
- ✓ The property has a minimum floor size of 40 square metres
- ✓ Are a freestanding dwelling with two or more units/townhouses on the block
- ☒ For units/townhouses that do not meet the above description, refer to the guidance on Apartments
  - Crown lease properties are acceptable where the term of the lease holding exceeds the loan term by 5 years
  - Properties off mainland Australia can be considered on an exception basis.

Residential vacant land and construction loans – maximum land size 2.2 hectares						
Licensed Valuation	Licensed Valuation (Partially Serviced)	Licensed As If Complete Construction Valuation	Licensed As If Complete Construction Valuation (Partially Serviced)	Licensed Valuation with approved LMI	Licensed As If Complete Construction Valuation with approved LMI	Rates Notice – Unimproved Capital Value (land)
80%	70%	80%	70%	90%*	90%*	50%



\* Where the purpose includes construction, the maximum LVRs noted include the LMI premium

◆ LMI requires:

- ✓ Borrowers must have an intention to build when purchasing vacant land (no land banking or speculative purchases),
- ✓ A fixed price build contract has been provided and is acceptable to Bank Australia,
- ✓ That all necessary consents and approvals from relevant statutory and other authorities have been obtained,
- ✓ Major use is a residential property and residential use is a complying use of the land,
- ✓ Dwelling must be ≥40 square meters and contain at least one bedroom, one bathroom, a kitchen, a living space, a laundry (can be part of the kitchen or bathroom),
- ✓ The site must be fully serviced with mains electricity (properties with solar as their primary source can be accepted), town water or a drinkable water supply, sewerage, and access via a sealed or all-weather public road,
- ✓ There must be no restrictive covenants, conditions, or buy-back clauses resulting in a repurchase less than the market value,
- ✓ Partially serviced properties are unacceptable for LMI.

**Fully serviced:** Must have electricity (properties with solar as their primary power source can be accepted), town water or a drinkable supply and access via a sealed or all-weather public road

**Partially serviced:** Must have electricity (properties with solar as their primary power source can be accepted) and either town water or access via a sealed public road.

Rural properties (house and land)		
Sworn Valuation	Rates Notice – Unimproved Capital Value (land)	Sworn Valuation with approved LMI ◆
65%	65%	90%*

\*The maximum LVR's noted exclude the LMI premium.

Rural properties are those that:

- ✓ Property is zoned rural
- ✓ Property consists of house and land or land only (with an intention to build within 12 months)
- ✓ Property is not utilised as income producing (refer to General and Specialised Commercial)
- ✓ Maximum of 50 hectares
- ✓ Property is connected to the electricity grid (properties with solar as their primary power source can be accepted).

◆ LMI requires:

- ✓ the improvements portion of the value be at least 50% of the overall value
- ✓ major use is a residential property and residential use is a complying use of the land
- ✓ dwelling must be ≥40 square metres and contain at least one bedroom, one bathroom, a kitchen, a living space, a laundry (can be a part of the kitchen or bathroom)
- ✓ the site must be fully serviced with mains electricity (properties with solar as their primary source can be accepted), town water or a drinkable supply, sewerage and access via a sealed or all-weather public road
- ✓ a maximum of two dwellings on the one title

Apartments*		
	Licensed Valuation	Licensed Valuation with approved LMI
High Density (Existing)	80%	95%
High Density (New)	80%	90%*
High Density – Restricted (Existing)	80%	90%*

High Density – Restricted (New)	80%	85%
Low Density	80%	95%*
Off the Plan	60%	80%*
Serviced / Holiday Apartments	70%	N/A
Company Titles / Stratum Titles	50%	N/A
Student Apartment / Studio Apartment	65%	N/A

\* The maximum LVR's noted exclude the LMI premium.

The postcode risk tool may restrict LVRs further than the above limits. In any case, the **lower** of the postcode risk tool or the policy LVR limits will apply.

High Density Apartments are those where:

- ✓ The property is located within a building having six or more floors or more than 50 accommodation units
- ✓ The property has a minimum floor size of 40 square metres
- ✓ A new apartment is a property that is not yet 12 months old or has not previously been re-sold via an arms length transaction
- ✓ An existing apartment is a property that is 12 months old or has previously been re-sold via an arms length transaction
- ✓ The valuation report must contain two recent comparable sales outside of the development.

High Density Restricted Apartments are those that:

- ✓ Meet the above High Density definition, and
- ✓ Are in a postcode that is deemed 'Restricted' on QBE LMI HDD postcode list'
- ✓ The valuation report must contain two recent comparable sales outside of the development.

Low Density Apartments are those that:

- ✓ Are an apartment or unit in a complex with more than two units/apartments that share a common entrance/foyer/stairwell, but
- ✓ Do not meet the above definition of High Density
- ✓ The property has a minimum floor size of 40 square metres
- ✓ The valuation report must contain two recent comparable sales outside of the development.

Serviced / Holiday Apartments are those that:

- ✓ The property has a managed and/or pooled rental agreement generating a fixed yield to the owner regardless of whether the property is rented out or not
- ✓ Minimum floor size of 40 square metres
- ✓ Valuation to be determined on the basis of vacant possession

Student accommodation are those that:

- ✓ Properties marketed to students where there is a high density of similar accommodation units
- ✓ Properties that fail the minimum floor size requirements of high density apartments
- ✓ Properties that fail to meet LMI security requirements

## Owner Builders

Sworn Valuation

50%

Owner Builders are those that:

- ✓ A borrower who is completing construction of a property using their own skills or managing sub-contractors to carry out the construction work without a fixed price building contract
- ✓ A maximum construction timeframe until certificate of occupancy is obtained is 12 months

#### **Prefabricated Homes Including Transportable/kit homes and relocated homes**

Sworn Valuation

80%

Kit Homes are those that:

- ✓ Property is pre-fabricated dwelling built in a kit form that is then erected and connected to services on site as per a standard constructed dwelling
- ✓ Must be assembled by a registered builder with progress payments and inspection as per standard construction loan criteria or;
- ✓ Must meet Prefabricated Homes criteria detailed in the Prefabricated Homes Procedure

#### **Leasehold Securities \***

Sworn Valuation

70%\*\*

\* Only includes leasehold securities other than crown lease properties (see residential properties – house and land). The term of the lease holding must exceed the loan term by 5 years

\*\* Max LVR is subject to Lending Management approval

#### **Specialised Commercial Properties**

Sworn Valuation

60% \*

Specialised Commercial – e.g. Dairy Farm, Nursing Home, Caravan Park, Hotel

\* This LVR is only available where the specialised commercial security is used in support of a residential security

#### **General Commercial Properties**

Sworn Valuation

70% \*

General Commercial – e.g. Shop or factory

\* This LVR is only available where the general commercial security is used in support of a residential security

## **6.2. Unacceptable Property Types**

- ☒ Properties located outside of Australia
- ☒ Mobile homes

- ☒ Time Share Properties
- ☒ Units in a retirement village
- ☒ Units in a hotel or motel
- ☒ Moiety Titles & Purple Titles

### 6.3. Tiny Homes

Tiny homes may be considered an acceptable personal lending security where;

- ✓ a mortgage can be taken over the trailer and affixed dwelling
- ✓ the property meets the Prefabricated Homes criteria detailed in the Prefabricated Homes Procedure
- ✓ The LVR does not exceed 80% (including during construction)

## 7. Valuations

### 7.1. Acceptable Mortgage Valuation Types

Type	Restrictions
Licenced Valuations	<ul style="list-style-type: none"> <li>✓ Must be prepared by a licenced valuer on the Bank's panel or as authorised by Lending Management</li> <li>✓ Valuer must have been instructed by the Bank and the report addressed to the Bank</li> <li>✓ For LMI applications follow the QBE LMI Guide - Minimum Valuation Requirements</li> </ul> <p><b>A licenced valuation will always be required in the following instances:</b></p> <ul style="list-style-type: none"> <li>▪ Postcode is in a location deemed to be a "minimal" appetite location where LVR exceeds 80% or \$600k</li> <li>▪ Where an LVR of 65% would be exceeded for a property in a designated flood zone postcode</li> <li>▪ Construction loans</li> <li>▪ Off the plan purchases</li> <li>▪ Land size is greater than 10,000 square meters</li> <li>▪ Floor size is less than 40 square meters</li> <li>▪ Student accommodation</li> <li>▪ Where there are multiple dwellings on a single title</li> <li>▪ Where security comprises vacant land</li> <li>▪ Mortgagee in Possession</li> <li>▪ Where the sale is deemed "irregular" or non arms length.</li> </ul>

Type	Restrictions																			
	<ul style="list-style-type: none"><li>Can be used for subsequent loan requests where meeting the below parameters:</li></ul> <table><tr><th>Valuation Age</th><th>Maximum LVR</th><th>Max Value - Metro</th><th>Max Value - Regional</th></tr><tr><td>&lt; 12 months</td><td>80%</td><td>\$1,500,000</td><td>\$1,125,000</td></tr><tr><td>&lt; 24 months</td><td>70%</td><td>\$1,500,000</td><td>\$1,125,000</td></tr><tr><td>&lt; 36 months</td><td>60%</td><td>\$1,500,000</td><td>\$1,125,000</td></tr></table>				Valuation Age	Maximum LVR	Max Value - Metro	Max Value - Regional	< 12 months	80%	\$1,500,000	\$1,125,000	< 24 months	70%	\$1,500,000	\$1,125,000	< 36 months	60%	\$1,500,000	\$1,125,000
Valuation Age	Maximum LVR	Max Value - Metro	Max Value - Regional																	
< 12 months	80%	\$1,500,000	\$1,125,000																	
< 24 months	70%	\$1,500,000	\$1,125,000																	
< 36 months	60%	\$1,500,000	\$1,125,000																	
Real Estate Contract of Sale	<ul style="list-style-type: none"><li>✓ Initial loan is for the purpose of acquiring a residential property</li><li>✓ Property to be purchased will be used as security</li><li>✓ Settlement period no greater than 180 days</li><li>✓ Transaction is ‘Arms-Length’</li><li>✓ Property sold by a licensed real estate and the transaction evidenced by the Bank (via verbal confirmation by the Bank with the Agent)</li><li>✓ LVR is equal to or less than 80% where the property is located in the suburbs of a capital or major provincial city (population exceeding 50,000) and has full utility services connected and the purchase price is less than or equal to \$1,500,000.</li><li>✓ LVR is equal to or less than 65% where the property is located in the suburbs of a town with a population exceeding 10,000 or that has one of our service centres located there, has full utility services connected and the purchase price is less than or equal to \$600,000.</li><li>✓ For the purpose of Bridging finance the contract price of the property being sold can also be used where it will be used as security subject to all other conditions being met.</li><li>✓ Can be used for subsequent loan requests where the contract date does not exceed twelve months of age and the property value does not exceed \$1.5m (metro) or \$600k (regional)</li></ul>			<ul style="list-style-type: none"><li>☒ Purchases of multiple dwellings or individual units located in developments of ten units or more</li><li>☒ Purchase of vacant land</li></ul>																
Rates Notice (or other local or state government valuer general valuation)	<p>Security comprises of house and land:</p> <ul style="list-style-type: none"><li>✓ LVR is less than 80% of the unimproved capital value (i.e. land value) as shown in the current local authorities rates notice, or</li><li>✓ LVR is equal to or less than 50% of the capital improved value if the property is unsighted</li></ul>																			

- ☒ Purchases of multiple dwellings or individual units located in developments of ten units or more
- ☒ Purchase of vacant land

Type	Restrictions														
	Security is land only: <ul style="list-style-type: none"><li>✓ LVR is less than 50% of the unimproved capital value (i.e. land value)</li></ul>														
Desktop Valuation (EVR)	<ul style="list-style-type: none"><li>✓ Must be sourced from an approved EVR provider (such as RP Data) which has been authorised by the MD or Executive Lending Committee</li><li>✓ The report must be current (i.e. no more than 6 months old) and can be used for subsequent loan requests where the property value does not exceed \$1.5m (metro) or \$1.125m (regional)</li><li>✓ Security comprises of house and land, low density apartment (existing), unit, townhouse, villa or rural lifestyle property (less than 2 hectares)</li><li>✓ A Desktop valuation can be accepted up to a maximum LVR of 90%, but is subject to the parameters detailed below, and where LMI is required, subject to applicable QBE policy.</li></ul>	<ul style="list-style-type: none"><li>☒ Vacant land</li><li>☒ The land size is greater than 2 hectares</li><li>☒ High density apartments, serviced apartments or student accommodation</li><li>☒ New or off the plan purchases (property has never been sold)</li></ul>													
	<table><tr><th>Acceptable Property Types</th><th>Max LVR (excluding capped LMI)</th><th>Max Property Value</th><th>Purpose</th></tr><tr><td>House / Low Density Apartment (Existing) / Unit / Townhouse / Villa / Rural Lifestyle property (less than 2 hectares)</td><td>90%*</td><td>\$2,000,000</td><td>Purchase</td></tr><tr><td>House / Low Density Apartment (Existing) / Unit / Townhouse / Villa / Rural Lifestyle property (less than 2 hectares)</td><td>80%</td><td>\$2,000,000</td><td>All Other Purposes</td></tr></table>	Acceptable Property Types	Max LVR (excluding capped LMI)	Max Property Value	Purpose	House / Low Density Apartment (Existing) / Unit / Townhouse / Villa / Rural Lifestyle property (less than 2 hectares)	90%*	\$2,000,000	Purchase	House / Low Density Apartment (Existing) / Unit / Townhouse / Villa / Rural Lifestyle property (less than 2 hectares)	80%	\$2,000,000	All Other Purposes		
Acceptable Property Types	Max LVR (excluding capped LMI)	Max Property Value	Purpose												
House / Low Density Apartment (Existing) / Unit / Townhouse / Villa / Rural Lifestyle property (less than 2 hectares)	90%*	\$2,000,000	Purchase												
House / Low Density Apartment (Existing) / Unit / Townhouse / Villa / Rural Lifestyle property (less than 2 hectares)	80%	\$2,000,000	All Other Purposes												
	*Where LMI is applicable and the method of valuation is a desktop valuation the purpose must be for a purchase only														
Automated Valuation Models (AVM)	<ul style="list-style-type: none"><li>✓ Must be sourced from a provider which has been approved by the MD or Executive Lending Committee</li><li>✓ Must be house and land, or an apartment (existing)</li><li>✓ Located in an area deemed acceptable for AVM purposes (Lending Management will publish acceptable locations)</li><li>✓ The AVM report must be current (i.e. no more than 3 months old)</li></ul>	<ul style="list-style-type: none"><li>☒ Vacant land</li><li>☒ High density apartments, serviced apartment or student accommodation</li><li>☒ Rural properties</li></ul>													

Type	Restrictions
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- ✓ LVR is less than or equal to **75%**, but is subject to the Forecast Standard Deviation (FSD) parameters detailed below:

- ☒ New or off the plan purchases (property has never been sold)

FSD	Max LVR
<=10	75%
>10 to <=15	70%
>15 to <=20	65%

In addition, the following restrictions on the use of an AVM also apply:

- Loan amounts for residential homes is capped at \$1.5m for Sydney and Melbourne, and at \$1.25m in Brisbane.
- For all other residential locations, the maximum loan amount is \$1.0m.
- Where the security comprises an apartment, a maximum loan amount of \$1m applies, and a maximum LVR of 70%.
- For loan top-ups, the maximum loan amount is also capped at \$1.0m

## 7.2. Panel of Valuers

The Bank maintains and regularly reviews the panel of valuers acceptable to carry out the valuations required. A review of the panel will be completed at least annually by the bank.

Appointments to the panel must demonstrate appropriate professional qualifications – usually membership of Australian Property Institute (API), or an equivalent professional body, relevant experience including local knowledge and appropriate professional insurances.

Panel members should be selected and employed to avoid concentration of valuation risk.

The bank will periodically review a sample of valuations provided to the Bank.

The Bank shall not accept a valuation instructed by a third party where the risk policy requires a professional valuation.

## 7.3. Instructions to Valuers

The security to be valued is to be accurately and completely identified.

## 7.4. Revaluing Properties

The Bank will assess the merits of revaluing properties in an area or region if it becomes aware of a material change in the value of properties in that area or region. Factors for consideration will include (but will not be limited to):

- Concentration of properties in the area or region
- Age of loans in the area or region
- Original and/or current loan to value ratio of loans in the area or region

- LMI cover for loans in the area or region
- Credit loss history by region

## 8. Loan Purposes

### 8.1. Acceptable Loan Purposes

For LMI applications, refer to the QBE LMI guide – loan purpose – acceptable and unacceptable loan purposes.

Purpose	Description
Purchase Real Estate	Purchase an owner-occupied or investment real estate property (house and land, or land alone)
Refinancing of an existing house and land home loan	A refinance loan is where the purpose is to pay out an existing home loan (usually through another Lender) using the same security property. Refinance Loans may in addition to the home loan being refinanced, include other loan purposes such as funds for the purchase of an investment or the refinancing of personal loans, credit card debts, minor home improvements, car purchases etc.
Refinancing of a land loan for construction purposes	The initial loan would have been for the purpose of purchasing the vacant land. The main purpose of this additional loan is to now build the dwelling.
Multiple Investments	Lending to borrower(s) who hold multiple investment properties (3 or less) is acceptable provided the borrower does not derive the majority of their income from the investments. Where the investment properties assets total 4 or more, or the borrower(s) derive more than 50% of their income from the investments, the purpose is considered commercial in nature and should be assessed under our commercial credit policy.
Bridging Finance	Borrowers settling on the purchase of a new property often choose bridging finance while waiting on the sale of their existing property.
Business Finance	For commercial related purposes.
Consumer Purchase	For the purchase of durables (e.g. cars, boats, house furnishings).
Debt Consolidation	For the purpose of repaying other debt and combining into one loan.
Home Improvements / Renovations	Depending on the level and nature of the work being undertaken will determine the verification required. For example, a structural renovation will be considered differently to improvements made to flooring as a structural renovation is changing the bones of the property held as security.
Personal Investment	For investment in purposes other than real estate, such as business shares, stock market shares, gold.



Personal Expenditure	For the purpose of expenses related to life events (e.g. travel, wedding, funeral, medical, vet cost) or repairs (e.g. car repairs, hot water service).
Continuing credit	For everyday purchases

## 8.2. Unacceptable Loan Purposes

- ☒ Reverse Mortgages
- ☒ Lending to Self-Managed Superannuation Funds
- ☒ General living expenses
- ☒ Lending to the fossil fuel industry
- ☒ Intensive animal farming and the live export industry
- ☒ Lending to support the gambling industry
- ☒ Lending to the arms industry
- ☒ Lending to the tobacco industry

## 8.3. Construction Loans

- Preference is a Fixed Price Contract.
- Requires a Registered Builder.
- If a Registered Builder is not being used, the project will be considered as 'Owner Builder'. An Owner Builder must be a registered Owner Builder.
- Non Industry Standard Progress Payment schedules are to be approved on an exception only basis.

Description	Limits
Fixed Price Building Contract*	No restriction. Proceed as per the delegated approval limits.
Cost Plus Building Contract	Maximum LVR 65% and minimum RDI is \$1,000

# 9. Loan Types

## 9.1. Acceptable Loan Types

Description	
Mortgage Loan	<ul style="list-style-type: none"> <li>✓ Owner Occupied</li> <li>✓ Investment</li> <li>✓ Bridging Loan*</li> <li>✓ Bank Guarantee*</li> </ul>

\*available upon request

## 9.2. Acceptable Repayment Types

Repayment Types	
Principal and Interest	✓ Owner Occupied Term Loan
	✓ Investment Term Loan
	✓ Consumer Vehicle Loan
	✓ Consumer Personal Loan
Interest Only	✓ Owner Occupied Construction
	✓ Investment

## 9.3. Acceptable Loan Terms

Loan Type	Restrictions
Mortgage Loan	Principal and Interest ✓ Maximum 30 years
	Interest Only (for Investment only) ✓ LVR below 70%, maximum 5 years ✓ LVR above 70%, maximum 3 years
	Bridging Loan ✓ Maximum 12 months ✓ Where the LVR is >75% at origination, approval can be considered on an exception only basis
	Line of Credit ✓ Ongoing
	Bank Guarantee ✓ For the required term of the guarantee

# 10. Consents and Variations

Loan consents relate to the Bank expressly agreeing to an alteration or potential impact upon a security or loan structure.

Consents include:

- Lease
- Section 173
- Subdivision
- Survivorship
- Second Mortgage

Loan variations relate to changes in the key attributes of the existing credit facility.

Instructions on how to request a variation or a consent are available upon request.

## 11. Verification Requirements

The level of verification will be determined by a number of factors, including the customer relationship, transaction type, remaining disposable income and credit score.

Verification Level	Income Verification	Liabilities Statements Verification	Living Expenses Verification	Asset Verification
<b>Level 1</b>	One of: <ul style="list-style-type: none"> <li>Salary Credits</li> <li>Latest two payslips</li> </ul>	No	Higher of Customer Estimate OR HEM	No
<b>Level 2</b>	One of: <ul style="list-style-type: none"> <li>Salary Credits</li> <li>Latest two payslips</li> </ul>	No	Higher of Customer Estimate OR HEM	No

**Note:** All supporting documents should be current (< 90 days old) at final approval. Where the documents are not current or, where greater than 90 days has surpassed since verification, new supporting documents will be requested to verify income and discussion held to confirm there have been no material changes to cost of living expense.

### Verification Level – Mortgage Lending

The following table describes the mortgage lending transactions acceptable under level 1 verification.

Transaction Type	LVR	RDI	Credit Score
<b>Home Loan Top Up &lt;\$100k</b>	Max 80%	≥ \$750	<b>Joint Applicants:</b> <ul style="list-style-type: none"> <li>All borrowers ≥ 661 and at least one borrower ≥ 735</li> </ul> <b>Single Applicants:</b> <ul style="list-style-type: none"> <li>≥ 735</li> </ul> No negative RHI evident on any borrowers credit report in the last 6 months
<b>Refinance (no cash out)</b>	Max 80%	≥ \$200	
<b>Refinance + Cash Out &lt;\$100k</b>	Max 80%	≥ \$750	
<b>Purchase (Excludes FHB's)</b>	Max 80%	≥ \$1,500	

Any applications that do not meet the above requirements are subject to level 2 verification.

\*RDI is based on the verified position

## 12. Income Verification

*Payslips* requirements:

- ✓ 2 x computer generated payslips
- ✓ Contain both employee and employer name
- ✓ Have an ABN evident
- ✓ Have a year to date (YTD) breakdown of income

*Salary Credit* definition:

- ✓ Minimum 3 months of credits into transaction account
- ✓ Name of employer must be clear from the transaction record
- ✓ Transaction account to be a Bank Australia account or sourced by an account aggregation service (such as Illion)
- ✓ If the payments are inconsistent (e.g. due to fluctuating overtime), payslips are required.

## 12.1. PAYG Income

Income Type	Payslips	Salary Credits	Additional Documents
Base Regular and Salary Packaging	Two most recent payslips	Three months' salary credits	
Overtime	Two most recent payslips with 6 months YTD income	Six months' salary credits	
Commission / Bonus			✓ Last two years PAYG Payment Summary and/or Last two years Full Tax Return
Vehicle / Car Allowance			✓ If it is not expected for the industry, verify that it is a Condition of Employment
Foreign			✓ Copy of a signed employment contract confirming start date and salary
New Employer			<ul style="list-style-type: none"> <li>✓ Copy of a signed employment contract confirming start date and salary accompanied by employer contact, or</li> <li>✓ Letter from the employer on company letterhead confirming the basis of employment and start date,</li> </ul>

Income Type	Payslips	Salary Credits	Additional Documents
			accompanied by employer contact.
Employed by a Family Member owned Business			✓ Last full tax return and ATO tax assessment notice  <i>*Note – the ATO tax assessment notice on its own is not satisfactory as it does not show the payee details</i>

## 12.2. Non-PAYG Income

Income Type	Verification Required
Rental Income (including standard, high density, holiday homes and display homes)	✓ Three months consistent rental income credits to BA account or via account aggregation service, or ✓ Copy of the rental/lease agreement, or ✓ Copy of the recent rental statement from the real estate agent, or ✓ Estimate of achievable rental income sourced from a current licenced valuation report or Real Estate agent, or ✓ Evidence from the last ATO tax return  <i>*Note – the rental address on any of the above documents must match back to the application</i>  <i>*Note – if the property is utilised as a display home, the verification can be either option 3 (the valuation achievable rental income) or manually calculated at annual yield of 4.5% of the value of the property</i>
Social Security (excluding Aged pension. Including Family Allowance, Parenting, Disability, Carers, etc.)	✓ Most recent Department of Human Services / Centrelink income statement confirming the regular / ongoing entitlement  ✓ NDIS is not an income source to be used for servicing. NDIS is designed to provide reimbursement and/or payment of specific disability related expenses (e.g. a carer, medical expenses); it is not surplus income available for debt repayments.

Income Type	Verification Required
Social Security / Aged Pension	<ul style="list-style-type: none"> <li>✓ First option: Salary Credits</li> <li>✓ Second option: if Salary Credits are unavailable or inconsistent; most recent Department of Human Services / Centrelink income statement confirming the regular / ongoing entitlement</li> </ul>
Child Support / Maintenance	<ul style="list-style-type: none"> <li>✓ 3 months recent Child Support Agency statements showing consistent payments</li> </ul>
Investment Income	<ul style="list-style-type: none"> <li>✓ Last two years personal tax returns and ATO tax assessment notice</li> </ul>
Superannuation Income (through a complying superannuation fund; not SMSF)	<ul style="list-style-type: none"> <li>✓ First option: Salary Credits</li> <li>✓ Second option: if Salary Credits are unavailable or inconsistent; most recent statement from the Superannuation fund confirming the regular or allocated pension amount</li> </ul>
Superannuation Income – SMSF	<ul style="list-style-type: none"> <li>✓ Last year tax return for the Self-Managed Superannuation Fund</li> </ul>

### 12.3. Self Employed Income

**IMPORTANT NOTE: ALL TAX FILE NUMBERS MUST BE DELETED FROM ALL DOCUMENTS AS SOON AS PRACTICAL ONCE RECEIVED AT THE BANK.**

Time in Business	Verification Required
2 years or more	<ul style="list-style-type: none"> <li>✓ Last two years personal taxation returns</li> <li>✓ Last two years personal ATO Notice of Assessment</li> <li>✓ Last two years Business taxation returns (if a sole trader, this information will be contained within the personal taxation returns)</li> <li>✓ Last two years Business Profit and Loss Statements</li> <li>✓ Last two years Business Balance Sheets (a sole trader will not have a balance sheet; a partnership may not have a balance sheet)</li> </ul>
Less than 2 years	<ul style="list-style-type: none"> <li>✓ Last personal taxation returns</li> <li>✓ Last personal ATO Notice of Assessment</li> <li>✓ Last Business taxation returns, if operating (if a sole trader, this information will be contained within the personal taxation returns)</li> <li>✓ Last year Business Profit and Loss Statements, if operating</li> <li>✓ Last year Business Balance Sheets, if operating (a sole trader will not have a balance sheet; a partnership may not have a balance sheet)</li> <li>✓ Accountant prepared financials (Profit and Loss Statements, Balance Sheets) for the trading period if Business taxation returns are not available</li> <li>✓ Cash Flow Forecast and Budget for minimum 12 month period</li> <li>✓ Detailed Business Plan if the business is less than 6 months old.</li> <li>✓ Interim and/or BAS statements may also be requested if required</li> </ul>

*Note: The latest taxation returns and financial statements must be less than 18 months old at the time of the loan application (e.g. taxation returns as at 30/06/2018 are out of date as at 01/01/2020).*

*Where financial data is greater than 6 months old at the time of the application, accountant prepared Interim Profit and Loss statements or BAS statements may be requested to support the income disclosed in the application.*

## 13. Employment Verification

Employment verification for both existing and new customers shall be undertaken on either a **Standard Method** or a **Full Method** basis.

Standard Method	Option 1 – Verification Documents	Option 2 – Salary Credit
Required for any loans that is not deemed high risk	✓ 2x payslips	<ul style="list-style-type: none"> <li>✓ Minimum 3 months of credits into transaction account</li> <li>✓ Name of employer must be clear from the transaction record</li> <li>✓ Transaction account to be a Bank Australia account or an external bank where the history has been sourced independently from an account aggregation service, such as illion.</li> </ul>
Full Method	High Risk Criteria	What to complete
Required for any loan that meets one or more criteria of High Risk Applications	✓ Inconsistencies are present in the application data	<p>Phone contact with the <u>employer</u> using an independently sourced phone number, such as via White Pages, and confirming:</p> <ul style="list-style-type: none"> <li>✓ Borrower is employed in the position stated</li> <li>✓ The length of employment tenure</li> <li>✓ Where possible, income information</li> <li>✓ The name and position of the person who verified the information</li> </ul> <p>Record the details of the telephone call as a notebook entry in the LOS. Include the below information:</p> <ul style="list-style-type: none"> <li>✓ The phone number</li> <li>✓ How the phone number was sourced</li> </ul> <p>The date and time of the call The details verified</p>

## 14. Other Verification

### 14.1. Verification Documents

Verification Documents	What to obtain	When to obtain	Why we obtain
Transaction Statements	<ul style="list-style-type: none"> <li>✓ 6 consecutive months</li> <li>✓ With borrowers name and account number included</li> <li>✓ Transactions and running balance evident</li> <li>✓ Current (i.e. no older than 3 months)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Level 2 verification</li> <li>✓ Borrowers who do not bank with Bank Australia</li> <li>✓ Options to obtain; Illion, or Borrower to provide</li> </ul>	<ul style="list-style-type: none"> <li>✓ Assist in the verification of actual living expenses</li> </ul>
Evidence of Savings (Contribution to Purchase/Viability; or Approval is provided based on this asset being held)	<ul style="list-style-type: none"> <li>✓ If 'genuine savings', 3 consecutive months</li> <li>✓ If 'non-genuine savings', 6 consecutive months</li> <li>✓ With borrowers name and account number included</li> <li>✓ Transactions and running balance evident</li> <li>✓ Current (i.e. no older than 3 months)</li> <li>✓ If gifted funds, letter from family member confirming the amount and agreement as non repayable</li> </ul>	<ul style="list-style-type: none"> <li>✓ Borrowers who do not bank with Bank Australia</li> <li>✓ Contributing towards the purpose or the strength of the application lies in the savings asset held</li> <li>✓ Options to obtain; Illion, or Borrower to provide</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirms the project is viable</li> <li>✓ Supports the approval</li> <li>✓ Confirms the borrower has the capacity of a savings accrual behaviour (which supports ability to manage commitments)</li> </ul>
Statements of Liabilities	<ul style="list-style-type: none"> <li>✓ Recent statement for accounts not available via Comprehensive Credit Reporting (CCR). For LMI applications, statements must cover 6 consecutive months (for Home Loans &amp; Personal Loans) and/or 3 consecutive months (for Credit Cards)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Debt consolidations loans and account information is <u>not</u> available via CCR</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirms the debt position – limits, balances, repayments</li> <li>✓ Confirms the history – consistent repayments or arrears, over the limit, late payments, etc.</li> <li>✓ Clarifies data if information</li> </ul>



Verification Documents	What to obtain	When to obtain	Why we obtain
	<ul style="list-style-type: none"> <li>✓ With borrowers name and account number included</li> <li>✓ Transactions and running balance evident</li> <li>✓ Current (i.e. no older than 3 months)</li> </ul>		appears inconsistent
Superannuation	<ul style="list-style-type: none"> <li>✓ Recent superannuation balance statement</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approval is dependent on the level of superannuation disclosed in the application – super balance to service loan and/or payout the loan</li> <li><input checked="" type="checkbox"/> Not required for borrowers below 50</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirm that the customer has the ability to service the debt post-retirement</li> </ul>
Credit Limit Cancellation/Reduction Letter or Form	<ul style="list-style-type: none"> <li>✓ Limit held with Other Financial Institution (OFI): <ul style="list-style-type: none"> <li>-A letter from the OFI confirming the limit has been reduced / cancelled, or</li> <li>- Customer completed and returned external credit card closure/reduction form</li> </ul> </li> <li>✓ Limit held with Bank Australia: <ul style="list-style-type: none"> <li>- Customer completed and returned internal credit card closure/reduction form</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ As part of the approval, the credit limit held is either reduced or closed.</li> </ul>	<ul style="list-style-type: none"> <li>✓ To ensure that the limit is closed or reduced as per the approval provided</li> </ul>

Verification Documents	What to obtain	When to obtain	Why we obtain
Real Estate Contract of Sale	<ul style="list-style-type: none"> <li>✓ Full contract</li> <li>✓ Signed by vendor and purchaser</li> </ul>	<ul style="list-style-type: none"> <li>✓ Buying a real estate property</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirmation of:               <ul style="list-style-type: none"> <li>property details</li> <li>purchase price</li> <li>purchaser name/s</li> <li>vendor name/s</li> <li>selling agent</li> <li>finance date</li> <li>settlement date</li> <li>conditions</li> <li>section 32</li> </ul> </li> </ul>
Certificate of Insurance	<ul style="list-style-type: none"> <li>✓ Insurer produced Certificate</li> <li>✓ Must include:               <ul style="list-style-type: none"> <li>-owners name</li> <li>-property address/vehicle details</li> <li>-insured amount</li> <li>-policy number</li> <li>-policy start and end date</li> <li>-Bank Australia as interested party</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>✓ When taking security real estate</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirm that the asset being held as security is insured and can be replaced if destroyed or damaged</li> </ul>
Title Search	<ul style="list-style-type: none"> <li>✓ Internally obtain a title search through Equifax</li> </ul>	<ul style="list-style-type: none"> <li>✓ For real estate property that is/will be mortgaged to Bank Australia</li> <li>✓ And/or, to confirm ownership of a real estate property</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirm the ownership</li> <li>✓ Confirm the title details</li> <li>✓ Confirm the mortgagor</li> <li>✓ Confirm if any restrictions on the title</li> </ul>
Construction	<ul style="list-style-type: none"> <li>✓ Signed Fixed Price Building Contract (accompanied with any variations if applicable)</li> <li>✓ A full "As If Complete" valuation</li> <li>✓ Council-Approved Stamped Plans and Specifications (if Council does not provide this)</li> </ul>	<ul style="list-style-type: none"> <li>✓ Constructing a new property through a registered builder which will be used as security</li> <li>✓ Completing a major renovation (that will impact the structure of</li> </ul>	<ul style="list-style-type: none"> <li>✓ Confirmation of the building cost, the progress payment schedule, the inclusions and exclusions, the registered builder</li> <li>✓ Confirmation of the value of the property upon completion (determine LVR at</li> </ul>

Verification Documents	What to obtain	When to obtain	Why we obtain
	<p>service, Building Permit will be required)</p> <ul style="list-style-type: none"> <li>✓ Builders Indemnity Insurance Certificate</li> <li>✓ Prior to first advance: Final Council Approved Plans and Specifications and Building Permit</li> <li>✓ At Completion: Certificate of Insurance (Building) and Certificate of Occupancy</li> </ul>	<p>the security property)</p>	<p>commencement, completion and during) and confirm reasonableness of build cost</p> <ul style="list-style-type: none"> <li>✓ Insurance to protect risk against building damage and/or loss of builder</li> <li>✓ Confirmation that the property is completed, habitable and approved.</li> </ul>
Owner Builder Construction	<ul style="list-style-type: none"> <li>✓ Borrower completed Owner Builder Cost Estimate Spreadsheet</li> <li>✓ Invoices and/or Quotes of works to be completed</li> <li>✓ A full "As If Complete" valuation</li> <li>✓ Council-Approved Stamped Plans and Specifications (if Council does not provide this service, Building Permit will be required)</li> <li>✓ Prior to first advance: Final Council Approved Plans and Specifications and Building Permit</li> <li>✓ At Completion: Certificate of Insurance (Building) and Certificate of Occupancy</li> </ul>	<ul style="list-style-type: none"> <li>✓ Constructing a property where the borrower will complete all or some of the works themselves and/or manage sub-contractors to complete the works on their behalf</li> <li>✓ Completing a major renovation that will impact the structure of the security property where the borrower will complete all or some of the works themselves and/or manage sub-contractors to complete the works on their behalf</li> </ul>	<ul style="list-style-type: none"> <li>✓ Borrower acknowledged estimation of the costs applicable to the project and a budget for each aspect of the project. Will also determine inclusions and exclusions.</li> <li>✓ Confirmation of the value of the property upon completion (determine LVR at commencement, completion and during) and confirm reasonableness of estimated build cost</li> <li>✓ Confirmation that the property is insured</li> <li>✓ Confirmation that the property is completed, habitable and approved.</li> </ul>

## 14.2. Loan Disbursements

Payment directed to a third party (e.g. supplier or builder) may be a condition imposed on a loan application to ensure that the loan proceeds are directed to the disclosed purpose of the loan application. This may be required in the following circumstances:

- Debt consolidation or refinance
- Purchasing an asset where that asset will be taken as security
- In accordance with LMI requirements concerning maximum 'cash out' provisions
- Personal loans that facilitate the payment of a real estate deposit
- Home Improvements that exceed \$20k where either:
  - The increased value of those improvements is built into any new valuation amount, or
  - Building plans are involved

## 14.3. Lenders Mortgage Insurance

An application may require Lenders Mortgage Insurance (LMI) depending on the LVR.

If an application requires LMI, in addition to Bank Australia requirements, QBE requirements are to be met and adhered to.