

# Consumer Credit Underwriting Policy and Guidelines for Brokers

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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. For commercial lending applications, refer to the Commercial Lending Policy.

### 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

#### 2.1.1 Individuals

Acceptable borrowers are individuals who are working and living in Australia and are:

- Aged 18 years or older, and
- Either a citizen or permanent resident of Australia or New Zealand

An applicant who is both a non-citizen and non-permanent resident is not an acceptable form of borrower.

#### 2.1.2 Non-Residents

An acceptable non-resident borrower is an Australian or New Zealand citizen who is living in a country other than Australia. The borrower must be a either a tax resident of a country that shares a [Double Taxation Agreement](#) (DTA) with Australia or a tax resident of one of the below listed countries:

- Brunei
- Qatar
- United Arab Emirates
- Dubai
- Hong Kong
- Bahrain
- Macau

Employees of the Department of Foreign Affairs working in an Australian Embassy or Consulate and New Zealand Citizens living and working in Australia are acceptable borrowers and are not considered 'non-residents'.



This borrower can be considered on an exception only basis.

## 2.2 Unacceptable Borrowers

The following borrowers are considered unacceptable:

- Borrowers under 18
- 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
- Company and/or Trust borrowers
- Company directors purchasing property from their own developments for investment purposes (unless granted approval on an exception only basis)
- Bankrupt borrowers
- Self-Managed Superannuation Fund
- Non-residents who are self-employed overseas
- Individuals that own four or more investment properties and derive more than 50% of their income from the investments

## 2.3 Co-Borrowers

Bank Australia has an obligation to ensure there is a substantial benefit to all borrowers when taking out a loan. 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.

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.

### 2.3.1 Non-Spousal Co-Borrowers



For applications received with multiple borrowers who are not in a defacto/married/spousal relationship (i.e. brother and sister), consideration must be given to assessing the capacity of each borrower to individually repay their portion of debt:

- Each borrower must be assessed on their ability to service their proportion of the assigned debt
- The loan should be structured as a split loan with a security guarantee
- The proportion of debt assigned to each borrower must not exceed their ownership stake in the asset.

### **2.3.2 Guarantors**

A guarantee may be considered to improve the security position of the loan. The bank will not accept a servicing guarantee to replace or mitigate any weakness in the borrower(s) ability to repay the proposed loan, therefore it may not be necessary to assess the guarantor's ability to service the debt, just their ability to repay the limited guarantee in full without hardship. A servicing guarantee is defined as a non-spouse party guaranteeing the serviceability of a loan.

The following guarantor requirements must be met:

- 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 guarantee must be limited to the amount required to avoid LMI for Family Guarantees or the loan amount for Security Guarantees
- The guarantor is required to obtain Independent Legal Advice (ILA) before accepting the guarantee. The certificate of ILA and financial advice are obtained for the benefit of the bank.

### **2.3.3 Family Guarantee**

A Family Guarantee may be accepted under the following conditions:

- Only accepted from the parent/s (or step parent/s) of the borrower/s to assist in the purchase of a family home
- The total loan amount cannot exceed the purchase price plus costs and the loan cannot include consolidation of other borrowings or the acquisition of other assets
- 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
- If the guarantors property is the sole property securing the loan, approval is required at the Executive Lending Group approval Level



- The guarantor must be deemed to be of sufficient financials 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 procedures.

### 2.3.4 Security Guarantee

A Security Guarantee may be accepted under the following conditions:

- Where a guarantor uses property they own jointly or in their own name in support of a loan, usually for a partner.

## 3. Servicing

### 3.1 Capacity to Repay

Borrowers must be able to demonstrate sufficient income to pay their financial obligations and living expenses without hardship.

Three calculations are used to determine servicing capacity:

|  |   |
|--|---|
| <b>Remaining Disposable Income (RDI)</b> | The amount of income surplus after paying fixed and living expenses on a monthly basis.<br>(Combined net monthly income) minus (combined sensitised monthly fixed expenses) minus (monthly living expenses) |
| <b>Debt to income (DTI) Ratio</b>        | The ratio of the credit limit of all debts held by the borrower (excluding HECS/HELP debt), to the borrowers' gross income.   |
| <b>Net Disposable Income (NDI) Ratio</b> | The ratio of net disposable income less living expenses, to fixed expenses.<br>(Total scaled net income) minus (living expenses) divided by (total adjusted fixed expenses)                                 |

#### 3.1.1 Assessment Rates

The assessment rate used to determine servicing capacity for mortgage loans will be the higher of the **floor rate** or the actual interest rate + **buffer**.

The floor rate is the minimum interest rate that must be applied to mortgage debts when calculating servicing capacity.

The buffer is a margin added to the actual interest rate of mortgage debts when calculating servicing capacity.



Current floor and buffer rates applicable are:

|                             |       |
|-----------------------------|-------|
| Floor Rate – Owner Occupier | 7.25% |
| Floor Rate – Investor       | 7.25% |
| Buffer                      | 3.00% |

### 3.2 Liability Benchmarks

The following sets out the benchmarks for liabilities in servicing calculations. Where a customer's declared repayments are higher than the benchmark, the higher repayment will be adopted to determine servicing capacity.

|  |  |
|--|--|
| <b>Credit Card, Store Account, Unsecured Overdraft</b> | Repay the limit over 3 years on a P&I basis at 22% interest.   |
| <b>Personal Loans</b>                                  | Repayments calculated on a P&I basis over the remaining term at 15% interest. Where the remaining term is unknown, a default of 5 years will apply.  |
| <b>Car Loans</b>                                       | Repayments calculated on a P&I basis over the remaining term at 7% interest. Where the remaining term is unknown, a default of 5 years will apply.   |
| <b>Home Loans</b>                                      | Repayments calculated on a P&I basis over the remaining term, at the higher of the buffered or floor rate. Where the remaining term is unknown, a default of 25 years will apply unless it's prudent to use a shorter term based on the borrowers' age and remaining working life.   |
| <b>Interest Only Loans</b>                             | Repayments calculated on a P&I basis over the principal loan term (total loan term minus interest only period) using the higher of the buffered or floor rate. Where the total loan term is unknown, a default of 25 years will apply unless it's prudent to use a shorter term based on the or borrowers' age and remaining working life. |
| <b>Bridging Loans</b>                                  | Servicing capacity for a Bridging Loans will be assessed by application of the standard servicing criteria to 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 sale price reduced by 10% in year two.  |
| <b>Line of Credit/Secured Overdraft</b>                | Repayments calculated on a P&I basis over a 30 year term using the higher of the buffered or floor rate.   |
| <b>Foreign Loans</b>                                   | Ensure the foreign debt is converted to Australia dollars using the RBA website.   |
| <b>Margin Loans</b>                                    | The borrowers declared repayment amount must be considered when determining servicing capacity.  |
| <b>Debts with &lt; 3 months remaining</b>              | Can be excluded from servicing provided there are sufficient cash resources present to cover the remaining repayments.   |



## HECS/HELP Debts

HECS/HELP repayments must be considered in the servicing assessment by adjusting the net income to cater for any deductions. The balance must be excluded from DTI calculations.

## Buy Now Pay Later (BNPL)

**Pay-in-4 Facilities** operate with 4 equal fortnightly payments over a 6 week period for each purchase, with an allocated credit limit;

- Pay-in-4 BNPL can be considered as an expense/payment tool where the borrower's usage reflects occasional larger purchases or discretionary spending and they have the means to clear the facility limit via savings or other credit limits. The facility limit must be loaded as a liability with a contracted repayment of \$0.00 to ensure the debt is included in the DTI calculation.
- Where the Pay-in-4 BNPL facility is relied upon for daily expenses or the customer doesn't have funds available via savings or credit limits to clear the full limit, a monthly expense should be loaded to ensure the customer has capacity to repay the full limit within the contracted period. The monthly repayment obligation for a six week contract is equal to two thirds of the facility limit and therefore the expense loaded should be the equivalent of 66% of the facility limit.

**Low Cost Credit Contract (LCCC) Lending** operates similarly to a personal loan, generally at a 0% interest rate.

- LCCC lending can be considered a personal loan. A liability should be loaded with the remaining balance, minimum contracted monthly repayment and the applicable interest rate to determine the impact on servicing.

### 3.3 Comprehensive Credit Reporting (CCR)

CCR provides a complete and holistic representation of a customer's credit history including lending enquiries, repayment history and default information. The bank uses this information to make an informed credit assessment. It is critical that the report is used to identify undisclosed liabilities, repayment history information and directorships.

### 3.4 Living Expenses

The Household Expenditure Method (HEM) is used as a benchmark in determining the reasonableness of the borrower's declared or verified living expense. HEM data is subscribed through and provided by the Melbourne Institute of Applied Economic and Social Research and uses a number of parameters including single persons, joint households, the number of dependents, geographical considerations and gross income scaling.

The bank will ensure each applicant supplies an estimate of their living expenses that will apply once the loan is advanced. 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, or
- The living expenses verified by review of transactional statements (where applicable)

#### **3.4.1 Fixed Expenses**

The borrower may have varying other fixed payments which must be considered when determining servicing capacity, including but not limited to:

- Child Support and/or Maintenance payments
- Rent or Lease Payments
- Private School Fees
- For borrowers who are boarding with little or no expense, consideration must be given to any potential or foreseeable change in boarding circumstances and whether servicing will be impacted

Ensure any additional commitments the borrower may have are considered in the servicing capacity assessment.

#### **3.5 Significant Future Changes**

Upon enquiry by the lender, 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. Some examples of significant future changes include:

- Parental leave
- Change in working hours, position, employer, occupation, industry, income, career change.
- Disposal of assets
- Acquisition of assets (and possibly associated debts)

#### **3.5.1 Retirement Strategy**

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:

- is aged 55 and over or
- is aged between 50 and 55 and the RDI is < \$1,000



The exit strategy must be considered reasonable and not result in the borrower being placed into a future position of financial hardship.

## 4. Employment and Income

### 4.1 Acceptable Employment

The minimum requirements for acceptable employment is described below:

| Employment Type  | Minimum Requirements   |
|--|--|
| Permanent Full Time,<br>Permanent Part Time,<br>Contract | <ul style="list-style-type: none"> <li>● Probationary period has been completed and</li> <li>● No more than two jobs in the previous 12 months</li> </ul> <p>Where the probation criteria above is 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> <p>For contract employment, consideration must be given to the length of contract, industry stability and likelihood of renewal.</p> |
| Casual,<br>Second Job                                    | <ul style="list-style-type: none"> <li>● Probationary period has been completed and</li> <li>● Minimum 12 months in current position</li> </ul> <p>For borrowers with multiple jobs, a maximum of 50 hours per week combined across employers can be adopted. Consideration must be given to the reasonableness and feasibility of maintaining excessive hours over the term of the loan, where it is required for servicing.</p>  |
| 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>   |
| Non-resident employment                                  | <ul style="list-style-type: none"> <li>● Probationary period has been completed</li> <li>● Must be employed by a large company, multi-national preferred</li> </ul>  |
| Self-Employed  | <ul style="list-style-type: none"> <li>● Minimum two years trading as a sole trader, partnership, company and/or trust</li> </ul>  |

### 4.2 Acceptable PAYG Income

| Income Type | Acceptance Criteria   |
|-------------|---|
| Base Income | <p>100%</p> <p>All of the borrowers regular base income may be used in the servicing assessment</p> |



|                   |      |  |
|-------------------|------|--|
| Salary Packaging  | 100% | Provided the borrower's total package is available in cash at the borrower's option, then the total package can be treated as gross income (less compulsory superannuation contribution) in the servicing assessment   |
| Shift Allowance   | 100% | Provided the allowances are either a condition of employment or reasonable to expect the industry and established to be a regular part of employment.  |
| Overtime          | 80%  | Provided the income can be evidenced over the past 6 months and is either a regular part of employment and/or reasonable to expect in an industry (e.g. emergency services). Total working hours considered for servicing are not to exceed 50 hours per week (inclusive of standard hours and overtime).  |
| Bonus             | 80%  | Provided the bonuses are standard for the borrower's employment industry, are paid quarterly or annually and have been received for two consecutive years. Use the lowest of the two years.  |
| Commission        | 80%  | Must be evidenced as received and consistent for two years from current employer and tied to a sales related position. Use the lowest of the two years.  |
| Vehicle Allowance | 100% | Where the income is a condition of employment  |
| Foreign Income    | 90%  | <p>Convert the foreign income into Australian Dollars by using the RBA website. Only PAYG income or pensions can be considered (not self-employed). Australian tax rates are to be used in the assessment unless the borrower is located in the following tax jurisdictions, in which case the net income may be used from the applicants' primary income source.</p> <ul style="list-style-type: none"><li>• Brunei</li><li>• Qatar</li><li>• Saudi Arabia</li><li>• United Arab Emirates</li><li>• Dubai</li><li>• Hong Kong</li><li>• Oman</li><li>• Singapore</li><li>• Malaysia</li></ul> |



- Bahrain

|                                  |   |
|----------------------------------|---|
| Household Income                 | 100%  |
|                                  | Household income may be considered to support personal lending applications where the below parameters are met: <ul style="list-style-type: none"> <li>• The non-applicant income is derived from a spouse who is an existing Bank Australia customer</li> <li>• The spouse' employment meets policy requirements</li> <li>• The income is shaded appropriately, according to policy requirements</li> <li>• The income can be verified appropriately</li> <li>• The spouse is contributing to household expenses. Both joint cost of living expenses and spousal liabilities must be considered in the servicing position</li> <li>• The application does not exceed \$30,000</li> </ul> Where the above parameters are not met, an exception may be considered by a DLA 2 or above. |
| Fully Maintained Company Vehicle | Unacceptable  |

#### 4.3 Acceptable Non-PAYG Income

| Income Type                             | Acceptance Criteria   |
|---|---|
| Rental Income - Standard Residential    | 80%<br>Close scrutiny should be applied to the reliability of high value investment rental assets that would be considered luxury accommodation. Consideration should be given to the location, potential pool of renters, likelihood for extended periods of vacancy and the proportion of overall income that is made up from any luxury accommodation rental income. Where concerns are held, consider reducing the reliance on the income (i.e. 60% of the gross rental income) |
| Rental Income – Holiday Homes           | 70%<br>Most recent financial year or annual statement   |
| Rental Income – Commercial              | 80%<br>Provided a commercial lease is in with a minimum tenancy of 12 months elapsed and a minimum tenancy of 12 months remaining. Capped at a maximum yield of 5%  |
| Family Tax Benefit & Parenting Payments | 100%<br>Where ongoing in nature, for children 12 years of age or less   |
| Pensions                                | 100%<br>Where permanent in nature, including aged, veteran affairs and disability support pensions  |



|                       |      |   |
|-----------------------|------|---|
| Superannuation Income | 100% | Where either permanent in nature (defined benefit) or the income/balance is sufficient to be of an ongoing nature for the duration of the loan term or until an exit strategy is implemented  |
| Child Support         | 100% | Where registered and received via Child Services Australia for children 12 years of age or less   |
| Investment Income     | 80%  | Where the income can be evidenced over the last two years (use the lowest of the two years), is relatively stable and the underlying assets generating the investment income will be retained |
| Workers Compensation  | 100% | Where the income is payable for the duration of the loan term or until retirement age   |
| NDIS Income           | 100% | Only acceptable for SDA loan applications in conjunction with an approved plan where the loan is secured by a SDA specialist accommodation  |
| Trust Distributions   | 100% | Where the borrower is both the owner and operator of the trust and the income is verified to be of a reliable and ongoing nature  |

#### 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. Where profits are retained by a company and have been determined to be of a reliable and ongoing nature, it may be acceptable to allocate that income to a borrower for the relevant year, subject to their percentage of ownership of the company and their intention to draw on the profits.

A minimum of two years trading is preferred.

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. 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 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.

#### 4.5 Other Income

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

#### 4.6 Unacceptable Income

- Payments by boarders
- Distributions from family trusts and dividends from private companies not owned and operated by the borrower as part of a business
- Workers compensation (if not considered permanent)
- Non-pension government payments such as unemployed benefits, carers allowance etc.
- Foreign self-employed income

## 5. Verification Requirements

### 5.1 Verification Levels

The verification level will determine the level of scrutiny required to be applied when verifying living expenses and self-employed income.

#### 5.1.1 Mortgage Verification Levels

The following table describes the mortgage lending transactions acceptable under level 1 verification. Any applications that do not meet the below requirements are subject to level 2 verification. All applications where any purpose includes debt consolidation or a first home buyer purchase require level 2 verification.

| Transaction Type | LVR | RDI | Credit Score |
|------------------|-----|-----|--------------|
|------------------|-----|-----|--------------|



|  |         |           |  |
|--|---------|-----------|--|
| <b>Home loan top up &lt;\$100k or Refinance + cash out &lt;\$100k</b>    | Max 80% | ≥ \$750   | Joint Applicants:<br>• All borrowers ≥ 661 and at least one borrower ≥ 735<br><br>Single Applicants:<br>• ≥ 735<br><br>No negative RHI evident on any borrowers credit report in the last 6 months |
| <b>Refinance (no cash out)</b>   | Max 80% | ≥ \$200   |  |
| <b>All other purposes, excluding FHB purchase and debt consolidation</b> | Max 80% | ≥ \$1,500 |  |

## 5.2 Income Verification

| Income Type                            | Verification Requirements   |
|--|---|
| Base Salary (including salary packing) | <ul style="list-style-type: none"> <li>• Two most recent payslips or</li> <li>• Three month's salary credits</li> </ul>   |
| Allowances                             | <ul style="list-style-type: none"> <li>• Two most recent payslips or</li> <li>• Three month's salary credits</li> </ul>   |
| Overtime                               | <ul style="list-style-type: none"> <li>• Two most recent payslips including three months YTD income or</li> <li>• Two most recent payslips plus most recent PAYG Summary or Income Statement</li> </ul>           |
| Commission/Bonus                       | <ul style="list-style-type: none"> <li>• Last two years PAYG Payment Summary or</li> <li>• Last two years Individual Tax Return</li> </ul>  |
| Foreign Income                         | <ul style="list-style-type: none"> <li>• Two most recent payslips or</li> <li>• Signed Employment Contract</li> </ul>   |
| New Employer                           | <ul style="list-style-type: none"> <li>• Signed Employment Contract or</li> <li>• Letter from employer on company letterhead confirming start date and salary</li> </ul>  |
| Employed by a Family Member            | <ul style="list-style-type: none"> <li>• Most recent Individual Tax Return and ATO Notice</li> </ul>  |
| Rental Income                          | <ul style="list-style-type: none"> <li>• Most recent rental statement from Real Estate or</li> <li>• Copy of the rental/lease agreement or</li> <li>• Three months consistent rental income credits or</li> </ul> |



|                                     |   |
|-------------------------------------|---|
|                                     | <ul style="list-style-type: none"><li>● Estimate of achievable rental income sourced from a current licenced valuation report or Real Estate agent, or</li><li>● Latest Individual Tax Return</li></ul>   |
| Rental Income (Holiday Homes)       | <ul style="list-style-type: none"><li>● Most recent Annual Rental Statement or</li><li>● Most recent Individual Tax Return and ATO Notice</li></ul>   |
| Pensions                            | <ul style="list-style-type: none"><li>● Most recent Centrelink Statement or</li><li>● Three month's salary credits</li></ul>  |
| Family Allowance                    | <ul style="list-style-type: none"><li>● Most recent Centrelink Statement or</li><li>● Three month's salary credits</li></ul>  |
| Child Support                       | <ul style="list-style-type: none"><li>● Current Services Australia Letter or</li><li>● Three month's credits from Services Australia</li></ul>  |
| Investment Income                   | <ul style="list-style-type: none"><li>● Last two years' Individual Tax Return and</li><li>● Evidence income producing assets will be retained</li></ul>   |
| Superannuation Income               | <ul style="list-style-type: none"><li>● Most recent Superannuation Fund Statement confirming balance and pension drawdown or</li><li>● Most recent Superannuation Fund Statement confirming balance and three months' salary credits</li></ul>  |
| SMSF Income                         | <ul style="list-style-type: none"><li>● Most recent SMSF Tax Return and verification of income producing assets</li></ul>   |
| Self Employed                       | <p>Level 1 Verification:</p> <ul style="list-style-type: none"><li>● Last two years ATO Notice of Assessment</li><li>● If the personal income is insufficient to meet the banks serviceability requirements, then full financials may be requested to support serviceability.</li></ul> <p>Level 2 Verification:</p> <ul style="list-style-type: none"><li>● Last two years' Individual Tax Return and Business Tax return (if applicable)</li><li>● Last two years ATO Notice of Assessments</li><li>● Last two years Business Profit and Loss Statements</li><li>● Last two years Business Balance Sheets (if applicable)</li></ul> |
| Self Employed (less than two years) | <ul style="list-style-type: none"><li>● Latest Individual Tax Return and Business Tax return (if applicable)</li><li>● Latest ATO Notice of Assessment</li><li>● Latest Business Profit and Loss Statements</li><li>● Latest Business Balance Sheets (if applicable)</li></ul>  |



- Accountant prepared financials (Profit and Loss Statements, Balance Sheets) for the trading period if Business Tax Returns are not available
- Interim and/or BAS statements may also be requested if required

| Verification Type                       | Minimum Requirements  |
|---|---|
| Payslips                                | <ul style="list-style-type: none"><li>● 2 x computer generated payslips</li><li>● Contain both employee and employer name</li><li>● Have an ABN evident</li><li>● Have a year to date (YTD) breakdown of income</li></ul>   |
| Salary Credits                          | <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, a statement verified as authentic via fraud identification service Fortiro or sourced by an account aggregation service (such as Illion)</li><li>● If the payments are inconsistent (e.g. due to fluctuating overtime), payslips are required</li></ul> |
| Tax Returns and/or Notice of Assessment | <ul style="list-style-type: none"><li>● All tax file numbers must be redacted from all documents as soon as practical once received at the bank</li></ul>   |

### 5.3 Employment Verification

For PAYG Income, steps should be taken to verify the authenticity of the borrowers declared employment via any of the below methods:

- Payslips
- Transaction statements showing three months' salary credits deposited with the employer's name present
- Three months' salary credits deposited to a Bank Australia account with the employer's name present
- Three months' salary credits evident on an account statement sourced via account aggregation (such as illion) with the employer's name present
- Where inconsistencies are present within the application, phone contact with the employer using an independently sourced phone number and documenting:
  - Employment is current
  - Employment tenure
  - Occupation



- The name and position of the person verifying the information
- Date and time of call
- How the phone number was sourced

## 5.4 Living Expense Verification

The verification level of the application (see section [5.1 – Verification Requirements](#)), will determine whether the applicants living expense estimate is relied upon in the servicing assessment, or whether review of the borrowers transactional data is required to verify the living expenses. In addition to the verification level, a number of reasonableness checks will apply.

### 5.4.1 Living Expenses - 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 verification 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 three months’ transactional statements is required (verification level 2).

### 5.4.2 Living Expenses – Verification Level 2

- Obtain three months transaction statements via account aggregation, where the applicants pass all four reasonableness checks, no further verification is required.
- Where the applicants fail any of the reasonableness checks, full verification of the applicants’ living expenses by review of three months’ transactional statements is required.

## 5.5 Other Verification

| Document               | Requirements   | When to obtain   |
|------------------------|--|--|
| Transaction Statements | <ul style="list-style-type: none"> <li>● 3 consecutive months’ transaction account statements</li> <li>● With borrowers name and account number included</li> <li>● Transactions and running balance evident</li> <li>● Current (i.e. latest is no older than 3 months)</li> <li>● With PANs redacted</li> </ul> | <ul style="list-style-type: none"> <li>● Verification level 2</li> </ul> |



|                              |  |   |
|------------------------------|--|---|
| Evidence of Savings          | <ul style="list-style-type: none"><li>● 3 consecutive months savings statements</li><li>● With borrowers name and account number included</li><li>● Transactions and running balance evident</li><li>● Current (i.e. latest 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>● Funds are required for purchase to be viable or</li><li>● Approval is provided based on this asset being held</li></ul>   |
| Statement 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><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>● PANs redacted</li></ul> | <ul style="list-style-type: none"><li>● Debt consolidations loans and account information is <u>not</u> available via CCR</li></ul>   |
| Superannuation Statement     | <ul style="list-style-type: none"><li>● Recent superannuation balance statement</li><li>● With borrowers name included</li><li>● Superannuation balance evident</li><li>● Current (i.e. most recent statement)</li></ul>   | <ul style="list-style-type: none"><li>● Approval is dependent on the level of superannuation disclosed</li><li>● Exit strategy includes the use of superannuation to service and/or payout the loan</li></ul> |
| 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>● Purpose involves purchasing real estate</li></ul>   |
| Certificate of Insurance     | <ul style="list-style-type: none"><li>● Policy Statement or Certificate of Currency</li><li>● Must include:<ul style="list-style-type: none"><li>○ owners name</li><li>○ property address/vehicle details</li><li>○ insured amount or strata insurance (real estate securities)</li><li>○ comprehensive insurance (vehicle securities)</li></ul></li></ul>   | <ul style="list-style-type: none"><li>● When taking security over real estate</li></ul>   |



- policy number
- policy start and end date
- Bank Australia as interested party

|                            |  |  |
|----------------------------|--|--|
| Title Search               | <ul style="list-style-type: none"> <li>● 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 and/or,</li> <li>● To confirm ownership of a real estate asset</li> </ul>  |
| On the House Estimate      | <ul style="list-style-type: none"> <li>● Verify asset value</li> </ul>   | <ul style="list-style-type: none"> <li>● Where equity available in the asset is a determining factor in the loan approval</li> </ul>   |
| ABN                        | <ul style="list-style-type: none"> <li>● ABN Lookup</li> </ul>   | <ul style="list-style-type: none"> <li>● Self-employed applicants</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</li> <li>● Council Approved Building Permit</li> <li>● Builders Indemnity Insurance Certificate</li> <li>● At Completion <ul style="list-style-type: none"> <li>○ Certificate of Insurance (Building) and</li> <li>○ Certificate of Occupancy</li> </ul> </li> <li>● For 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> </ul> </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 the security property)</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</li> </ul>  | <ul style="list-style-type: none"> <li>● Constructing a new property as owner builder which will be used as security</li> </ul>  |



- Council Approved Building Permit
- Builders Indemnity Insurance Certificate
- At Completion
  - Certificate of Insurance (Building) and
  - Certificate of Occupancy

## 6. Deposit and Equity

### 6.1 Funds to Complete

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

### 6.2 Genuine Savings

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.

Where the LVR is above 90%, the borrower must provide at least 5% of the purchase price from genuine savings unless they are participating in a Government backed Scheme (and the bank is an approved lender), in which case the Scheme's minimum genuine savings requirements will apply.

Genuine savings can be from any of the following sources:

- Accumulated savings (savings account)
- Sale proceeds of shares, other tradeable instruments (including crypto currency or micro-investments) or managed funds (net any tax due)
- Equity in or from real estate or borrowed funds against an existing property (ensuring the borrowed funds are included in the servicing calculation)
- Non preserved superannuation contributions (provided the borrower has access to funds in cash form)
- Additional loan repayments that are able to be redrawn
- For first home buyers, 6 months rental history where the rent paid supports an ability to service the new loan

#### 6.2.1 Unacceptable Genuine Savings

- Government grants / rebates (including First Home Owner's Grant)



- Gifts
- Inheritance
- Advance on wages/commission
- Barter Card or other swap negotiations
- Builder or vendor gift, discount, finance, rebate or any form of incentive
- Proceeds from gambling or illegal activities
- Rental discount
- Favourable purchases
- Borrowed funds unless derived from equity in existing real estate (e.g. personal loan)

### 6.3 Gifts

Where funds from a gift are being received to complete a purchase, the gift must be from an acceptable source and evidenced by a letter stating that payment is non-repayable and the giver has no interest in the property being purchased.

Acceptable Sources:

- Spouse or De Facto partner
- Parents, Step Parents or Children
- Siblings
- Grandparents or Grandchildren
- Aunts or Uncles

### 6.4 Favourable Purchases

A favourable purchase can be considered as 'gifted equity' when the purchase is at a discounted price and from an immediate family member or the estate of an immediate family member. A licensed 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. Where the borrower is contributing little or no genuine savings towards the purchase, demonstrated capacity of the borrower to meet and manage the commitment must be strongly considered including the reasons why the borrower is not contributing to the purchase (e.g. evidence of meeting rental commitment, university graduate in new employment). Enquiry must be made to determine the gifted equity, cash or discounted sale priced is non-repayable.



## 7. Security

### 7.1 Acceptable Property Security

All maximum LVRs described below are subject to the applicable valuation restrictions described in [section 8.1](#) and require a registered 1st mortgage. Registered 2nd mortgages against any security type are not acceptable.

Where LMI is applicable, the absolute LVR ceiling is 95% plus applicable LMI premium. All maximum LVR's exclude LMI premium capitalisation unless stated otherwise and are subject to LMI Underwriting Guidelines.

| Property Type   | Max LVR without LMI | Max LVR with LMI - QBE | Max LVR with LMI - Helia |
|---|---------------------|------------------------|--------------------------|
| <b>Residential House</b>  |                     |                        |                          |
| <ul style="list-style-type: none"> <li>Fully Serviced: electricity/solar connected, a drinkable water supply and access via a sealed road (max land size 10 ha)</li> </ul>                                | 80%                 | 95%                    | 95%                      |
| <ul style="list-style-type: none"> <li>Partially Serviced: electricity/solar connected and either a drinkable water supply or access via a sealed road (max land size 10ha).</li> </ul>                   | 80%                 | N/A                    | N/A                      |
| <b>Residential Vacant Land and/or Construction</b>  |                     |                        |                          |
| <ul style="list-style-type: none"> <li>Max land size 2.2ha</li> </ul>   | 80%                 | 90%                    | 90%                      |
| <b>Units, Townhouse, Low Density Apartment</b>  |                     |                        |                          |
| <ul style="list-style-type: none"> <li>Minimum floor size 40sqm</li> </ul>  | 80%                 | 95%                    | 95%                      |
| <b>High Density Apartment</b>   |                     |                        |                          |
| High density apartments are those located in a building having six or more floors or more than 50 accommodation units. The valuation must include two recent comparable sales outside of the development. |                     |                        |                          |
| <ul style="list-style-type: none"> <li>Minimum floor size 40sqm</li> </ul>  | 80%                 | 95%                    | 95%                      |
| <ul style="list-style-type: none"> <li>Floor size 25 - 39sqm</li> </ul>   | 70%                 | N/A                    | N/A                      |
| The LMI provider may have further LVR restrictions that apply to new apartments in certain postcodes  |                     |                        |                          |
| <b>Serviced or Holiday Apartments</b>   |                     |                        |                          |
| 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   |                     |                        |                          |
| <ul style="list-style-type: none"> <li>Minimum floor size 40sqm</li> </ul>  | 70%                 | N/A                    | N/A                      |



### Student or Studio Apartment

Marketed to students where there is a high density of similar accommodation units

70% N/A N/A

- Minimum floor size 25sqm

### Warehouse Conversion

Property converted from a warehouse into apartments with a strata title

70% N/A N/A

- Minimum floor size 40sqm

### Rural

Property is zoned rural and the major use must be residential (not income producing)

70% 90% 95%

- House and land < 50ha

65% 80% N/A

- Land only < 50ha

50% N/A N/A

- Properties with land size >50ha

### Multiple Units/Dwellings on Title

70% N/A N/A

Properties that consist of 2 or more units or dwellings on a single land title i.e. a dual occupancy property or a dwelling that contains 4 units, each capable of their own lease agreement

### Prefabricated/Kit Homes

A 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

80% N/A N/A

- On site value

### General Commercial

Properties of a general commercial nature e.g. Shop or factory

70% N/A N/A

- When used in support of a residential security

### Specialised Commercial

Properties of a specialised commercial nature e.g. Dairy Farm, Nursing Home, Caravan Park, Hotel

60% N/A N/A

- When used in support of a residential security

### SDA Securities

80% N/A N/A

Acceptable as security for an owner occupied loan with an approved NDIS plan for SDA accommodation meeting one of the four design categories; improved liveability, fully accessible, high physical support, robust

### Leasehold Securities

70% N/A N/A



Subject to Lending Management approval. Includes leasehold securities other than crown lease properties. The term of the lease holding must exceed the loan term by 5 years

|                                  |      |     |     |
|----------------------------------|------|-----|-----|
| <b>Company or Stratum Titles</b> | 70%  | N/A | N/A |
| <b>Term Deposit</b>              | 100% | N/A | N/A |

### 7.1.1 Property Restrictions

- Properties off mainland Australia can be considered on an exceptions basis. Key considerations for approval of these properties include; island population, access, proximity to major towns and cities, borrower profile and LVR.
- Proposed securities that are 'turnkey' or 'off the plan' purchases are not acceptable as security until a certificate of occupancy has been issued. A licensed valuation is required and must be dated within 90 days of the certificate of occupancy.
- Crown lease properties are only acceptable as residential security where the term of the lease holding exceeds the loan term by 5 years.
- 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.
- Securities must be in prime condition. Where a valuation demonstrates a property is in less than prime condition, discretion should be applied to limit the LVR to an acceptable level.

### 7.1.2 Unacceptable Property Security

- Properties located outside of Australia
- Mobile homes (i.e. RV, onsite caravan, converted van etc.)
- Time Share Properties
- Units in a retirement village
- Units in a hotel or motel
- Moiety Titles & Purple Titles
- Display homes where the display village is ongoing (e.g. not due for decommission within 2 years)
- Units under 25sqm
- Owner builder construction unless restricted to land value only (except where the borrower is a licensed builder)
- Property is subject to contamination

## 8. Valuations



## 8.1 Acceptable Property Valuations

Where LMI applies, all parameters are subject to LMI Underwriting Guidelines.

| Valuation Method                  | Parameters  | Restrictions  |
|-----------------------------------|---|---|
| Contract of Sale                  | <ul style="list-style-type: none"> <li>• Max loan amount \$1.5m</li> <li>• Max LVR 80%</li> <li>• Max LVR 90% where LMI applies and supported by an AVM where;               <ul style="list-style-type: none"> <li>○ The FSD is <math>\leq 15</math></li> <li>○ The contract price is within 10% of the AVM market value</li> </ul> </li> <li>• Settlement period no greater than 120 days</li> <li>• Arm's length transaction, sold by a licensed real estate</li> <li>• For Bridging loans, the contract of sale can be used for valuation purposes for the security that has been sold</li> </ul> | <ul style="list-style-type: none"> <li>✗ Minimal appetite postcodes</li> <li>✗ Subsequent loan applications or increases</li> <li>✗ Purchase is from a developer, builder or off the plan</li> <li>✗ Land size greater than 10,000 sqm</li> <li>✗ Vacant land securities</li> <li>✗ Floor size &lt;40sqm</li> </ul> |
| Automated Valuation Method (AVM)  | <ul style="list-style-type: none"> <li>• Max loan amount \$1.5m</li> <li>• The following LVR and FSD parameters apply:</li> <li>• Max LVR 80% where the FSD is <math>\leq 15</math></li> <li>• Max LVR 70% where the FSD is 16 – 20</li> <li>• Max LVR 50% where the FSD is 21 – 30</li> <li>• The AVM report must be current (i.e. no more than 6 months old)</li> </ul>   | <ul style="list-style-type: none"> <li>✗ Minimal appetite postcodes</li> <li>✗ Purchase is from a developer, builder or off the plan</li> <li>✗ Land size greater than 10,000 sqm</li> <li>✗ Vacant land securities</li> <li>✗ Floor size &lt;40sqm</li> </ul>  |
| Electronic Valuation Report (EVR) | <ul style="list-style-type: none"> <li>• Max property value \$2m</li> <li>• Max LVR 80%</li> <li>• Max LVR 90% where LMI applies (purchase or refinance only)</li> <li>• The Desktop report must be current (i.e. no more than 6 months old)</li> <li>• Must be prepared by a licensed valuer on the banks panel</li> </ul>   | <ul style="list-style-type: none"> <li>✗ Purchase is from a developer, builder or off the plan</li> <li>✗ Land size greater than 10,000 sqm</li> <li>✗ Floor size &lt;40sqm</li> </ul>  |
| Licensed Valuation                | <ul style="list-style-type: none"> <li>• Can be used for subsequent loan applications or increases where the property value is <math>\leq</math> \$2m (metro) or <math>\leq</math> \$1.25m (regional), subject to the below parameters:</li> <li>• Valuation age &lt; 12 months to max LVR 80%</li> <li>• Valuation age 12 – 24 months to max LVR 70%</li> <li>• Valuation age 24-36 months to max LVR 60%</li> </ul>   |   |



- A licensed valuation is always required in the following scenarios:
  - Construction loans
  - Favourable purchases
  - Multiple dwellings on single title
  - Serviced apartments
  - Purchase is from a developer, builder or off the plan
  - Land size greater than 10,000 sqm
  - Floor size <40sqm
- Must be prepared by a licensed valuer on the banks panel
- The valuer must have been instructed by the bank and the report addressed to the bank
- Must be in the approved Australian Property Institute (API) format

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Rates Notice

- Security must comprise of house and land
  - Max LVR 80% of unimproved (land) value
  - Max LVR 50% of capital improved value (CIV)
- ✗ Cannot be used for minimal appetite postcodes
  - ✗ Vacant land securities

## 8.2 Acceptance of Valuation

Valuations that have no high risk ratings present may be automatically accepted by the bank. Where the valuation has high risk ratings present, a the valuation will be reviewed and certify that the descriptions are accurate, the valuer has complied with instructions and the valuation is acceptable security. This will considered on an exceptions basis.

The requirement for the formal acceptance of a valuation report is not required for progress inspection reports.

If a borrower is dissatisfied with an individual valuation and requests a second assessment from another valuer, approval must be granted prior to a new valuation request.

## 9. Product Parameters

### 9.1 Acceptable Loan Terms

| Loan Type | Repayment Type | Maximum Term | Parameters |
|-----------|----------------|--------------|------------|
|-----------|----------------|--------------|------------|



|               |                        |   |   |
|---------------|------------------------|---|---|
| Mortgage Loan | Principal and Interest | ✓ Maximum 30 years  | ✓ Owner occupied<br>✓ Investment  |
|               | Interest Only          | ✓ LVR below 70%, maximum 5 years<br>✓ LVR above 70%, maximum 3 years<br>✓ Construction, maximum 12 months | ✓ Investment<br>✓ Construction  |
|               | Bridging Loan          | ✓ Maximum 12 months   | ✓ Owner occupied purchase<br>✓ Owner occupied construction<br>✓ Peak and end LVR must not exceed 80%<br>✓ Where the LVR is >75% at origination, approval can be considered on an exception only basis |

## 9.2 Construction Loans

Borrowers seeking finance to construct a home are limited to the following parameters:

- Fixed Price Building Contract or
- Cost Plus Building Contract (Maximum LVR 65% and Minimum RDI \$1,000)
- Construction completed by a Registered Builder
- Non Industry Standard progress payment schedules may be considered on an exceptions basis
- If a Registered Builder is not being used, the project will be considered as 'Owner Builder'.

### 9.2.1 Owner Builder

Owner Builder construction is restricted to land value only, unless the borrower is a licensed builder.

Where only the land value is being considered for security purposes, standard LVR limits apply per [section 7.1](#). Where the borrower is a licensed builder, a maximum LVR of 50% of the TBE valuation applies and a minimum RDI of \$2,000 is required.



### 9.3 Acceptable 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 property 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.  |
| 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.<br>Applications where the purpose includes debt consolidation must be approved by a DLA 3 or above.   |
| 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  |

#### 9.3.1 Unacceptable Loan Purposes

- Reverse Mortgages
- Lending to Self-Managed Superannuation Funds



- General living expenses
- Lending to support fossil fuels, intensive animal farming, live export, gambling, arms or tobacco industries
- Purchase of new internal combustion engine vehicles (Including low emission and hybrid)

#### 9.4 Loan Disbursements

Payments directed to a third party (e.g. pay to purpose - 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 is 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 where:
  - The increased value of those improvements is built into any new valuation amount, or
  - Building plans are involved

## 10. Variations and Consents

### 10.1 Loan 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.