

Guarantor Information Guide

1. Description

Guarantor Support is available to assist customers obtain a home loan when they are unable to provide adequate security in cases where the loan amount exceeds normal lending margins.

Borrowers may consider adding co-borrowers to their loan application if they do not wish to obtain security support from a guarantor.

2. Benefits

Guarantor Support enables customers (in particular first home buyers) to:

- Borrow more funds than they may have been eligible for where they do not have an adequate deposit.
- Eliminate the need to pay for Lenders' Mortgage Insurance (LMI) where the guarantee **reduces the customer's Loan Valuation Ratio (LVR) to a level where LMI is not required.**

3. Eligibility

An Individual guarantor to a loan must be one of the following:

- have the legal capacity to enter into the loan contract, provide acceptable identification documentation and be 18 years or older;
- living and working in Australia who are:
 - Australian citizens; or
 - New Zealand citizens; or
 - Australian permanent residents;
- living and working overseas who are Australian citizens;
- Guarantors must also:
- understand their obligations as a guarantor;
- have the opportunity to receive an explanation of the guarantee from an independent person, i.e. solicitor;
- sign the guarantee in the absence of the debtor where the Bank attends to the signing of the guarantee;
- be limited to a specific dollar amount in the guarantee; and

- not have the guarantee documentation given to them by the debtor or to someone acting on behalf of the debtor to arrange for them to sign.

The following options are available.

Borrower Type	Types of support
Personal Borrower A personal borrower must be able to service the loan amount based on their income and total repayment commitments. Under no circumstances can a guarantee be taken if the borrower is unable to demonstrate servicing in their own right.	Security support only subject to the application falling into one of the following scenarios: <ul style="list-style-type: none"> • Family Security Support (see below) • Where the borrower and guarantor are married/in a de facto relationship/jointly own the security property

4. Guarantor Interview Guide

All guarantors must be interviewed separately from the borrowers, in person for personal borrower applications. Refer to the Interview Checklist below for guidance on key points to discuss during the interview. Please ensure you provide a copy of the **'Becoming a Guarantor'** brochure to the potential guarantor, which explains:

- the risks of providing a guarantee
- the requirement for the Guarantor to seek independent legal and financial advice from an **independent third party (i.e. not the borrower's representative/s)**.
- the Guarantor may refuse to sign the guarantee or withdraw by providing written notice at any time before funding
- that the guarantor has the right to limit their liability in accordance with Banking Code of Practice and as allowed by law
- that the guarantor can request information about the transaction or loan to be guaranteed, and if applicable, the guarantee might cover future credit facilities and variations of the existing loan.

The following should be used as a guide as to whether an individual is suitable or not to become a guarantor including signs of potential risks of financial abuse and vulnerability. If you can answer yes to any of the indicators below then the guarantor is not suitable.

Questions to ask yourself	Indicators
Does the Guarantor appear to be under duress or are there any signs of financial abuse?	<ul style="list-style-type: none"> Has the Guarantor indicated that they are under pressure to act as guarantor? Has the Guarantor indicated that they feel obliged to support the borrower(s) financially? Does the Guarantor appear withdrawn, uneasy, and fearful (particularly of the borrower(s))?
Does the Guarantor appear illiterate?	<ul style="list-style-type: none"> Is the Guarantor unable to read and understand documents such as the 'Becoming a Guarantor' guide (other than for the reason English is not their first language -for this reason see table below)? Does the Guarantor have low levels of literacy education
Is the Guarantor likely to be put into hardship if the Guarantee was enforced?	<ul style="list-style-type: none"> Does the Guarantor's financial position not support the payment of the proposed guaranteed amount (e.g pension income, lack of assets or income, such as a Term Deposit, that they could potentially use to help repay the loan besides their property)? Has the Guarantor indicated they cannot afford to seek independent legal advice? Does the Guarantor appear to be suffering from any serious illness or mental illness?
Does the Guarantor appear incapable of making an informed choice?	<ul style="list-style-type: none"> Does the Guarantor appear to suffer from any cognitive or age-related impairment which restricts their ability to make an informed choice (such as dementia)?
Has the Guarantors unique circumstances been considered?	<ul style="list-style-type: none"> Is the Guarantor a recent migrant? Does the Guarantor have any other personal/financial circumstance causing significant concern? Is there any other possible concerns or potential vulnerabilities?
Does the Guarantor not understand or speak English	<ul style="list-style-type: none"> When translator or interpreter services are required please refer to your relevant interpreter services processes or refer to the National Accreditation for Translators and Interpreters Ltd (NAATI) website for more information.
Is the Guarantor highly dependent on the borrower?	<ul style="list-style-type: none"> Is the Guarantor reliant on the borrower for care, particularly if they are living in the same house?

You should consider if the Guarantor is suitable or not. In all cases, it is Bankwest policy that you must recommend the Guarantor seek independent legal and financial advice from an independent third party (e.g. not the borrower's solicitor).

5. Family Security Support

Family Security Support makes it possible for customers to get a home loan when **they're** unable to provide adequate security to the Bank on their own.

Family members of the borrower, i.e. a parent, adult child, sibling, grandparent, spouse or legally appointed guardian may offer the equity in their property in addition to the borrower's property being secured by the loan.

If approved, the family member guarantees the loan which is supported by the property they are offering as security.

6. Family Security Support **isn't** available for:

- Non-residential properties;
- Off the plan purchases;
- Co-borrowers;
- Non-family members or third parties;
- Transportable or mobile homes; or
- Loan purposes unrelated to the purchase, construction, renovation or refinance (where the original loan purpose was for purchase, construction, or renovation) of a property (including personal investment, purchase of a car, personal goods, cash out, debt consolidation, etc.)

7. Family Security Support Business Rules

Borrowers and guarantors

Requirements	Borrowers	Guarantors
Must	<ul style="list-style-type: none"> • Be aged 18 or over. • Be able to service the total repayment amount. Servicing guarantees are not acceptable. • Have an undisclosed debt review completed, refer to Liabilities 	<ul style="list-style-type: none"> • Be aged 18 or over. • Be family members. • Have independent legal advice. • Be interviewed face- to-face (in extenuating circumstances, refer to the Broker customer and guarantor identity verification and privacy procedure).

Cannot	<ul style="list-style-type: none"> • Rely on foreign income for servicing. • Apply for an increase and/or to obtain cash out for non-residential property purposes. 	<ul style="list-style-type: none"> • Rely solely on government payments, e.g. a Disability Pension
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Security

Bankwest must hold the first mortgage over the **guarantor's** property.

Loan structures

	Application 1	Application 2
Security owner	Borrower	Borrower and Guarantor
Collateral type	Residential property only	Residential property only
Maximum loan amount	80% of the borrowers property confirmed value.	<p>The lesser of either:</p> <p>20% of the value of the borrower's property, plus fees, to a maximum of 30%; or</p> <p>20% of the market value of the guarantor's property, plus fees, to a maximum of 30%.</p>
Loan repayment type	<ul style="list-style-type: none"> • Principal and interest • Construction, interest only until fully drawn • Interest only 	<ul style="list-style-type: none"> • Principal and interest • Construction, interest only until fully drawn
Maximum LVR	The Loan to Value Ratio (LVR) – no LMI as stated in Maximum Loan to Value Ratios Policy	<p>The Lower of either:</p> <p>The Loan to Value Ratio (LVR) - no LMI stated in Maximum Loan to Value Ratios Policy or 70% of the Guarantor property.</p> <p>Note: The maximum LVR calculation must include any existing loans secured by the guarantor's property.</p>
Responsibility for servicing	Borrower	Borrower

Restrictions	Until the loan supported by the guarantor is repaid: <ul style="list-style-type: none"> No Equity Lines No cash out for non-property related purposes 	<ul style="list-style-type: none"> No Equity Lines No Interest Only payments
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8. Examples:

New purchase

Manu wants to borrow \$285,000 (including fees) to buy property 1 valued at \$300,000.

His parents have agreed to provide the Bank with a mortgage over property 2 (unencumbered, valued at \$500,000) supported by a guarantee.

Loan structures:

	Application 1	Application 2
Borrower	Manu	Manu
Guarantor	-	Manu's parents
Security	<ul style="list-style-type: none"> Property 1 	<ul style="list-style-type: none"> Property 1 Guarantee by Manu's parents, supported by property 2
Maximum loan amount	\$240,000 (\$300,000 x 80%)	\$45,000 (\$285,000 - \$240,000)

Maximum loan amount (Application 2)

- Loan 2 to the purchase price: 15% ($\$45,000 \div \$300,000$)
- Loan 2 to the value of property 2: 9% ($\$45,000 \div \$500,000$)

Maximum LVR (Application 2)

- Revised LVR: 9% ($((\$0 + \$45,000) \div \$500,000)$)

Purchase with existing GTR mortgage

- Angela wants to borrow \$305,000 (including \$5,000 in fees) to buy property 1, valued at \$300,000.

- Her brother Giovanni has agreed to provide a guarantee supported by property 2, valued at \$400,000.
- Giovanni has an existing mortgage to Bankwest against property 2, with an outstanding debt of \$100,000 and an LVR of 25% ($\$100,000 \div \$400,000$)

Loan structures:

	Application 1	Application 2
Borrower	Angela	Angela
Guarantor	-	Giovanni
Security	<ul style="list-style-type: none"> • Property 1 	<ul style="list-style-type: none"> • Property 1 • Guarantee by Giovanni, supported by property 2
Maximum loan amount	\$240,000 $(\$300,000 \times 80\%)$	\$65,000 $(\$305,000 - \$240,000)$

Maximum loan amount (Application 2)

- Loan 2 (minus fees) to the purchase price: 20% ($\$60,000 \div \$300,000$)
- Loan 2 (including fees) to the purchase price: 21.6% ($\$65,000 \div \$300,000$)
- Loan 2 to the value of property 2: 16.25% ($\$65,000 \div \$400,000$)

Maximum LVR (Application 2)

- Revised LVR: 41.25% ($(\$100,000 + \$65,000) \div \$400,000$)

Increase

You must submit new applications through a split loan structure (i.e. 80/20). This is to make sure the overall security position is adequate, and the guarantor is involved in the application.

The loan secured only by the borrower's property must be at the maximum amount before LMI is applicable and the guarantor's property may only secure any additional funds.

- Omar purchased land for \$170,000 last year and is looking to construct a property.
- Omar's existing loan structure is:
- \$140,000 secured by the land;
- Omar needs an additional \$300,000 to fund the construction of a property (as the land is already owned there are no purchase costs).

- The new property is valued at \$500,000 on completion.
- Omar's sister has offered her property valued at \$350,000 as a guarantor security. The property secures an existing debt of \$150,000.

Loan structures:

	Application 1	Application 2
Borrower	Omar	Omar
Guarantor	-	Omar's sister
Security	Property 1 Omars existing land + costs to build	Property 1 Guarantee by his sister, supported by property 2
Maximum loan amount	\$400,000 (\$500,000 x 80%)	\$40,000 (Existing land loan \$140,000 + Build \$300,000 = 440,000) Existing GTR loan \$150,000 + \$40,000 = \$190,000 / 350,000 = 54.29% LVR

In this example:

- The new loan amount for the guaranteed loan (\$40,000) is equal to 8.00% of the land and build value of the new property (\$500,000), which is within the required cap of 20%.
- The total lending against the guarantor's security property is also within the acceptable limit of 70%. This is calculated as total lending (\$150,000 + \$40,000 = \$190,000) / property value (\$350,000) = 54.29%.

9. Legal advice requirements

Why is independent legal advice necessary and what is required?

It is important that an individual guarantor obtain independent legal advice, so that they:

- are informed;
- understand their rights and obligations; and
- are not signing something that they do not want to sign.

Obtaining independent legal advice:

- allows a guarantor the time and the opportunity to ask questions of their various professionals; and

- helps to protect the Broker and the Bank, especially in situations where there is a relationship of trust and confidence between the borrower and the guarantor.

Requirements:

Each guarantor is required to complete a statutory declaration (sent in Guarantor pack) confirming that legal advice (and financial advice, if required by the Bank) has been received.

Bankwest will not proceed with the loan, if:

- the statutory declaration is not completed correctly;
- Bankwest is not satisfied that the guarantor has understood their obligations; or
- Bankwest is aware that an individual guarantor did not get legal (or financial) advice even though they have made a declaration to the contrary.

10. Loan options

Customers can choose any Home Loan or Investment Home Loan product under a guarantor security arrangement.

11. Loan Documentation

A Guarantor Pack will be posted directly to each guarantor. The Bank will not give the guarantee documents to the borrower, or to someone acting on behalf of the borrower (such as the broker), to arrange for the guarantee to be signed.

The Guarantor(s) will also be required to complete and return the Guarantee and Indemnity (provided in the pack) confirming the dates they received and signed the deed of guarantee. If the guarantor has not taken at least 3 calendar days to review their documents before signing, the pack will be reissued.

Guarantors will only be exempt from this 3 day rule if they receive independent legal advice and complete and return the statutory declaration provided in their guarantor pack.

The borrower must not be present or sign as the witness when the Guarantor signs the loan documents.

As an agent of the borrower the broker cannot be given the role of witnessing a guarantor sign a guarantee / Offer Letter / Letter of Variation / Facility Agreement / Security Document / Guarantor statutory declaration or any other bank document.

12. Interest Rates

Standard Home Loan and Investment Home Loan interest rates apply.

The interest rate will depend on whether the **customer's** home loan is for owner occupied or investment purposes and on the repayment type they select – principal and interest or interest only.

13. Fees

Standard Fees and Charges apply to Guarantor Support Loans.

[Becoming a Guarantor Guide](#)

Effective: 25th September 2024 – Minor update to wording Section 4