

ING

Residential Mortgage Underwriting Guidelines (RMUG)

Broker Version

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Overview.....	3
Guidelines	3
Product Requirements.....	4
Loan Purpose	4
Loan amount	5
Loan Terms.....	5
Loan to Value (LVR)	6
Eligible Borrowers	7
Eligible Borrowers.....	7
Mixed Parties	7
Borrowers of convenience / Substantial Benefit	8
Family Support.....	9
Favourable purchases (Gift in equity)	10
Mature Aged Applicants (Retirees)	11
Independent legal and financial advice.....	11
Funds to Complete / Genuine Savings.....	12
Credit Bureau Reports and Account Conduct.....	13
Servicing and Income Verification	15
Serviceability	15
PAYG Income.....	16
PAYG Income Verification.....	19
Rental Income.....	20
Self Employed	22
Other Income Verification.....	25
Unacceptable Income.....	26

Commitments.....	27
Living Expenses	30
Security.....	32
Acceptable Securities	32
Unacceptable Securities	34
Valuation.....	36
Acceptable Valuation.....	36
Contract of Sale	36
AVM	37
EVR (Desktop Valuation).....	37
Short Form and Full Valuation	38
Other Valuation	39
Variations.....	40
Variations.....	40
Glossary.....	46
Appendix.....	47

Overview

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Guidelines

The following guidelines apply:

- All loan applications must comply with these Underwriting Guidelines.
- Each loan application must have a legitimate legal purpose, both within the word and the spirit of the law.
- All loan applications must be completed on an “arms-length” basis.

Where an application does not meet ING credit criteria, please refer to your ING representative to allow a deal scenario to be submitted.

1. Product Requirements

1.1. Loan Purpose

ING	
Acceptable loan purpose	<ul style="list-style-type: none">• Purchase of residential property.• Refinance of residential property.• Owner occupied property.• Investment property.• Non-structural home improvements / renovations (e.g. kitchen / Bathroom upgrades).• Purchase of Rural or Rural Residential Acreage (see Acceptable Security).• Consolidation personal debts (including leases/ hire purchase)).• Cash Out / Equity Release (see below).• Purchase of investments.• Repayment of gifts (Where a loan purpose is to repay a gift the application is to be considered as an Equity release (i.e. cash out) and assessed under those guidelines).• Pay one off taxation liabilities. Borrowing for taxation liabilities/expenses is unacceptable. However where the reason for the liability is a one off expense, tax liabilities can be considered on a case by case basis.
Unacceptable loan purpose	<p>Any other loan purpose is unacceptable, including</p> <ul style="list-style-type: none">• Any business purpose including refinance of business loans, equipment purchase, purchase of business, and working capital.• Property development of a commercial nature.• Where vendor finance involved
	<ul style="list-style-type: none">• Construction loan or construction of a new residential dwelling on an ING Security (i.e Granny flat)

ING	
Cash Out / Equity Release	Acceptable purpose: <ul style="list-style-type: none"> • Personal use (Travel, wedding etc.) or Motor vehicle. • Non-structural Home Improvements / Renovations (e.g. kitchen / Bathroom upgrades) up to \$50,000 (see section 6).
	Cash out is unacceptable where: <ul style="list-style-type: none"> • The purpose is a new residential dwelling on an ING Security (e.g. Granny flat). • Structural Home Improvements / Renovations. • All applicants are self-employed and in high risk industries (see section 3.5). • To assist with living expenses or scheduled loan repayments.

1.2. Loan amount

ING	
Minimum loan amount	\$20,000
Maximum loan amount / Maximum aggregate exposure	<p>\$5,000,000</p> <p>Aggregate Exposure includes all pre-existing IBAL (Residential and Consumer Lending) & MM exposures must be added at 100% of the approved limit, notwithstanding differences in the borrower mix (new and pre-existing).</p>

1.3. Loan Terms

ING	
Minimum loan term	1 year
Maximum loan term	30 years
Maximum interest only (IO) period	<ul style="list-style-type: none"> • 5 years for Owner Occupied (OO) • 10 years for Investment loans (IL) <p>Interest only is not available within the last 12 months of the loan term. There must be a minimum remaining P&I period of 12 months.</p> <p>Requests for interest only repayments must support the consumer's requirements and objectives.</p>

1.4. Loan to Value (LVR)

ING	
Definition	Loan to Value (LVR) is a percentage of the loan amount / the valuation amount. The lower of the purchase price or valuation must be used in LVR calculations (except for off the plan contracts and favourable purchases)
LMI	LMI required where >80% LVR.

Maximum LVR by purpose (including any capitalised LMI premium)	Purpose		Principal and interest	Interest Only
	Purchase	Owner Occupied	<=95% High risk postcodes limited to <=90%	<=80%
		Investment	<=90%	<=90%
Maximum LVR	Refinance and other acceptable loan purposes	Owner Occupied	<=80%	<=80%
		Investment	<=80%	<=80%

Maximum LVR by acceptable value of security (single property only)	Security	<=70%	>70%
	Sydney / Melbourne (Metropolitan area Category 1 Postcodes only)	> \$3m	< = \$3m
	Brisbane / Perth (Metropolitan area Category 1 Postcodes only)	> \$2.5m	< = \$2.5m
	All Other Areas	> \$2m	< = \$2m

Lowest LVR of above methods applies.

2. Eligible Borrowers

2.1. Eligible Borrowers

ING	
Acceptable borrowers	Borrowers must be natural persons / individuals.
	All borrowers must be an individual of at least 18 years of age (a minor is not permitted to be a borrower, guarantor or mortgagor).
	Guarantors can be natural persons, companies or trusts.
	All borrowers and guarantors must reside in Australia and be either an Australian citizen, permanent resident or New Zealand citizen.
	For joint applications, it is acceptable if only one applicant is a permanent resident when both the applicants reside in Australia and are married or in a de-facto relationship.
Unacceptable borrowers	Loans to non-individual companies or trusts (company or individual as trustee) are unacceptable.

2.2. Mixed Parties

Mixed Parties	<p>Mixed parties are where borrowers have an interest in the primary security property, but not all parties have an interest in all security properties.</p> <p>For example: A and B are borrowers and mortgagors on Property 1 (loan/mortgage security/property). Only A are mortgagors on Property 2 (supporting security). There is no third party as all borrowers are mortgagors. The incomes of A and B must be included in servicing.</p>
Third-party security	<p>Where borrowers rely on mortgage security provided by:</p> <ul style="list-style-type: none"> • Borrowers and a third-party or • A third-party only, <p>The borrowers must pass servicing without any reliance on the third-party's income.</p> <p><i>For example: Mr Jones wants to be the only borrower to purchase an investment property, using an owner occupied home owned by both Mr & his wife Mrs Jones.</i></p>
	In this case, the third-party (Mrs Jones) must be a guarantor and a recommendation must be made that the proposed guarantor obtain independent legal advice and if required, financial advice. (see Section 2.7)
	<p>The guarantor (where third party security) must be a parent, child, de facto/spouse, company, Aunt or Uncle, or Parent-in-law of the borrower.</p> <p>An assessment of the financial strength and assets & liabilities of the third party guarantor must evidence that the guarantor will not suffer substantial hardship if the security is called upon.</p>

2.3. Borrowers of convenience / Substantial Benefit

ING		
Borrowers of convenience	Borrowers of convenience are where borrowers income is insufficient, so an additional borrower is added to pass servicing. For example: Borrowers A, B, and C apply for a loan for A and B to buy a property. C is a borrower of convenience and unacceptable, unless where borrower C can establish a substantial benefit.	
Substantial Benefit	<ul style="list-style-type: none"> All borrowers must have a substantial benefit in entering the loan. <u>Acceptable</u> A substantial benefit can be established where all borrowers: <ul style="list-style-type: none"> Each hold $\geq 20\%$ shareholding on title OR <ul style="list-style-type: none"> Must be in a married or de facto relationship with each other and provide a satisfactory explanation for the structure (e.g. asset protection or taxation purposes) OR <ul style="list-style-type: none"> Equal share when ≥ 6 borrowers. 	<u>Unacceptable</u> <ul style="list-style-type: none"> Borrowers of convenience are unacceptable when the co-borrower is not in a married or de facto relationship and derives little to no benefit from the transaction (less than 20%).

2.4. Family Support

ING		
Family Support	<p>Family Support allows a borrower/s with a shortfall in savings (to meet LVR requirements), the ability to purchase or refinance property with assistance of “Family member/s” as guarantor. Family member includes a spouse, de facto partner, child (including adopted or step child), parent, grandparent, or sibling of an applicant.</p> <p>This section applies to family member as Guarantee and mortgage for security support only. Refer procedure for IBAL’s requirements when taking a guarantee.</p> <p>Family members are also eligible as co-borrower/mortgagor (see standard credit policy).</p>	
	Product Availability	Family support is only available on a <u>P & I</u> basis.
	Requirements	<ul style="list-style-type: none"> • Funding to a <u>maximum</u> of 100% of purchase price. • Maximum 80% LVR and No LMI. • Cash out or consolidation of debts is unacceptable (including credit cards/ other debts, or refinance of a partially constructed property). • Family support is eligible for one borrower and one property. It is acceptable for guarantors to mortgage multiple properties. • A financial assessment is required of the guarantor’s financial position both now and what could be reasonably expected in the future if the primary borrower were to default on the loan (This could take into account such issues as age, asset position and a “fall back” position for the guarantor should a default occur).
	Additional requirements for Refinance	<p>Refinance using family support requires:</p> <ul style="list-style-type: none"> • The existing loan structure with the current lender is under similar parameters (i.e. same borrowers, security and guarantors if any). A copy of the Letter of Offer or Loan Contract for the current facility must be provided for confirmation. • Refinance of existing home loan only, with maximum additional funds to cover refinancing costs (up to \$5,000). Any redraw with the existing lender, can be included in the refinance and is not classified as cash out. • All guarantors must obtain new independent legal advice and if required, financial advice.

Family Support continued	Security Support Only	<p>Where security support by a family member, borrowers must be able to service the loan in their own right.</p> <ul style="list-style-type: none"> IBAL's preferred position is for the guarantee to equal all amounts owing under the loan plus other categories of liabilities such as interest and costs. Limited guarantees can be considered only where requested by customer/broker, provided the amount is sufficient for security support. Minimum amount of guarantee would be total loan amount less maximum security support (LVR) of primary security amount. Example: A Loan amount of \$450,000, less \$400,000 (80% of Property Value \$500,000) equals \$50,000 (Required amount of guarantee).
		<p>The maximum LVR where family member security support is 33% of the property value plus any other IBAL borrowings. (i.e. Maximum loan amount is primary security @ 80% LVR plus support security @ 33% LVR.</p>

2.5. Favourable purchases (Gift in equity)

ING	
Favourable purchases (Gift in equity)	<p>A favourable purchase (Gift in equity) is where finance for a security property is being "purchased" at a lower price below market value. This may occur in family situations where a parent sells a family property to a child to support the child's entry into the property market. This may also occur in a business relationship where a developer may sell a property to a business associate.</p>
	<p>Favourable purchases requirement:</p> <ul style="list-style-type: none"> Borrower's must provide an ING Gift Statutory Declaration from the vendor stating that the equity in the property is being gifted and is not subject to being repaid at any time in the future by the child or person receiving the gift.
Gifts	<p>Any gift that provides a borrower(s) with a deposit (equity to reduce LVR) or where known the purchase is a 100% gift requires a ING Gift Statutory Declaration from the gift provider, stating that any monies/property are a non-refundable, non-repayable gift. Note: The form must also contain any necessary Privacy Act requirements. Where gift provider is overseas an equivalent Stat Dec/statement/letter or similar format can be used.</p> <p>The assessment must consider the genuineness of any gift. Where any doubt, additional confirmation maybe required:</p> <ul style="list-style-type: none"> a copy of a Bank account statement in the name of either the gift provider or the Applicant; clearly showing the amount of the gift; a Solicitor's letter confirming the funds are held in their trust account.

2.6. Mature Aged Applicants (Retirees)

ING	
Mature Aged	Special consideration is required for applicants whose income capacity may finish or change before the end of the loan term. This includes applicants over 50 years old with an end term date past 67 years old. Owner occupied loans only.
	<p>An exit strategy and document verification may be required (at the time of approval) from either:</p> <ul style="list-style-type: none"> • Acceptable income cash flows if intend to work beyond retirement (as per income verification requirements) • Cash savings (Savings history through bank statements) • Payout from part of their superannuation (Superannuation/Annuities statements) • Sale of investment assets e.g. shares/bonds/managed funds (shareholder statement or similar) • Equity from sale of other real estate investment (evidence of property ownership)

2.7. Independent legal and financial advice

ING	
Independent legal and financial advice	Independent Legal and financial advice is required to be given by a lawyer / solicitor (legal advice), or an accountant or financial adviser (financial advice) under certain circumstances.
	<p>IBAL recommends all guarantors obtain independent legal advice. Guarantors are required to obtain independent legal advice where:</p> <ul style="list-style-type: none"> • Family Support (s2.5) • Vulnerable and/or at risk of significant loss should the borrower default or • Where Non-English speaking.
	<p>Non English Speaking Borrowers require extra care to ensure the borrower understands their contractual obligations. A translation certificate is required (independent of the borrower) highlighting contracts and loan obligations.</p> <p>A guarantor is not required to obtain independent legal advice where:</p> <ul style="list-style-type: none"> • a guarantor is in a profession such as lawyer/solicitor (legal advice) or an accountant or financial adviser (financial advice). • a guarantor has previously obtained independent legal or financial advice for an IBAL guarantee • a guarantor is a company director and has provided various guarantees to other funders for company liabilities • if the guarantor is a company or trust owned by all the borrowers
Financial Advice	Where the borrower or guarantor is elderly and/or in receipt of superannuation/annuities or government benefits (e.g. pension, family allowance), it is recommended they obtain independent financial advice to ensure the transaction does not adversely impact their entitlements (i.e. increased assets or income and the potential impact on means/asset testing).

2.8. Funds to Complete / Genuine Savings

ING	
Funds to Complete	<p>Evidence of sufficient funds to complete the property purchase (including costs) is required where >80% LVR (including capitalised premium).</p> <ul style="list-style-type: none"> Bank Statement, Letter from Solicitor, funds available in a line of credit, evidence of real estate sale price/existing debt. <p>Where ≤80% LVR an assessment is made based on the financial position of applicants to ensure the customer has sufficient funds to complete the property purchase (including costs).</p>
Genuine Savings	<p>Evidence of 5% genuine savings is required where >90% LVR (including capitalised premium).</p> <ul style="list-style-type: none"> Bank statements (transaction/savings/investment accounts) or share statement for ≥3 months in the borrower's name showing savings. <ul style="list-style-type: none"> Where <3 months: rental payments over >3 month period is acceptable verified by a Letter from a Real Estate or Bank Account Statement. Equity in an existing residential property (Ownership evidenced by a rates notice or via copy of title deed). May consider a gift / inheritance to make up the shortfall in savings, where savings have been sacrificed by making accelerated loan repayments (e.g. Personal Loans) over the last 3 months. In these circumstances, the existing savings plus the value of excess repayments must be equal to or greater than the minimum savings required. (IBAL is required to retain satisfactory evidence of savings and excess repayment verification on the loan file). <p>Unacceptable genuine savings:</p> <ul style="list-style-type: none"> First Home Owners Grant Gifts and inheritance unless the funds have been held in the customer's account for at least three months Proposed savings plans or projected savings of any kind Sale of assets (other than real estate) for example; motor vehicles Personal loans Builder's rebate/incentive Trade dollars Funds held in company/business accounts Any marketing "cash back" offer, even if they are a condition of the purchase contract.

2.9. Credit Bureau Reports and Account Conduct

ING	
Credit Bureau Reports	Credit check reports are used to assess the credit worthiness of the applicants. <ul style="list-style-type: none"> All borrowers and guarantors must have a credit bureau report dated < 1 month from the date of loan assessment.
	<ul style="list-style-type: none"> Credit reports must be obtained for related companies (by directorship). Except where director of a public company (listed on ASX).
	<ul style="list-style-type: none"> Credit reports must be obtained for all the applicant's names, where aware of a change in name (marriage, professional/ stage name, etc).
Segments	New to Bank customers must have a positive score of ≥ 600 .
	New to Bank customer definition: <ul style="list-style-type: none"> No existing ING mortgage; and/or Holding a transaction account with ING for less than six months; and/or Not a Primary bank customer.
	Primary Bank customer definition: <ul style="list-style-type: none"> Active ING Orange Everyday account with salary deposits of $\geq \\$1000$ for at least 2 of the last 3 months, and Another active ING account
Use Test (PD & LGD)	European Central Bank (ECB) Use Test Strategy analyses application data and customer behaviour on existing ING mortgage accounts. Higher risk loans with an increased Probability of Default (PD) and Loss Given Default (LGD) require approval by an experienced staff member. These higher risk applications must be assessed by an experienced staff member to consider not approving any deviations/exceptions for these deals and to take extra care where additional risks such as large amount of cash out (consider obtaining additional evidence or controlling funds).
Risk Indicator	All applications flagged with a Risk Indicator must be mitigated.
Unacceptable	Unacceptable Credit Report findings include: <ul style="list-style-type: none"> Bankrupts (Undischarged or discharged). Includes Part IX, Part X or scheme of arrangement Any Court Action, , writ or summons, judgement Current winding up petitions. Liquidator, Receiver or Manager appointed Clear-outs Unpaid defaults
Adverse Credit History	Adverse credit history includes: <ul style="list-style-type: none"> Paid defaults Paid non-financial Default listings Specific attention must be paid where more than 6 separate credit enquiries are listed within the last 12 months. Note: Care when defaults are paid prior to the application to ensure not to advance the application.

Comprehensive Credit Reporting (CCR)	IBAL participates in Comprehensive Credit Reporting. Any existing facilities discovered from the bureau must be included in servicing unless evidence is provided confirming the liability has been closed.. If any existing commercial debts are held by the applicant a manual assessment of undisclosed debts must be completed.
Account Conduct (CCR or Bank/Loan Statement)	Unacceptable account Conduct
	<ul style="list-style-type: none"> Any current arrears Accounts above approved limit or in overdraft Any evidence of unexplained missed payments (additional/default interest, late payment fees, and odd payment amounts when instalments are made by periodical payments)
	<ul style="list-style-type: none"> Any arrears >30 days in last 6 months (CCR data: has been 2 or more payments)
	<ul style="list-style-type: none"> Any arrears >60 days in last 12 months (CCR data: has been 3 or more payments)
	<ul style="list-style-type: none"> Any arrears >60 days in last 12 to 24 months (CCR data: has been 3 or more payments)
	<ul style="list-style-type: none"> Any evidence of any hardship in the last 12 months <ul style="list-style-type: none"> Evidence of hardship includes: <ul style="list-style-type: none"> CCR showing Financial Hardship Information (FHI) with either <ul style="list-style-type: none"> Variation financial hardship arrangement (V); or Temporary relief or deferral financial hardship arrangement (A) Evidence of hardship on any bank statements held; Disclosure by the applicant.
	Where CCR data is unavailable for refinance, we require: <ul style="list-style-type: none"> Most recent 6 months statements no more than 1 month at date of submission. Most recent 1 month statement when consolidating credit cards.
	Other commitments / expenses: Any outstanding arrears (Example: Council rates or Utilities).
Private Mortgage loan statement	Private Mortgages are not provided by Banks, Credit Unions, Building Societies (APRA's Authorised Deposit-taking Institutions) & Mortgage Managers. Private mortgagees do not generally provide loan statements. Refinancing a private mortgage requires: a letter from the mortgagee, and a recent Council rates notice. Account Conduct requires: a loan statement, (or if no loan statement a signed letter from the mortgagee), or an account statement showing payments being paid and the recipient/destination of the payment.
Ban Period	Individuals can request a Ban Period placed on their credit report, usually in cases of fraud. The loan assessment can only occur once the ban period ends and a complete credit check report is received.

3. Servicing and Income Verification

3.1. Serviceability

ING	
Minimum Net Surplus	Loan serviceability calculations are based on post-tax income (subject to shadings). Applications must pass loan serviceability assessment with a Minimum Net Surplus of greater than \$1.
	Post Tax Income – Total Commitments (including buffers, Living Expenses) = Net Surplus
	Applicants must demonstrate by verified income they can service the loan or that the company borrower (if applicable) is a viable entity with an ongoing ability to service the loan commitments. Servicing is required in all cases. ING will not lend based <u>only</u> on the security LVR coverage for a loan.
Debt to Income (DTI)	All declared acceptable income must be verified. I.e. it is unacceptable to remove income where unable to verify or where the applicant be unable to provide.
	DTI is all loans / sum of all gross eligible income (excluding shading). A higher DTI ratio indicates a higher risk loan.
	<ul style="list-style-type: none">DTI must be less than 8 where <=70% LVR.
	<ul style="list-style-type: none">DTI must be less than 6 where >70% LVR.

3.2. PAYG Income

ING	
PAYG Income (tenure)	Full time, part time or contract employment <ul style="list-style-type: none"> Minimum 3 months (6 months with LMI) with current employer; or Minimum 2 years in a similar role/industry utilising a similar skill set
	Casual Employment <ul style="list-style-type: none"> Minimum 6 months in current employment; or Minimum 2 years in a similar role/industry utilising a similar skill set.
Probation	Applicants in a Probation Period are acceptable provided stability of employment history, similar role/industry, higher education and/or promotion.

PAYG Income Type (% used in servicing)	Requirements
Base income (100%)	see PAYG Income Verification
Casual income (100%)	see PAYG Income Verification
Second Job (100%)	The tenure with the second employer must be ≥ 6 months. Total combined work hours capped at 60 hours per week.
Overtime / shift allowance (80%)	<ul style="list-style-type: none"> Payslips with >6 months YTD OR <ul style="list-style-type: none"> Payslips < 6 months YTD and any one of Tax return, Income Statement or Payment Summary.
Bonus/Commission (80%)	Regular component of a borrower's salary.
	<ul style="list-style-type: none"> Regular monthly/quarterly basis, income evidence ≥ 12 months. Annual/irregular payments, income evidence over 2 years.
	Bonus / Commission limited to no more than double an applicant's base income.
	Where any significant increase from one year to the next, an acceptable reason of the cause(s) must be obtained.
Fully Maintained Car Benefits (100%)	Where the applicant's employer provides a fully maintained car (not part of packaged income) a maximum of \$3,500 per annum (post tax) can be included in loan serviceability calculations. Record under Tax Free Income.
	Any fully maintained car benefit must be evidenced by an Employment Contract or letter from employer.

Allowances (80%)	<p>Allowances are acceptable provided all associated costs with an expense from employment are included (e.g. tool, uniform, entertainment, in some cases rent). Example: Military / Service Allowance is considered acceptable as this allowance compensates a member of the armed forces for the unique requirements that service life may impose on an individual and his or her family.</p> <p>Allowances must not exceed 25% of the applicant's base salary.</p>
Salary Sacrifice and Salary Packaging Arrangements (100%)	<p>Salary Sacrifice and Salary Packaging arrangements can be used as income in servicing. All income must be clearly evidenced (e.g. Voluntary Superannuation on Payslip)</p> <p>All non-cash components of Salary Sacrifice are subject to confirmation via letter from the employer that the borrower has the option to convert these items to cash. Care must be taken to understand whether the arrangement is voluntary, either from documentation already held (e.g. Payslip, etc.) or a letter from the employer.</p> <p>Where a PAYG employee voluntarily arranges amounts deducted for superannuation – confirmation is required that the borrower can cease the arrangement. Once confirmed then this amount can be added to the taxable portion of their income (as confirmed there will be no voluntary superannuation deduction going forward).</p> <p><u>Tax free</u> Some occupations (Clergy, Health, Charity workers) can arrange a portion of their income deducted before tax. These deducted payments can be allocated for mortgage payments, utility bills etc. Any tax free amounts must be entered into the Tax Free Income box of the servicing assessment (as tax free).</p>

Parental Leave (Employer or Government)	Return to work income is acceptable in servicing where returning to work with the same employer following a leave period up to 2 years.
	Supported by all the following: <ul style="list-style-type: none"> • A letter from employer <60 days old including terms of the parental leave <ul style="list-style-type: none"> ◦ return to work date, salary upon return, future employment terms (full to part time) • Verification of income by letter from employer (or see PAYG income verification)
	<ul style="list-style-type: none"> • Any childcare or living expenses must be included in Customer Declared Living Expenses • A dependant must be included in the application
	<p>A servicing assessment is required to confirm that all commitments (including new repayment) can be met across the parental leave period.</p> <p>Where parental leave payments are not sufficient to meet servicing for the full duration of the leave from regular salary income, then any servicing shortfall must be evidenced by either</p> <ul style="list-style-type: none"> • Savings • Home loan redraw (i.e. not part of this application) • Family Tax Benefit Part A & Part B (verified via letter from Services Australia dated no older than 60 days at the date of submission). <p>Post the parental leave period these above types of income are not eligible for servicing.</p>

3.3. PAYG Income Verification

ING	
PAYG Income Verification	Where base income used in servicing <ul style="list-style-type: none"> • 2 payslips
	OR <ul style="list-style-type: none"> • Recent payslips (preferably with YTD figures) and any one of either: • last year's tax return or assessment notice or ATO Income Statement or PAYG Payment Summary Bank statements can be requested at discretion as part of application assessment.
	Depending on income type (Seasonal, inconsistent casual income) and any doubt to the strength of the application, the analyst has the discretion to request a longer period of income for assessment – Using Payslips with >6 months YTD or any one of Tax return, NOA, Income Statement, Payment Summary.
	Evidence of income must be from current employer.
Document requirements All dates are based on the date of submission	<u>Payslip requirements</u> <ul style="list-style-type: none"> • Include the borrower's name • Employer's name and employer ABN • No older than 60 days (plus an additional grace period Monthly+14 days, Fortnightly+7 days, Weekly+3 days) <u>Bank Statement requirements</u> <ul style="list-style-type: none"> • Salary credit description. • Include the name of the employer.

3.4. Rental Income

ING	
% used in servicing	<ul style="list-style-type: none"> 95% of gross rental income.
	For High Risk or Exception Postcodes <ul style="list-style-type: none"> 85% of gross rental income
Rental Income verification	One of the following required: <ul style="list-style-type: none"> Rental statement Bank statement issued within the last month of application submission confirming receipt of rental income; or Current lease agreement Letter from licensed real estate agents. Additional mitigants required when only a letter and the gross rental yield used is > 6%. Tax Returns Panel Valuer's estimates of the likely rental income (acceptable for purchases only).
	Servicing must use the lower of evidenced or Valuer's estimate.
	When accepting evidenced rental income a common sense approach is applied to ensure that the rental returns are accepted at a reasonable level. Caution: where rental guarantees are involved or when the rental income appears high when compared to the value of the property. ING need to ensure the income is sustainable, in line with the general market and not linked to a short term venture (e.g. mining, display homes).
	Rental income must not be the major source of income. Rental income must be limited to 50% of total income used in servicing (i.e. total income used to pass servicing is \$100,000; with \$50,000 non-rental income and no more than \$50,000 rental income).
	When rent is derived from a share in an investment property then only the borrower's share of rental income is allowed.
	Rental Income from holiday homes, short term rentals is unacceptable

ING	
Investment property costs	<p>Investment property costs related to any investment properties must be included in servicing. Costs include: body corporate fees, management fees, repairs, rates, maintenance costs, etc. and exclude depreciation, purchases cost, interest paid, etc.</p> <p>Higher of</p> <ul style="list-style-type: none"> • 20% of gross rental income or • actual declared investment property costs or any higher verified costs (i.e. rental statement or personal tax return) <p>When investment property costs are derived from a share in an investment property then only the borrower's share of investment property costs are used in servicing.</p>
Negative Gearing	<p>A tax benefit is included in servicing calculations for investment loans and apportioned between borrowers.</p>

3.5. Self Employed

ING

Self Employed time in business	<ul style="list-style-type: none">Minimum 2 years trading in current business					
Self Employed	Self Employed income includes:					
	Type	Role	Structure	Acceptable income	Document	Unacceptable income
	Self Employed / Sole Trader	Business Owner	Sole Trader ABN holder	<ul style="list-style-type: none">Net income and loss / add backs	Personal Tax Return	Any income not on personal tax return
	Company	Company Owner, Director, Shareholder	ACN with directorship or shareholding	<ul style="list-style-type: none">Salary / wage paid to directorAllowances, director feesDividend income from company paid to the borrower	Personal Tax Return AND Company financials (or tax returns) from source of director wage. <i>Where <u>not</u> source of director wages then Company financials (or tax returns) or letter from accountant stating Company profitability.</i>	Company Profits / Income / add backs
	Partnership	Partner	Partnership agreement	<ul style="list-style-type: none">Distribution to partner	Personal Tax Return AND Partnership financials or tax return	Any income not on personal tax return
	Trust	Trustee or Beneficiary	Beneficiary in Trust Deed	<ul style="list-style-type: none">Personal distribution from trust	Personal Tax Return AND Trust financials or tax return	Non-distributed trust income
	Evidence of income must be in the name of the borrower.					

	<ul style="list-style-type: none"> • Last 2 years Personal Tax Returns <p>and</p> <ul style="list-style-type: none"> • Company where director wages are a source of income, then <ul style="list-style-type: none"> • Last 2 years Financial Statements (including Profit & Loss Statement and Balance Sheet); OR • 2 years Company/Partnership/Trust tax returns. <p>and</p> <ul style="list-style-type: none"> • Other Company/'s where director wages are <u>not</u> a source of income (directorships identified through bureau report), then <ul style="list-style-type: none"> • Most recent Company Financial Statement OR Tax Return OR an Accountant letter confirming company profitability. <p>Most recent year's financials must be less than 19 months.</p> <p>Financial Statements are <u>not</u> required for Publicly listed company's or Partners in large law / accounting firms.</p>
Self-Employed Verification	<ul style="list-style-type: none"> • In addition to above, high risk industry applicants require most recent <u>3 months BAS for the current financial year</u> (where >\$75k turnover). <p>High Risk industry includes:</p> <ul style="list-style-type: none"> • Accommodation - Hotels and similar accommodation, Holiday and other short-stay accommodation, Camping grounds, Recreational vehicle parks and trailer parks, Other accommodation • Air transport - Passenger air transport, Freight air transport and space transport, Airport operations and other air transport support services • Food and beverage service activities - Restaurants and mobile food service activities, Event catering activities, Other food service activities, Beverage serving activities • Gambling and betting activities; and • Travel agency, tour operator and other reservation service and related activities <p>Where suspicion of the integrity of the submitted tax returns, Credit assessors can request the latest ATO assessment notice (or if not applicable, evidence of tax return lodgement).</p> <ul style="list-style-type: none"> • Validation required: the return was lodged and the taxable income aligns with the tax return. <p>In some cases interim financials maybe required.</p>
Variance in income	<ul style="list-style-type: none"> • Where <=20% variance over the last two years: it is acceptable to consider the most recent year's income figure in servicing. • Where decrease in income in most recent year the most recent year's income is used in servicing. • In other cases the average income can be used in servicing. <p>Note: Where >20% variance in business/company income over the last 2 years an explanation of the cause(s) must be obtained and retained on file to support the average of two years income used in the servicing.</p>

Add-backs	<p>Acceptable add-backs:</p> <ul style="list-style-type: none"> • Incomes/Salaries (not already included in calculation of personal gross incomes) • Interest paid (as evidenced within the Profit and Loss Statement) can be used as an add-back where the associated debt repayments are included in the applicants servicing position (i.e. Include repayment/commitment on debts and allow add-back of interest on the same debts) • Superannuation contributions in excess of statutory level • Depreciation (where underpinning the replacement cost of an “essential asset that assists in the generation of business income”, an appropriate haircut may be considered on a case by case basis) • Non-recurring expenses (explanation required from business/company accountant as to the nature of the expenses). <p>Unacceptable add-backs:</p> <ul style="list-style-type: none"> • Rentals paid for leased assets that the business/company does not own • Revaluation of assets • Research and Development.
Tax Return	<ul style="list-style-type: none"> • Ensure that all Tax File Numbers are removed from any documents. • Tax agent or accountant prepared tax returns must show the following: <ul style="list-style-type: none"> ○ Tax agent reference number ○ Name and address of tax agent or Accountant ○ Accountant or tax agent disclaimer.
Business/Company profitability	<p>In assessing business/company net profitability:</p> <ul style="list-style-type: none"> • When a business/company has made a loss there must be an appropriate adjustment to the servicing when using director’s personal income. • Net profit includes only income received in the normal course of business. • When assessing the profit before tax figure, the current company tax rate must be applied to derive the after-tax position. • There must be no double counting, e.g. net profit is derived after deduction of Director/Consulting fees, salaries or other forms of remuneration paid to shareholders/partners/directors in the business. • The net profit used for the assessment of loan serviceability should reflect a company’s true cashflow position, rather than purely an “accounting” profit in the context of accrual accounting.
Company Profits	<p>Variations ONLY</p> <p>Where existing mortgage in name of Company or Trust borrower then Company Profits are also eligible.</p> <p>Note: Add backs as above are acceptable for variations where a company borrower. When adding back “excess Superannuation”, “interest paid on debts no longer current” and other “non-recurring expenses”, these are be added back as “Taxable Income” for the company in the servicing spreadsheet.</p>

3.6. Other Income Verification

ING	
Child Maintenance Income (80%)	<ul style="list-style-type: none"> Letter from Child Support Agency or Family Law Court Order or letter from solicitor. Three months bank statements.
	<ul style="list-style-type: none"> Maximum age of maintained child to be 13 years old and evidence that agreement has at least 5 years to run. (to age 18). <p>Only to be considered as supplementary income and used to mitigate a marginal servicing position.</p>
Veterans Affairs/ War Widows/ Carers Pensions (100%)	<ul style="list-style-type: none"> Relevant Government Department document/statement no older than 12 months.
	<p>Only as supplementary income source, with the main income source from:</p> <ul style="list-style-type: none"> PAYG Self-Employed Rental income Investment income
Investments (80%)	<ul style="list-style-type: none"> Evidence of investment income by last 2 years' tax returns <p>A common sense approach is applied to investment income to ensure that the returns are accepted at a reasonable level, based on long term average (e.g. say 3% pa of current share portfolio).</p>
Superannuation (80%)	<p>Payments must be ongoing and what is currently verified (not future payments). A sufficient balance in superannuation funds must be held to ensure the payments are sustainable for the life of the loan (owner occupied only. See 2.6 Mature Aged). (Check not required for a defined benefit funds e.g. Lifetime pension plans for some ex-government employees)</p> <p>One of the following:</p> <ul style="list-style-type: none"> Latest superannuation fund statement showing regular payments from your superannuation investment. Personal income tax return A letter from your financial planner/advisor detailing regular payments from your superannuation investment. <p>Confirmation required to determine if the superannuation payments are tax free for the applicant. If not tax free then normal tax rates apply.</p>
Employed by Family Business	<p>Where the borrower (s) is employed by family, income verification requires:</p> <ul style="list-style-type: none"> Payslip and <ul style="list-style-type: none"> ATO income statement OR Tax Return and ATO assessment notice.

3.7. Unacceptable Income

ING	
Unacceptable Income	The following are unacceptable income: <ul style="list-style-type: none">• Family Allowance or Social Security Payments (e.g. unemployment benefits, newstart, sickness benefits aged pension, carers allowance)• Workers compensation• Rental Income from holiday homes or short-term rentals• Undeclared cash income not evidenced in tax returns (e.g. Boarder income and sub-letting)
	<ul style="list-style-type: none">• Overseas income is unacceptable.

3.8. Commitments

ING	
All existing commitments, liabilities, expenses and proposed loan commitments must be included into the servicing calculation.	
<ul style="list-style-type: none"> Any liabilities not included in servicing must have evidence at settlement on why not included (closed, reduced limit, or Letter of Offer 'condition' to be closed) 	
Existing financial commitments	
Home Loans (existing and proposed)	<p>The higher of</p> <ul style="list-style-type: none"> Actual declared repayment amount or Calculated repayment amount on the loan commitment <p>The calculated repayment amount uses the higher of</p> <ul style="list-style-type: none"> The floor assessment rate of 5.50% <p>or</p> <ul style="list-style-type: none"> The interest rate by <ul style="list-style-type: none"> For variable P&I loans the <u>initial borrower rate</u> For variable interest only loans the <u>equivalent P&I variable rate</u> For fixed P&I or fixed interest only loans either the <u>equivalent P&I variable rate</u> <ul style="list-style-type: none"> OR the <u>initial fixed borrower rate.</u> Plus a buffer of 3.00%.
	The servicing calculation of repayments are assessed on a P&I repayments over the lower of remaining loan term or a maximum of 30 years. The term is reduced by any remaining interest only period.
	Through the CCR data process, any undisclosed mortgage liability is assessed at an interest rate of 8%. Then once verified standard floors and buffers above apply.
Joint Commitments	<p>Joint Commitments with co-applicants use 100% in servicing (i.e. joint and severally).</p> <p>Joint commitments with non-applicants:</p> <ul style="list-style-type: none"> At least 50% of the commitment must be used in servicing. Where 100% does not service then use 50% in servicing <ul style="list-style-type: none"> If evidence the non-applicant can service the remaining 50% of repayments. Or where unable to evidence then use 100% in servicing. For existing IBAL & MM loans the original joint commitment assessment can be used when there is no reason to doubt this position has changed.

Commercial Loans	<p>The higher of</p> <ul style="list-style-type: none"> • Balance or • Limit <p>Calculated with IBAL Assessment Rate using higher of</p> <ul style="list-style-type: none"> • The customer product rate plus a buffer of 1.5% or • A 'floor' assessment rate of 7.5% <p>Using the above assessment rate, the servicing calculation of repayments vary by the repayment type of loan:</p> <ul style="list-style-type: none"> • Principal and Interest repayments: are assessed on P&I repayments over the lower of remaining loan term or a maximum loan term of 20 years. • Initial Interest only switching to principal and interest repayments: are assessed on P&I repayments over the lower of remaining loan term or a maximum loan term of 20 years, less any remaining interest only period. • Interest only term with a balloon repayment: are assessed on P&I repayments over a 20 year loan term less remaining interest only period. •
Personal Loans (and other regular loan commitments including car leases)	<p>The higher of</p> <ul style="list-style-type: none"> • Actual declared repayment amount <p>or</p> <ul style="list-style-type: none"> • Calculated repayment amount on the loan commitment <ul style="list-style-type: none"> ○ Using P&I repayments for the loan amount over 7 years at 10% pa interest rate
Credit Cards	<ul style="list-style-type: none"> • Calculated repayment amount on the commitment <ul style="list-style-type: none"> ○ Using the higher of <ul style="list-style-type: none"> ▪ 5% of the limit or \$100 per month (ING Orange One repayments) or ▪ 3.8% of the limit per month (All other credit card repayments)
Overdraft and other Unsecured Line of Credits	<ul style="list-style-type: none"> • Calculated repayment amount on the commitment <ul style="list-style-type: none"> ○ Using 3% of the limit per month
Buy Now Pay Later (BNPL)	<ul style="list-style-type: none"> • BNPL with an ongoing/revolving limit are treated like a credit card commitment. • BNPL with a remaining term (i.e. instalment plan) are treated like a personal loan (with the BNPL outstanding balance and minimum monthly repayment captured). • Where established the BNPL usage is short term and temporary in nature (closed prior to settlement), with confirmation from the borrower/s (or the acting broker), the BNPL debt can be excluded from servicing.

HECS and HELP debts	<p>HECS and HELP debts are repaid via the ATO income tax system. Repayments are determined by level of the applicant's income. The higher of</p> <ul style="list-style-type: none"> • Actual declared repayment amount <p>OR</p> <ul style="list-style-type: none"> • The repayment amount using the compulsory ATO repayment rates <p>Application capture of the actual monthly repayment and total outstanding debt amount is required.</p>
Margin loans	<p>Margin loan commitments can be excluded from the servicing where any investment income from the margin loan is not included in servicing.</p> <p>Where investment income from the margin loan is required for servicing and/or any concerns on the borrowers ability to service their commitments, then:</p> <ul style="list-style-type: none"> • Include commitment of interest only repayment (using the Margin Loan limit calculated at the IBAL assessment rate) and • Include any margin loan investment income. <p>Negative gearing benefits can be attributed to the Margin Loan limit, where required.</p>

3.9. Living Expenses

ING

All living expenses must be included in servicing.

'Living Expenses' include – Transport, Groceries, Recreation & Entertainment, General Insurance, Telephone & Communications, Medical & Health, Clothing & Personal Care, Public Education, Higher Education, Childcare, Primary Residence Costs.

Living Expenses	<p>The higher of</p> <ul style="list-style-type: none">• Declared living expenses or• Living Expense Benchmark (varies by sole applicant or couple and by number of dependants). <p>Additional further enquiry required when Declared Living Expenses 20% below benchmark</p> <p>Declared Living Expenses must be reviewed for a reasonableness check. For example: the applicant declaring \$10 per month for groceries is not reasonable. In this instance the applicant may have misread the period (i.e. per week/month) or may have entered in error. Additional checks include cross referencing with the characteristics of the applicant (e.g. single person living with parents) and any supporting notes provided from Brokers that represent aspects of the applicants' financial position.</p> <p>Declared living expenses assessment may include reviewing bank statements (bankstatements.com or similar).</p> <p>Any living expense updates (corrections or errors) must be made to the application prior to any final servicing assessment.</p> <p>All mitigants/notes must be detailed within the application (e.g. applicant confirmed they declared \$0 for transport as they receive a fully maintain company car with transport costs evidenced through payslips or letter from employer).</p> <p>If any supporting documents (e.g. Medicare Card, Tax Returns) are supplied as part of the loan application, the number of dependants declared on the application form must be compared to any documents on file in relation to dependants (Medicare Card, Tax Returns or Child Support document).</p> <p>The Living Expense Benchmark does not include any current investment property costs / expenses.</p>
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**Rental Housing
Expense**

The higher of: <ul style="list-style-type: none">• Declared rental expense or• Minimum rental allowance.		
Minimum rental allowances		
Applicant type	monthly	weekly
Sole applicant	\$867	\$200
Sole applicant and dependant children	\$1,213	\$280
Two applicants (spousal or de facto relationship)	\$1,387	\$320
Two applicants (spousal or de facto relationship) and dependant children	\$1,538	\$355
Joint applicants not in a spousal or de facto relationship are each assessed separately as sole applicants (e.g. two times monthly rental allowance used in servicing).		
Where applicants declare they live “rent free” (or low rent), then a rental housing expense must be included in loan servicing. <ul style="list-style-type: none">• Rental housing expense can be excluded from servicing where evidence is obtained confirming it is a condition of employment. The living arrangement and confirmation that no rent (or low rent) is paid by the applicant must be evidenced by letter from employer or employment contract.		

4. Security

4.1. Acceptable Securities

ING	
Acceptable Securities	<ul style="list-style-type: none"> Residential Dwelling – House, Townhouse, Villa, Duplex, Warehouse Conversion Residential Unit or Apartment $\geq 40m^2$ Rural or Rural Residential Acreage $\leq 10ha$. With all major facilities connected (e.g. road access, power, water. Tank water is acceptable if common in area) and with a certificate of occupancy (or equivalent). Off-the-Plan Purchase (only where non-construction – e.g. appliances or flooring still being finished) Crown Land Lease or other government departments (only where remaining lease term exceeds the loan term by > 5 years) Stratum Title Strata/community-titled unit
Securities requiring additional commentary	<p>The following security types are acceptable on a case by case basis and requires additional commentary to support approval:</p> <ul style="list-style-type: none"> Flood affected property: <ul style="list-style-type: none"> Properties located in a 1% AEP – Annual Expedient Probability (previously 1:100 year flood zone), subject to Buildings insurance being obtained. <ul style="list-style-type: none"> Also see s4.2 Unacceptable securities for unacceptable flood limits Note: Where indication a property is located within a flood zone, evidence must be obtained from the Broker/Introducer/Borrower to confirm. National trust, historic, or Heritage listed property. Poorly maintained property or property requiring significant repair. Property situated in unfavourable area with poor resale prospect and/or values. Residential dwelling with commercial use, with minor refurbishment required to return the property to a standard residential dwelling. Company title or Company share title (VIC) (only where ≥ 4 dwellings or units in the development) [Capped at 80% LVR no-LMI]. <ul style="list-style-type: none"> Also see s4.2 Unacceptable securities when < 4 dwellings in the development
Requirements	<ul style="list-style-type: none"> For loans above 90% LVR the Security must be aligned to the 'Purpose'. E.g. An Investment 'Security' cannot be used for Owner Occupied Purchase. ING must hold a first registered mortgage as prime security. <ul style="list-style-type: none"> Note: A first mortgage is also required over any additional titles. For example: car spaces or garages attached to a unit or apartment may be on a different title to the actual residence. A maximum of 5 security properties/securities can be accepted from one borrower. Priority Commercial Mortgage guidelines can accept more than 5 securities and can also accept small residential unit blocks in suburban/metropolitan locations. Where high density development or areas of new subdivision/ development, IBAL's exposure is limited to <ul style="list-style-type: none"> 25% in any one apartment/home unit development; or 10% in any new cluster development/ staged land release/ subdivision.

	<ul style="list-style-type: none"> Where a credit assessor is aware of multiple applications in the same development, particularly from the one source/ broker (e.g. via a marketing seminar), clarification of IBAL exposure is required.
Home Insurance	<p>Borrowers are required to maintain insurance (including building, flood and fire) over all securities held by IBAL for the term of their loan. IBAL interest as mortgagee must be noted on the insurance policy (not required for properties under Strata Title). The insurance policy must be underwritten by an APRA authorised insurer in Australia. A copy of the insurance policy or certificate of currency must be obtained prior to settlement (or before funds are advanced).</p> <ul style="list-style-type: none"> The minimum insurance value required for freestanding properties (i.e. properties not under Strata Title) is the Insurance Assessment value stated on the Full or Short Form Valuation. For other valuation types, 50% of the security value is used. For properties over \$15 million in value evidence of insurance must be obtained on an annual basis. <p>Under the Banking Code of Practice (BCOP), IBAL must remind borrowers in writing of their obligation to insure the property at least once a year.</p>
Off-the-Plan Purchase	<p>Property sold at the initial planning stage, under construction or an existing building undergoing major refurbishment, and includes any proposed strata lot in an unregistered unit strata plan.</p> <p>Updated financials may be required for re-assessment of any approval where completion/settlement does not occur within the timeframe allowable under the approval i.e. greater than 3 months. The front and special conditions pages (at a minimum) of the Contract of Sale are to be perused by the approving officer to ensure there are no rebates/incentives involved in the purchase. If there are, then the Valuer will need to be advised accordingly, and adjustments may need to be made to the security value. Valuations can disregard the value of rental guarantees, furniture or any other incentives that have been included in the purchase.</p> <p>Off-The-Plan Contract was signed over 12 months ago</p> <p>Where the value of the property has increased during the construction period IBAL will consider lending against a maximum 100% of the agreed purchase price, noting the loan must not exceed standard security LVR parameters based on the higher current valuation.</p> <p>Validity of Valuations</p> <p>Valuations must be conducted at practical completion of such projects with settlements expected no later than 3 months from valuations.</p> <p>Note: Valuers are required to include comparable sales outside the subject properties – must not principally rely on sales within the subject properties.</p>

4.2. Unacceptable Securities

ING	
Unacceptable Securities	All other securities are unacceptable.
	<ul style="list-style-type: none"> • >2 dwellings on the one title
	<ul style="list-style-type: none"> • Residential unit / apartment <40m².
	<ul style="list-style-type: none"> • Rural or Rural Residential Acreage >10ha
	<ul style="list-style-type: none"> • Any non-residential property or property located in non-residential zoned locations (e.g. commercial, industrial etc).
	<ul style="list-style-type: none"> • Any serviced apartment, managed apartment or an apartment in a letting pool (including dual keyed). Any apartment within a development which is predominantly made up of serviced or managed apartments or part of a hotel, motel or holiday / resort complex.
	<ul style="list-style-type: none"> • Vacant Land • Company Title or Company share title (VIC) (where <4 dwellings or units in the development) • Boarding house, hostel, student accommodation or university apartment. • Brothel. • Commercial, industrial property or similarly zoned property (Can be considered under Priority Commercial Mortgages). • Income producing rural acreage. • Nursing or retirement home. • Property occupied by life or protected tenant. • Motel conversion. • Time share agreements. • Management rights (including units attached to management rights of the complex). • Property that has adverse environmental issues from past/current uses (e.g. underground storage tanks, chemical processes etc.) • Properties requiring mortgagee execution of an Encumbrance and Deed of Consent document. • Moiety Title (SA) Covering maisonettes or attached cottages, with the person owning only a share of the land and leases a portion of the land from the broader owner/s. • Purple Title (WA) Where the whole property (i.e. land and buildings) are owned jointly by every owner requiring a mortgage to be lodged and all owners must agree and execute the mortgage documentation. • Properties registered under the Federal Governments National Rental Affordability Scheme (NRAS). • Display Homes. • Leasehold that are not government backed. • Developments (including new estates) which are covered by affordable housing schemes when there is a strong likelihood of having a detrimental effect on properties at resale, due to onus conditions or location. • Properties with an operating lease or management agreement governing the use, occupation, management and sale. • Flood affected property located within 2% and 5% AEP (previously 1:50 and 1:20 year flood zones respectively).

	Where a panel valuer has negative comments or considers the security is located in a limited market, then the property is not a desirable security, and would require strong mitigants to proceed (e.g. Strong servicing and low LVR).
Second registered Mortgages	Second registered mortgages (behind other lenders) are unacceptable.

5. Valuation

5.1. Acceptable Valuation

ING	
Acceptable Valuation	A valuation is required in all cases by either AVM, EVR (desktop), Short Form or Full Form Valuation.
	The lower of the purchase price or valuation must be used in LVR calculations (except for off the plan contracts and favourable purchases).
	<ul style="list-style-type: none">Property located in secondary postcode areas requires three comparable sales within the last 6 months.Valuations can disregard the value of rental guarantees, furniture or any other incentives that have been included in the purchase. Up to two interlinked security properties per loan using AVM or EVR. Three or more interlinked securities requires short form or full valuations for all properties.

5.2. Contract of Sale

ING			
Contract of Sale	<ul style="list-style-type: none">Up to maximum 80% LVRThe purchase price on the contract of sale must be validated by another valuation methodSigned and dated by the vendor (seller) Where an AVM is used to validate the purchase price.		
	Location	Maximum Dwelling / House Value	Maximum Unit / Apartment Value
	NSW	\$1,000,000	\$750,000
	VIC	\$750,000	\$600,000
	WA/NT/ACT	\$600,000	\$450,000
	QLD/SA	\$550,000	\$400,000
	TAS and All Cat 3 Postcodes	\$300,000	\$200,000
	Where an EVR is used to validate the purchase price.		
	Postcodes	Maximum: Dwelling / House or Unit / Apartment Value	
	Category 1	\$2,000,000	
Category 2 and 3 (maximum LVR 65%)	\$1,500,000		

5.3. AVM

ING		
AVM	<ul style="list-style-type: none"> Up to maximum 80% LVR when validating the Contract of Sale (Purchases) Up to maximum 65% LVR when NOT validating the Contract of Sale (Refinance, equity release, variation) <p>Automated Valuation Model (AVM) uses mathematical techniques providing an estimated value of a specific property (including a confidence score).</p> <p>All AVM's must have an acceptable 'Confidence Level'.</p>	
	Location	Maximum Security Value
	NSW / VIC	\$1,500,000
	WA/NT/ACT	\$750,000
	QLD/SA	\$500,000
	TAS and All Cat 3 Postcodes	\$500,000

5.4. EVR (Desktop Valuation)

ING		
EVR (Desktop Valuation)	<ul style="list-style-type: none"> Up to maximum 80% LVR <p>An EVR or Desktop Valuation is where the valuer gives a valuation by using local knowledge and statistical data (without physically inspecting the property). The EVR includes Property and Market Risk Ratings and sales comparison analysis ('like properties' and 'properties sold'). The valuer may speak with the owner or real estate agent to confirm the number of bedrooms and condition of the property etc.</p>	
	Postcodes	Maximum Security Value
	Category 1	\$2,000,000
	Category 2 and 3 (maximum LVR 65%)	\$1,500,000

5.5. Short Form and Full Valuation

ING	
Short Form and Full Form Valuations	<p>Short form valuations are similar to an EVR, however the valuer completes a physical inspection of the property providing a more reliable assessment of the property value.</p> <p>Full Form valuations provide analysis of supporting information and a high level of detail.</p> <ul style="list-style-type: none"> • Full Form Valuations are generally obtained where limited sales comparisons (e.g. for unique or high end properties) and/or where additional investigation required.
	<p>A Short Form or Full Form valuation is required when</p> <ul style="list-style-type: none"> • not covered by valuation method above OR • In all cases where >80% LVR.
	<p>A short form or full valuation is required for:</p>
	<ul style="list-style-type: none"> • Off the plan purchases. • Brand new properties or properties under construction. • Property purchased direct from a builder/developer. • If a “favourable purchase” or “not at arm’s length purchase”, then the valuer needs to be instructed this is the case. <ul style="list-style-type: none"> ○ A favourable purchase (Gift in equity) is where finance for a security property is being “purchased” at a lower price below market value. • Mortgage Manager Business.
	<p>*Full Form valuations are required where the single property value is greater than \$5.0m</p> <ul style="list-style-type: none"> • Properties are valued on their state at the time of inspection, with an "as is" valuation report provided. <p>Where an “as if complete” valuation report is provided the assessor must comment as to the acceptability of the report e.g. minor finishes including flooring & appliances, or common property in the development is to be completed. For increases for Non – Structural Improvements, refer to the Variations section.</p>
	<ul style="list-style-type: none"> • Interstate investors. i.e. where the purchasers are located in a different state to the location of the security property. • Units with a living area less than 40 sqm.

5.6. Other Valuation

ING				
Use of a previously accepted Valuation	A previously accepted IBAL valuation are acceptable when:			
	Previously Accepted Valuation Type	Maximum Security Value All previous valuations	Maximum LVR	Valuation Age
	AVM	NSW/VIC \$1,500,000	<=65% LVR	<=12 months
	EVR Short Form and Full Form Valuations	QLD/ACT/SA/NT/WA \$750,000 TAS and CAT 3 \$500,000	<=65% LVR >65% and <=80% LVR	<=36 months <=12 months
Where a previously accepted valuation is unacceptable then another valuation method is required.				
Variations between Purchase Price and Valuation	<p>Any variation >10% between the purchase price and the valuation (e.g. as a result of two tier marketing, or related party purchases) requires a detailed assessment.</p> <p>Where the valuation amount is less than the purchase price of the subject property by 10% or more, the borrower needs to be <u>promptly</u> informed and given the option to either proceed or withdraw the loan application and the opportunity to seek independent advice before accepting IBAL loan offer.</p> <p>Variations of this nature could be the result of “two tier marketing”, which is the practise of having two prices or tiers in a real estate market, one for locals who know the market values in the area, and one price for other buyers, often from interstate or overseas, who are not aware of local market prices.</p> <p>Where a valuation indicates two tier marketing techniques may be in use, additional care is to be taken to ensure the current market value is used in calculating the applicable LVR.</p> <p><u>Clause to be inserted in the loan approval and as a special condition in the letter of offer.</u></p> <p><i>“You acknowledge that the property at [address] has been valued at significantly less than the purchase price which we understand is \$xxx,xxx. This valuation is for our internal use, and you are not entitled to rely on it. In the light of this information, we strongly recommend that you make independent enquiries as to the value of the property. It is common for valuers to value slightly below purchase price, and of course, the assessment by our valuer may have been unusually conservative or based on incomplete information. This underlines the importance of you making your own enquiries. By proceeding to drawdown the loan, you acknowledge you are aware of this issue and wish to borrow the loan despite this fact.”</i></p>			
Second Opinion Valuation	<p>Second opinion valuations are not permitted. It is unacceptable for a valuation request be withdrawn from a valuer on the basis that the valuer's valuation amount is not to the expectation of an introducer/originator.</p> <p>An introducer or mortgage manager can seek a valuation reassessed with legitimate reasons → see valuation appeals procedure for further assessment.</p>			
Valuation age	<p>For new business applications only (not including variations or increases):</p> <ul style="list-style-type: none"> Valuations must be dated less than 90 days old as at time of assessment. Valuations must be dated less than 6 months old as at time of settlement. 			

6. Variations

6.1. Variations

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Eligible borrowers	Further to eligible borrowers, Variations to existing borrowings using existing security are acceptable for loans to non-individuals (e.g. trusts and companies) Increases and variations to existing mortgage loan accounts in the name of a trust or company borrower are acceptable.
Income Verification	Where Income verification is required for variations see s3 above. Where existing mortgage in name of Company or Trust borrower then Company Profits are also eligible.
Full Discharges	The release of IBAL security must be approved by an authorised person and requires confirmation that sufficient funds are to be received to clear all loans secured by that security.
Partial Discharge	<p>Partial discharges can be approved provided the residual debt is within the approving staff member limit.</p> <p>Servicing Serviceability is not required where LVR remains the same or decreases and is within product parameters.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Note: Assessment of servicing can be considered where:</p> <ul style="list-style-type: none"> • Full sale proceeds are not obtained. • Property being released is deriving rental return. • Doubt exists as to the validity of the transaction (E.g. non arm's length sales, sales not involving a Real Estate Agent). • Where arrears history is evident (greater than 1 payment in arrears (greater than 30 days) in the last 6 months) or where there is evidence that the customer has been in hardship in the previous 12 months (Care to be taken to ensure borrowers are financially stable). </div> <p>Valuations <u>Non LMI Loans</u> Re-valuation on remaining security is required where:</p> <ul style="list-style-type: none"> • LVR increases and is outside product parameters or; • We are not obtaining full net sale proceeds; or • Doubt exists as to the validity of the transaction (E.g. non arm's length sales, sales not involving a Real Estate Agent). <p><u>LMI Loans</u> Valuation required on remaining security and LVR must remain within product parameters.</p>

Substitution of Security	<p>Full assessment is not required if:</p> <ul style="list-style-type: none"> • No increase in LVR (normal valuation requirements to apply) • No significant change in locality • No change of employer for applicant • No change in sources of income that were used in last approval .i.e. change or removal of investment property income • New security meets normal policy. <p>A Full Assessment is to be considered where new security property is not in a primary postcode.</p>
Switches	<p>It is important to consider whether the proposed switch will impact or change a borrower's repayment arrangement. Therefore, in some circumstances it is appropriate that we confirm a borrower's ability to maintain P&I payments on an ongoing basis.</p> <ul style="list-style-type: none"> • Switching between product types do not require a servicing assessment: <ul style="list-style-type: none"> • Orange Advantage to Mortgage Simplifier. • Mortgages Simplifier to Orange Advantage. • Mortgage Simplifier/ Orange Advantage, from variable rate to a fixed Rate. • Interest only to principle & interest repayments. • Switches to interest only require a servicing assessment in all cases as per standard policy and maximum LVR 80% (including investment): <ul style="list-style-type: none"> • Requests for interest only repayments. • Extension of interest only repayments. • Switches from obsolete products require a full application and servicing assessment as per standard policy.

Increases	<p>This underwriting guideline is to apply in circumstances where an existing customer requests an increase or new facility to any existing facility (including REP loans). Increases to existing low doc loans can only be considered on a full financial disclosed basis (i.e. new financial and servicing assessment required). The following conditions <u>must</u> be satisfied:</p> <p>General</p> <ul style="list-style-type: none"> • A signed application form must be received from all borrowers/guarantors. • The new loan amount must continue to meet IBAL serviceability requirements (Section 3). • Income/employment are verified as per Section 3 above. • Security property remains within maximum Security LVR. • Maximum LVR (including any capitalised LMI premium) to apply to increases are as follows (with no deviations permitted) <ul style="list-style-type: none"> • Maximum 90% for simple home improvements where an “as is” valuation is relied upon • 80% against owner occupied or investment securities for equity release, cash out, refinance and debt consolidation. • For loan increase of more than \$50,000, a new title search is to be performed and is to reveal no subsequent interests noted on the title. <p>Valuations Refer to Section 5.</p> <p>Account Conduct Refer to Unacceptable and Adverse Credit History in Section 2.9</p> <p>Credit Checks (Veda Advantage) A Credit Check Report is mandatory.</p>
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Non-Structural Improvements	<p>With no option to provide construction loans with progress payments, home improvements for increases >80% LVR can still be considered but must be for "non-structural" purposes (e.g. Kitchen / Bathroom upgrades etc).</p> <p>The additional requirements are:</p> <ul style="list-style-type: none"> • Maximum amount \$50,000 • Maximum LVR 90% (no deviations allowed) • Single drawdown (but possibly multiple cheques) • Should borrower want separate drawdowns to accommodate various works being undertaken then separate increase requests may need to be considered. <p>Depending on the situation, there are two options available when obtaining a valuation:</p> <p>1. 'As Is' Valuation</p> <ul style="list-style-type: none"> • Reliance is on a current valuation prior to the proposed non-structural improvements (as is value). • Supporting evidence (e.g. invoice or quotes) must be provided to confirm that funds will be used for property improvements <p>2. 'As if complete' Valuation</p> <ul style="list-style-type: none"> • Upfront valuation with specific quotes/contract/tender to be provided and commented on by valuer in the valuation report. <p>On settlement bank cheques are to be made payable in accordance with the specific quotes/contracts/tenders used in completing the valuation report and provided to the borrower who is then responsible for control of payment to contractor on completion of works.</p>
Increase in Conjunction with Other Variations	<p>Any request which includes an increase and other variation must satisfy the above eligibility criteria in conjunction with the requirements associated with the other variation (e.g. a substitution and increase request must satisfy both the requirements of the substitution and the increase).</p>
Consent to a Second Mortgage	<p>Appropriately authorised person can approve consents to second mortgages to other lenders and plans of sub-division or strata title of the Bank's security for loans/exposures.</p> <p>Consent by IBAL to a second mortgage by another financier/lender is permissible subject to obtaining the same approval as is required for an amended transaction.</p> <p>Considerations in consenting to a second mortgage are:</p> <ul style="list-style-type: none"> • Must be in an open form without restriction to IBAL first mortgage • Impact of second mortgage on existing facility • If requested to restrict IBAL first mortgage, care must be taken to ensure that the value of the security will not be eroded • Retain priority for a minimum of principal and interest and interest outstanding at any time plus any recovery costs (including legal fees, disbursements and costs that may be incurred in the sale of any security). <p>Refer to panel solicitors for the preparation of the priority agreement.</p>
Other Consents	<p>Consents to sub-divisions, strata plans, etc. must have been signed off by the IBAL's solicitors as being in order for registration.</p> <p>Due consideration needs to be given to obtaining a new valuation(s), in particular for sub-divisions and new strata plans, to ensure that after the transaction is complete the bank's security is not eroded and ensure it remains within normal underwriting guidelines.</p>

Consent Processing by Non-DLA Holders	<p>The following, specific, consent requests to produce a security title can be processed by the “Maintenance Processing Team – Mortgage Operations” without reference to a DLA holder, subject to a 4 eye check and full compliance with the approved Processing Procedure as well as reference to sections above:</p> <ul style="list-style-type: none"> • Register 2nd Mortgages (including purpose of Register 2nd Mortgage for Bail Surety). • De-Register 2nd Mortgage • Subdivision of security (with no partial discharge request attached) • Acquisition of underground land. If any change to land size (i.e. involves acquisition of actual land) a valuation is required and it must be referred to a DLA holder for sign-off. • Production of title with no impact to the property– e.g.: Easement <p>All other consent requests must be referred to an appropriate DLA holder for review and acceptance.</p>
Deed of Charge	<p>IBAL's preferred security is freehold property however, cash collateral (held with ING) is accepted in short term scenario's when:</p> <ul style="list-style-type: none"> • An existing borrower is to substitute security property, but the current security property is to be released prior to the new security being perfected. IBAL will hold settlement proceeds as the security for the loan (at a maximum LVR of 100%) until the new security property is settled. <p>The cash is to be lodged in a suitable IBAL deposit account (to be “Stopped”), with the necessary security documents (including Deed of Charge and Setoff) prepared by IBAL Panel Solicitors.</p> <p>Deed of Charge and Setoff over cash deposit capped at 100% LVR</p>

Reduced Equity Product (REP) Loans

While this product has been removed from sale, the following variations and/or increases for existing accounts can still be approved under these guidelines (subject to current LVR restrictions).

Acceptable

- Increase of existing loans for non-structural home improvements (Refer note below).
- Substitution of security with no change to borrowers and no increase.
- Substitution of security with an increase; not above the original REP Loan amount.
- Variations/ increases of REP loans that satisfy normal policy and result in a maximum LVR of 80%.

Unacceptable (require a new full loan approval under LMI)

- Add an additional borrower.
- Removal of borrower.
- Substitution of security with an increase; above the original REP Loan amount.

Note: Increases to existing REP loans can only be considered for home improvements where there is no reliance on the on-completion valuation and satisfactory evidence of the purpose of funds are held on file.

In addition to the normal requirements of a variation, (e.g. increase), applications involving existing REP Loans must also satisfy the below requirements with no deviations allowed:

- The maximum loan amount for REP is \$600,000 plus any capitalised fee.
- REP loans must be on a principal and interest basis and capped at 90% (including capitalised fee).
- Debt consolidation and cash out (equity release) is not allowed.
- Maximum LVR is 90% for substitutions including any capitalised fee.
- No evidence of adverse credit, as defined under Section 2.9
- No third party security, except where debtors are spouse /de-facto (only) and the mortgagor is one of the debtors.
- No second mortgages permitted.
- Any cross collateralisation of any existing securities held by IBAL is not permitted with any new approval under this policy.

Acceptable Security

- Postcode Categories 1, 2 and Exception.
- Rural Residential acreage up to 2.2ha.
- Units/Apartments that are a minimum of 40m².
- Valuations with a Risk Rating of 4 or 5 can be considered on a case by case basis. Security substitution is allowed subject to the new security being comparable quality with regard to sale ability, location and condition.

Any coinciding increase in amount or LVR will need to be considered as above and appropriate fee (new or top up) to be charged.

7. Glossary

AUD	All settlement must be in Australian Dollar \$	
Securities	Residential Dwelling	<ul style="list-style-type: none"> • Free standing building, attached or semi-detached(including duplex, battle axe and granny flat). • SEPP 5 zoned dwellings also known as "Over 55's" or "Seniors Living" dwellings commonly found in a specific community environment (but not to be confused with a Retirement Village), • Residential units located in developments zoned commercial/business due to commercial units/shops included in the same development.
	Unit / Apartment	Includes bachelor unit, bed-sitter, studio apartment
	Rural / Rural Residential Acreage	A property zoned rural, rural residential, farming or any similar zoning (includes hobby farms).
	Stratum Title	Where each owner has a certificate of title over a particular freehold property, however a service company has title to the common property. The service company administers, manages and maintains the common property around each owner's property.
Company Title	Where lender/mortgagee/borrower does not take title but each party receives shares for each unit. Example 1 company title with shares issued to each of 4 units	
High Risk Postcodes	"High Risk Postcodes" (Helia term 'Single Industry postcodes') have a greater risk of changes in economic outlook and/or property market conditions. Locations are regularly monitored by Risk Management and identified via system decisioning tools.	
LVR	Loan to Value ratio (amount borrowed / valuation = LVR). Called Loan to Value (LTV) in Global policy. Note: Purchase price maybe be used in the LVR ratio where lower of purchase price or valuation required.	

8. Appendix

Postcode categories	<p>IBAL will consider lending for residential products in any Australian postcode.</p> <p>The acceptable postcode list includes</p> <ul style="list-style-type: none">○ Primary Postcodes with a sub section for both Exception and No Go Postcodes. <p>Primary Postcodes are classified as Category 1, 2 and 3 to rank regional areas and used to identify restrictions for loans with LMI approved under DUA.</p> <p>The exception postcodes cover where lending restrictions are imposed on units/apartments within that postcode for a particular reason e.g. inner city/core or fringe CBD apartments, areas where oversupply exists, areas affected by disasters etc. For this reason, they must undergo greater scrutiny at assessment and with a heightened level of review on the valuation.</p> <p>No Go postcodes are locations where IBAL Risk Management have identified areas of concern over the location and may wish to prevent any increased exposure to the location. Any new or increased loans secured by properties in a No Go Postcode must be referred to IBAL Risk Management for review.</p> <p>Exception and No Go postcodes will be determined by IBAL Risk Management and will be reviewed from time to time, with variations to be notified accordingly.</p> <ul style="list-style-type: none">○ Secondary Postcodes represent all remaining postcodes. <p>The Postcode Location list is located on the ING Intranet (Frankie) for IBAL users only.</p> <p>Whilst IBAL lends across all postcodes care must be taken when assessing the suitability of a security property, particularly in secondary postcode and/or where it does not meet the minimum valuation requirements.</p>
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