



LENDING **GUIDELINES** **MANUAL**

**Credit Policy and
Process Guidelines**

Effective 13 June 2024

ADVANTEDGE 

Table of Contents

How to read the Credit Guidelines Booklet	3	Foreign Source Income	20
Responsible Lending Obligations	3	Defence Home Ownership Subsidy	20
Customer Identification Requirements	5	Self Employed (Personal, Partnerships, Company, Trust)	21
Loan Purposes	6	Acceptable Types of Financial Statements (Self Employed Income)	21
Eligible Applicants – new lending	6	General Living and Entertainment Expenses (GLEE)	22
Eligible Applicants – variations to existing lending	6	Loan Purpose/Cash Out	22
Co-Borrower Benefit	6	Loan Repayments	23
Guarantees	8	Home Loan Repayment Verification	24
Acceptable Residential Security Properties	8	Refinanced Liability Verification	24
Unacceptable Residential Security Properties	11	Undisclosed Liabilities	24
Valuations	11	Unacceptable Behaviours	24
Lenders Mortgage Insurance (LMI)	14	Genuine Contributions (Genuine Savings)	25
Application Details and Verification	14	First Home Owners Grant (FHOG) Policy	26
Verification Document Criteria	15	Vacant Land Loans	26
Employment Income	15	Construction Loans	26
Permanent Full Time/Part Time Income	16	Procedure and Documentation	28
Allowances	16	Acceptance of Electronic Signature for Supporting Documents	28
Deductions	16	Customer Acceptance	29
HECS/HELP Debt Deductions	17	Loan Variations (Broker Guidelines)	29
Returning to Work	17		
Parental Leave	17		
Casual Income, PAYG Contract & Tax-Free Defence Force Reserves	17		
Uncertain Employment Income	17		
Non-Employment Income Shadings	18		
Australian Rental Income	18		
Australian Government Allowances	19		
Child Support or Maintenance	20		
Investment Income	20		
Privately Listed Income – Companies & Trusts	20		
Superannuation Income	20		

How to read the Credit Guidelines Booklet

Advantage Loan Provision Policy

Loan provisions listed here apply to all lending under Advantage Financial Services Residential Lending Program. These provisions must be adhered to for a loan to be funded by AFSH Nominees Pty Ltd ACN 143 937 437 Australian Credit Licence 391192 (Advantage).

LMI Insurer Requirements

QBE has delegated to Advantage the authority to approve LMI Cover on all mortgage or variation of a mortgage applications, that comply with the standard credit assessment and approval standards. Applications must be processed through the loan approvals systems or by an Accredited Assessor who holds a Delegated Credit Authority. If any applications don't meet the Delegated Underwriting Authority (DUA) criteria held by Advantage, the loan must meet the specific LMI provisions outlined by the LMI insurer and be approved by the LMI insurer. These provisions are in addition to any provision outlined for a loan to be funded by Advantage. Full details of the LMI Provider policies can be obtained from their websites:

- QBE – <https://www.qbelmi.com> (then click on "ImiGUIDE")

Note: Genworth is an approved LMI Provider however there is no DUA agreement held with Genworth.

If you are unsure of a particular credit guideline please contact your BDM.

Responsible Lending Obligations

Your responsible lending obligations require you to make reasonable inquiries about the customer(s) objectives, financial situation and requirements including taking reasonable steps to verify their information. You must make an assessment that a particular loan with a particular credit provider is not unsuitable for the client.

In particular (although not limited to) ensure inquiry is made about:

- The customer's purpose(s) for the loan
- The customer's income
- The customer's general living and entertainment expenses
- The source of the customer's deposit (initial or current) and if it includes repayable non-genuine savings (such as an advance/gift from family or friends that must be repaid)
- The customer's liabilities and debt repayments, including any repayable non-genuine savings (i.e.: loan funded deposit from family/friends)
- Whether the customer has experienced any previous form of financial hardship / hardship (eg: missed loan repayments), particularly within the past two years
- Whether the customer expects there will be a change in their future financial circumstances (eg: employment, income, expenses) over the next 12 months that will make it difficult to meet their financial commitments.

Where the loan is NCCP regulated (where it is for personal, domestic, or household purposes, to purchase residential property, or a refinance of a contract for one of these purposes), you must not provide credit assistance if the consumer could not meet their obligations or could do so only with substantial hardship.

It is your responsibility under the responsible lending obligations of NCCP to verify the financial situation of the applicant as well as establishing whether the applicant can meet their obligations without substantial hardship.

Repayment at Retirement

As part of lending responsibly, you must:

- Capture and record an applicant's intended **retirement strategy**, where the loan will expire after their planned retirement age, or after they turn 70 years of age; and,
- If retirement is **imminent***:
 - Complete and pass the retirement strategy test (refer page 6); and,
 - Verify retirement strategy

Note: Retirement is considered **imminent** where a customer is **aged 55 years or greater** at the application submission date, or if they plan to retire within the **next 10 years**.

The above requirements are not applicable where the customer:

- Has already retired and can currently demonstrate serviceability solely from non-employment income (e.g.: income from investments, superannuation); or
- Is a non-individual or the home loan is confirmed to be unregulated.

Imminent Retirement

Where a customer is **aged 55 years or greater**, at the application submission date; or if they plan to retire within the next 10 years, the applicant will be considered under **Imminent Retirement**. Brokers will be required to select one of two acceptable retirement strategies from the table on page 4.

Brokers will also be required to document the outcome, including calculations, to evidence how the test was deemed 'reasonable and appropriate' for the customer's circumstances.

CUSTOMER ADVISED RETIREMENT STRATEGY	RETIREMENT STRATEGY TEST	APPLICATION OF TEST
<ul style="list-style-type: none"> Sale of asset(s) Use of savings Lump sum from superannuation Income from superannuation, income from other investments 	<p>Financial Assets to Home Loan limits</p> <p>Verify financial assets ^{(1) (2)} that are a minimum of 100% of the total home loan limit/s as at application drawdown.</p> <p>Note: where the joint assets test is used and a deal is submitted through ApplyOnline or LoanApp, the broker will need to lodge this via the exception section in the lodgement system. This exception section is available once all 3 tests have been failed (i.e. after the downsize option in the lodgement systems.)</p>	<p>The intention of this test is to demonstrate that the customer has already built up sufficient financial assets to be able to repay the future home loan debt at retirement.</p> <p>If assets are jointly owned by a customer and another applicant/s, use the total value owned by the applicants.</p> <p>Customers may nominate financial assets solely owned by their spouse / defacto who is also a co- applicant to the loan.</p> <p>Where a home loan is in joint names, the total of the home loan limit should be included in the calculation of each applicant's test, not just the customer's share.</p> <p>Brokers do not need to verify assets in excess of the loan limit/s, examples of acceptable verification documents are listed below.</p>
<ul style="list-style-type: none"> Downsize owner occupied property 	<p>Downsize Owner Occupied Property</p> <p>Have a minimum of \$200,000 of equity in their owner-occupied property and/or verified financial assets ^{(1) (2)}.</p> <p>– Equity is calculated by taking the current verified property market value less the home loan limit/s at drawdown</p> <p>If there is a shortfall, they must have verified financial assets ^{(1) (2)} that are a minimum of 100% of the shortfall.</p>	<p>The intention of this test is for the customer to demonstrate that they will have sufficient equity (minimum \$200,000) in their home at retirement to buy a downsize property.</p> <p>If assets are jointly owned by a customer and another applicant/s, use the total value owned by the applicants.</p> <p>Customers may nominate an owner-occupied property solely owned by their spouse / defacto who is also a co-applicant to the loan.</p> <p>Where a home loan is in joint names, the total of the home loan limit should be included in the calculation of each applicant's test, not just the customer's share.</p> <p>If the customer/s do not have sufficient equity in their home to pass the test, the financial asset test may be used to demonstrate they have a minimum of \$200,000 in equity and assets combined.</p> <p>Examples of acceptable verification documents are listed below.</p>

(1) Financial assets can include savings, investment properties, shares⁽²⁾, managed funds, superannuation and net asset value of company, business, trust entity but excludes assets being used as a contribution towards the purchase, owner occupied property (principle place of residence), vehicles, household goods and other personal assets.

(2) Shares secured by a margin lending facility cannot be used to verify financial assets. They must not be input into Advantedge origination systems as part of strategy test. DCA holders can consider using any remaining equity where documentary evidence is held confirming both the value of shares and linked margin lending facility.

Acceptable Verification Documents:

Current Property Value	<ul style="list-style-type: none"> The most recent valuation held (regardless of age) Most recent Rates notice (to show ownership and displaying value) Most recent rate notice or title search (to show ownership) + Property Profile Report (to show value. Note we will accept any value nominated within the range shown on the property profile report)
Financial Assets	<ul style="list-style-type: none"> Bank account statement/term deposit certificate Share statements / online trading account statements ⁽²⁾; or The most recently issued superannuation statement A letter from a financial planner which states the balance of the customer's super fund; or Financial statements (e.g. SMSF, Company/Business, Trust); or Copy of non-listed company or business balance sheet that the customer(s) holds an interest in, which shows the entity net asset/equity value. If required, unpaid shareholders/loan liability account(s) can be considered. (Note: value attributed, should align with customer's entitlement i.e.: % of ownership.) Beneficial ownership of a trust where customer is (a) a trustee who controls the distributions from a trust to beneficiaries or (b) a named trust beneficiary who receives trust income distribution/s <ul style="list-style-type: none"> – obtain the schedule of beneficiaries in the trust deed to confirm if the customer is a beneficiary of the trust and /or the trustee of the trust – obtain the balance sheet of the trust. If required, unpaid beneficiaries/loan liability account(s) can be considered. (Note: value attributed, should align with customer's entitlement i.e.: % of ownership)

Where the above table requirements cannot be met, any document/s which verify the ownership and value of asset held, in line with 'Verification Document Criteria' (refer page 15) section are also acceptable.

Non-Imminent Retirement

Where a customer's loan will expire after their planned retirement age, or after they turn 70 years of age, and they are not considered 'Imminent' as above, brokers will be required to select one (or more) of seven acceptable retirement strategies from the following:

Customer advised Retirement Strategy	<ul style="list-style-type: none"> • Co-applicant income • Sale of asset(s) (excluding owner occupied home & household goods) • Use of savings (excluding contribution towards the purchase) • Lump sum from superannuation • Income from superannuation • Income from other investments • Downsize owner occupied property.
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Customer Identification Requirements

Who needs to have their identification verified?

A Customer's identity needs to be verified to meet both Know Your Customer (**KYC**) requirements administered by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**), and Verification of Identity (**VOI**) requirements administered by the Land Titles Office in each jurisdiction. Customer photographic identification (**ID**) must be **sighted, collected and verified** for:

- New Customers
- Verification of Identity for existing Customers, where an application requires a new mortgage
- Connected Parties – Individuals such as Power Of Attorney/Account Authorities, that have permission to act on behalf of the customer
- Customers who have changed their name (e.g. due to marriage), where an application is in relation to an existing mortgage

Where the Borrower is a Company, **all** Directors will be required to complete the identification checks.

Note: From 25 May 2020, Advantedge does **not** accept new loan applications where the Borrower is a Company.

How to verify a Customer's identity

One of the following methods can be used to complete VOI and KYC:

1. **In-person verification of identity** (if met Customer and sighted their original ID document/s in-person).
2. **IDyou 'In person' Report** (if met Customer and sighted their original ID document/s in-person)
3. **IDyou 'Remote' Report** (if met Customer and sighted their ID document/s remotely e.g. via video conference and captured using IDyou remote)
4. **Australia Post**

How to verify a Connected Parties' identity

A connected party can only be identified via Australia Post.

Identity documents to be produced

The Customer is required to provide:

- For an in-person interview or IDyou including Remote(selecting the Advantedge option), only 1 photographic ID from the below list.

- For all other VOI and KYC methods (i.e., Australia Post), minimum 2 forms of ID, one being a photographic ID from the below list.
- The ID must show the Customer's **full legal name** and either their **date of birth** or **current residential address**.

The following primary photographic ID documents are acceptable:

- Australian Passport (*acceptable if expired within the last 2 years*)
- Australian Driver's License (*must not be expired and digital license not acceptable*)
- Foreign Passport (*must not be expired*)
- Proof of Age Card (*must be government issued; must not be expired; if no expiry date present, then must be less than 10 years from date of issue*)

Note [1]: The Australian Passport is preferred, as in most instances it will contain the **full legal name** of the Customer.

Note [2]: State based Australian Driver's Licences may not contain full legal names and may delay processing. If the Customer has a middle name, a driver's licence showing only a middle initial will be accepted, but a driver's licence without a middle initial will require additional ID to confirm their middle name.

Additional Identification

You, as a Broker may collect additional identification documents to resolve a discrepancy if:

- Customer cannot produce a **photographic ID** document which reflects their **full legal name**. Examples of acceptable primary non-photographic identification documents include:
 - Birth Certificate
 - Citizenship Certificate
 - Concession Card
- Customer's **primary photographic ID** does not validate their **date of birth** or **current residential address**. Examples of acceptable non-photographic identification documents include:
 - Birth Certificate
 - Government issues utility bill issued in the last 3 months
 - Concession Card

The Broker's responsibilities

You, as a Broker, must:

- sight original photographic ID from the list above (and any secondary ID required) either in-person or remotely using one of the approved options.
- validate that the documentation appears authentic
- conduct a face-to-face interview (either in person, or remotely if using IDyou) to confirm the person is of a reasonable likeness to the photograph contained in the ID document
- retain and submit a copy with the application submission of the ID document/s sighted or captured when validating the Customer's identity.
- provide a digital attestation certifying that the ID submitted is a true copy of the original, that you're satisfied the Customer who you interviewed is a reasonable likeness to the photo in the ID document, and confirming you have followed instructions set out by Advantedge.

Note: Where a Customer is identified by Australia Post, the above steps do not apply, but you must confirm Australia Post has completed VOI and KYC via submission notes to Advantedge.

You must undertake further steps to validate the Customer's identity if you know, or reasonably suspect that:

- the ID is not genuine.
- the photo in the ID is not a reasonable likeness of the Customer.
- the Customer does not appear to be the person to which the ID relates.
- in any other circumstances you consider appropriate.
- the ID contains a name discrepancy or doesn't reflect the Customer's full legal name. Should you not be able to resolve your concerns, pause your application and contact your **BDM**.

Discrepancy management

Where Advantagedge identifies discrepancies in the Customer's name on their ID documents and other sources of Customer information (e.g. their application, their contract of sale, their certificate of title, the Transfer of Land form and so on), Advantagedge will take one or more of the following actions to be reasonably satisfied that the Customer is who they say they are:

- seek additional information or clarification from the Broker, including requesting further identification documents (i.e. a marriage certificate);
- verify the additional information / clarification received from the Broker/ Customer.

Loan Purposes

Lending must be for personal and personal investment purposes only. The loan must not fund business purposes including:

- Loans for business purposes or the refinancing of business loans (unless the business has ceased trading).
- Loans for the purchase of a business and/or goodwill (including investment in a business owned by a related or associated entity to the borrower).
- Loans for any type or investment for property development purposes, that relies on the completion of the development to service the facility.

Eligible Applicants – new lending

Borrower Residency

Borrowers and mortgagors must be **one** of the following AND reside in Australia:

1. Australian citizen;
2. Australian Permanent Resident; or
3. NZ Citizen.

Note:

Individuals who hold a Partner / Spousal Resident Visa (eg: Subclass 309, 820) are permitted, on the basis that a joint application is submitted with one of the above defined eligible borrowers, subject to the lending being up to a maximum LVR of 70%.

Eligible Applicants – variations to existing lending

Borrower Residency

Borrowers, mortgagors, and guarantors must be one of the following AND reside in Australia:

1. Australian citizen;
2. Australian Permanent Resident; or
3. NZ Citizen.

Note:

Individuals who hold a Partner / Spousal Resident Visa (eg: Subclass 309, 820) are permitted, on the basis that a joint application is submitted with one of the above defined eligible borrowers, subject to the lending being up to a maximum LVR of 70%.

Corporate Entities

1. Registered Australian companies and subject to company taxation;
2. Trustee companies acting on behalf of trusts.

For company applicants:

1. All Directors/Trustees/Partners must be Australian citizens/Permanent Residents/NZ Citizens AND reside in Australia;
2. Guarantees from company directors are required; and
3. Companies must not be in the process of deregistering, winding up or voluntary administration.

Advantagedge will not accept any loan applications for new lending purposes from companies, trustee companies and individual trustees unless it is by way of a variation of an existing such loan, including construction on vacant land/renovations to residential property security.

Co-Borrower Benefit

Purpose

The following policy ensures compliance with the Banking Code of Practice and is intended to ensure all co-borrowers on a loan facility receive a *Substantial Benefit* from the loan proceeds and helps to protect vulnerable members of our society from financial abuse.

Substantial Benefit

An Individual can only be accepted as a co-borrower where it can be evidenced that they receive a '*Substantial Benefit*' from the loan proceeds, unless they are spouses or de factos where special eligibility requirements must be met.

For new home loans and increases involving joint applicants, brokers must identify whether *each* individual co-borrower will receive a substantial benefit.

This is not required for company borrowers or individual borrowers, for the purposes of loan variations, who are:

- acting in their capacity as trustee;
- directors of co-borrower companies;
- partners in a partnership;
- in a joint venture arrangement.

A '*Substantial Benefit*' includes where each co-borrower:

- acquires a reasonably proportionate legal or equitable interest in assets purchased with the loan funds; or
- utilises a reasonable portion of the loans funds to repay their debts or other obligations owed by the co-borrower; or
- will utilise and have access to a reasonable portion of the loan funds which is not covered above (for example, a holiday, medical expenses, household goods, etc)

The minimum percentage required for each co-borrower to achieve '*Substantial Benefit*' is set out below:

NUMBER OF INDIVIDUAL CO-BORROWERS	MINIMUM AMOUNT DEEMED ' <i>SUBSTANTIAL BENEFIT</i> '
2 to 4	Minimum 25%
5 or more	Equal share

Structuring Options

In cases where a Substantial Benefit cannot be demonstrated, brokers must discuss with the proposed co-borrower:

- why they want to be a co-borrower; and
- alternative structuring options with another mortgage provider such as providing a security guarantee or, subject to meeting credit policy requirements, becoming a servicing guarantor.

The customer needs to understand the risks associated with entering into the loan and understand the difference between being a co-borrower and a guarantor. You must tell the customer to obtain independent legal and financial advice before we accept an individual without Substantial Benefit as a co-borrower.

Customers' obligations are different between being a guarantor and being a co-borrower. Brokers must not suggest a customer who wants to be a guarantor to be a co-borrower.

You must explain that:

- Advantagedge no longer accepts guarantees;
- where there is more than one customer involved with a loan, Advantagedge only accepts co-borrowers where they have substantial benefit from the loan unless they are spouses or de factos;
- for spouses and de factos without substantial benefit there are special eligibility requirements.

If the customer tells you that they want to be co borrowers, they will need to meet our eligibility requirements for co-borrowers.

If the customer wants a guarantee relationship or do not meet our eligibility requirements to be co borrowers, brokers need to refer the applicant to a different lender.

<p>Co-Borrower Liability</p> <p>A co-borrower may have to repay the entire amount owing alone. The bank does not have to ask any other co-borrower to repay before, or at the same time, it asks any other co-borrower;</p> <p>This is because each co-borrower is each individually and directly responsible for the loan repayment obligations. If there's a problem with repayment of the loan, the bank may pursue all co-borrowers or any one of them individually for the amount owing.</p>	<p>Guarantor liability</p> <p>A Guarantor is someone who promises to repay money that is owed to us under a loan, if for some reason the borrower doesn't. If the individual were a guarantor instead of a borrower, the bank may be required to take steps against the borrower before it can enforce mortgages given by the guarantor or judgements against the guarantor.</p> <p>A guarantor may be able to limit their liability in accordance with the Banking Code of Practice and legislation. A guarantor may also be able to ask for contribution from the borrower/s and from other guarantors. The Banking Code of Practice and the law generally provide other protections to guarantors that will not apply to a borrower.</p>
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Accepting Co-Borrowers without Substantial Benefit

Where an Individual Co-Borrower does not receive a 'Substantial Benefit' from the loan requested, and does not wish to be a Guarantor, you may accept them as a co-borrower using the exception process provided the following requirements are met.

The broker:

- has considered and documented the reasons why that individual wants to be a Co-Borrower, and the rationale supplied does not raise concerns;
- is satisfied that the Individual co-borrower without a Substantial Benefit is not experiencing financial abuse by completing the financial abuse question and has not identified any other signs of financial abuse;

- has recommended the Co-Borrower obtain independent legal and financial advice in order to understand the risks associated with entering into the loan and the difference between being a Co-Borrower and a Guarantor; and
- having given the proposed co-borrower an opportunity to consider their options and the co-borrower has indicated they want to proceed as a co-borrower, ensures the Co-Borrower has completed and duly executed the Short Form or the Co-Borrower Acknowledgment – Customer may receive no Substantial Benefit from the loan' form.
- has confirmed that the individual without a Substantial benefit wants to be a co borrower.

- must not proceed with the application without the individual obtaining independent legal advice, where the broker is aware that:
 - the individual doesn't understand the distinction between being a co borrower and being a guarantor; or,
 - the individual is unclear on whether to be a co borrower or a guarantor.
- must not proceed with the application if the individual has indicated that they would prefer to be a guarantor. In these circumstances, the broker needs to refer the applicants to a different lender.

IMPORTANT

Where all the above criteria are met:

- For Co-Borrowers who are in a spousal/de-facto relationship, where any Co-Borrower will not receive a Substantial Benefit, approval is not required to proceed with an application due to Advantedge guarantee appetite and inability to offer a guarantee option which may be more suitable to these customers.
- For Co-Borrowers who are **not** in a spousal/de-facto relationship, where any Co-Borrower will not receive a Substantial Benefit:
 - New Lending: Unavailable due to Advantedge guarantee appetite and inability to offer a guarantee option which maybe more suitable to these customers.
 - Amendments and variations to existing lending: Minimum DCA Level 3 approval is required.

SCENARIO – "YOU" IN EACH SCENARIO MEANS THE CO-BORROWERS	SUBSTANTIAL BENEFIT?
Purchases	
You are looking to purchase an owner-occupied property which will be owned by both of you as joint tenants or tenants in common in equal shares.	Yes
You are borrowing to buy an investment property which will be solely owned by one co-borrower	No. Only one co-borrower will receive a benefit from the loan funds.
Refinances	
You are looking to refinance an existing loan with another lender to Advantedge which is in both of your names.	Yes.
You are looking to refinance an existing loan with another lender to Advantedge which is in the name of one of you only.	No. If an applicant does not appear on the title search nor the refinance statement, they will not be receiving a benefit to the loan.
You are looking to obtain a new loan to complete construction on land already owned by you jointly.	Yes.
You are looking to do a debt consolidation made up of one co-borrower's credit cards and the other co-borrower's personal loans.	Yes, provided that each applicant's debt makes up at least 25% of the loan funds.
New Loans / Limit Increases	
You have an existing loan with Advantedge and request a limit increase to renovate an owner-occupied home owned by both of you as joint tenants or tenants in common in equal shares.	Yes.

<p>You have an existing loan with Advantedge and request cash out. There could be multiple reasons for a cash out:</p> <ul style="list-style-type: none"> • Holiday where all co-borrowers are travelling together • Renovate/ home improvements where the home is owned by all co- borrowers as joint tenants or tenants in common in equal shares 	<p>Yes, as all co-borrowers will benefit from the loan.</p>
<ul style="list-style-type: none"> • Cars where all co-borrowers are joint owners of the car (even though the car may only be registered in one name) • Parents taking a cash out to gift to their children. 	<p>Yes.</p>
<p>You have an existing loan with Advantedge and request cash out. There could be multiple reasons for a cash out:</p> <ul style="list-style-type: none"> • Holiday where only one co-borrower is travelling • Renovate/ home improvements where the home is owned by only one co-borrower • Cars where the only one co-borrower owns the car • Medical 	<ul style="list-style-type: none"> • No. Only one co-borrower will receive a benefit from the loan funds.

Guarantees

Advantedge will not accept new loan applications that require a guarantee of any type. Furthermore, brokers must not encourage customers to structure their loan as a co-borrower where a customer has a preference for a guarantee structure.

Advantedge will continue to accept home loan applications with guarantees in the following circumstances only:

- Variations of existing home loans with guarantees; including construction on vacant land/renovations to residential property security where existing Advantedge Home Lending has been financed with guarantee structure already in place.
- Where there is a variation to existing home lending with a guarantor who is providing their principal place of residence, if they are not in a spousal/ de facto relationship with the borrower, the guarantors standalone capacity to service the guarantee obligation must be assessed and verified.

Full financial information is required from all guarantors in the same manner as required from borrowers. Guarantors may be required to obtain independent legal and financial advice to ensure they understand the terms of the Guarantee. In the case of non-English speaking applicants, the appropriate independent professional, in the borrower's native language, should provide this advice.

A guarantee(s) will be required where an existing Advantedge loan relies on a guarantee and:

- The borrower is unable to service the debt in their own capacity including the use of Self Employed Income, and is relying on another separate legal entity to service
- The borrower is a private company other than a corporate trustee; all directors must provide personal guarantees. In the instances where directors act in a nominee position only (and are unwilling to provide a guarantee), formal documentation to this effect must be obtained from the borrower.
- A related company generates income (that is not considered self-employed) which is relied upon to service the loan, guarantees from the directors of the related company are required.

- The borrower is trustee of a unit trust, each unit holder will be required to provide a guarantee.
- A security provider is not a borrower the security provider must provide a guarantee.

Acceptable Residential Security Properties

All loans must be secured by a mortgage that constitutes a first ranking charge over freehold land or Crown Leasehold land. Where a loan is to be secured by a mortgage over Crown Lease in Australia, that Crown Lease must not expire earlier than 10 years after the maturity date of the loan.

Acceptable properties are subject to the criteria as listed below, and any additional Lenders Mortgage insurance requirements (if applicable). Advantedge, at its sole discretion, reserves the right to reject or reduce exposure to any property or location submitted for consideration.

Advantedge will consider all security properties that meet Acceptable Security Property Requirements. Advantedge will not accept any loan application that relies on 6 or more securities.

Properties must be zoned Residential or equivalent[^], providing it:

- has capacity to be used for residential purposes;
- can be marketed and sold as residential property within 12 months; and
- is 50 square metres or greater (including balconies and car parking). Note: residential property less than 50 square metres (including balconies and car parking) **or** 40 square meters or greater (excluding balconies and car parking) can be used as Acceptable Residential Security where the property is otherwise not expressly restricted in policy, provided the use as Acceptable Residential Security has been approved as a policy exception.

[^]Examples of equivalent can include, but not limited to:

- Mixed Use Zoning
- Residential
- properties where rezoning has not occurred
- Commercial Zoned residences above a shop where the residence is on a separately issued title
- Multi-story apartment complexes with shopping centres below and the residence is on a separately issued title

Rural residential (or similar zoned) properties	<p>Rural Property can be treated as Acceptable Residential Security if it can be completed on a residential valuation and passes all of the following Marketability Test:</p> <ul style="list-style-type: none"> • The property is (or can be) legally used for residential/rural residential purposes without specific permit requirements. • The property has the capacity to be used for residential purposes. • The property is not a main source of income for the customer and/or does not generate (or intend to generate) net trading income (net profit, before tax and addbacks) of more than \$50,000 per year. Where the rural property is leased to a third party, enquiries must be made to determine whether the third party generates (or intends to generate) net trading income (net profit, before tax and addbacks) of more than \$50,000 per year from the property. • Power is connected to the property. • Water applicable to the area is connected to the property (ie tank, bore or town water). • The property is not a Rural Crown Leasehold. • The property is the lower of: <ul style="list-style-type: none"> • Less than 10 hectares (25 acres) in size; or • Less than 2.2 hectares (5 acres or 22,000 m²) if there is no residence or dwelling on the property. • The property is located: <ul style="list-style-type: none"> • Within 50 kms of a provincial city with a population greater than 20,000; or • Within 20 kms of a primary regional town with a population greater than 10,000; or • Within 10 kms of NAB Store/Branch location based in NSW or VIC states only. (Note: Does not include NAB Agency/Outlet). <p>Where there is any doubt about the zoning, a copy of the planning certificate for the property being offered as security must be obtained; or the matter must be confirmed by minimum DCA level 3.</p> <p>Where the Rural Property does not pass the Marketability Test and a residential valuation has been completed, a request to minimum DCA Level 3 to have a property considered as acceptable residential security can be requested and must be accompanied with evidence that the property:</p> <ul style="list-style-type: none"> • Is being used wholly or predominantly for residential purposes; • Is less than 100 hectares (240 acres) in size. For LMI applications, land size must not exceed 50 hectares (120 acres); • Does not generate (or intend to generate) net trading income (net profit, before tax and addbacks) of more than \$50,000 per year. Where the rural property is leased to a third party, enquiries must be made to determine whether the third party generates (or intends to generate) net trading income (net profit, before tax and addbacks) of more than \$50,000 per year from the property; • Does not generate income that the customer/guarantor is reliant on to demonstrate debt servicing; and • Would have similar marketability to a property zoned residential. <p>When minimum DCA Level 3 assesses a request to consider a rural property as acceptable residential security, the decision must be based on the marketability of the property (in conjunction with the evidence provided (as detailed above)</p> <p>If the Rural Property does not pass the Marketability Test, and minimum DCA Level 3:</p> <ul style="list-style-type: none"> • <u>Approves</u> the property as acceptable residential security – a Home Loan Product can be offered up to: <ul style="list-style-type: none"> – A maximum LVR of 80% on a maximum land size of 100 hectares; or – If LMI applies, a maximum LVR of 90% on a maximum land size of 50 hectares. • <u>Does not approve</u> the property as acceptable residential security – the Rural Property cannot be accepted as security for any home lending purposes.
Units/ flats/ apartments	<ul style="list-style-type: none"> • Each must comprise an area of at least 50 square metres (includes balconies and car parking) or 40 square meters or greater (excluding balconies and car parking).

Speculative Residential Security	<p>Residential properties are considered speculative when they involve the following property types:</p> <ul style="list-style-type: none"> existing or not yet developed residential property where four residences or more are held as part of a single development; and/or land held for future residential development or sub-division into four lots or more. <p>Additional risks exist when security comprises multiple residences or lots in the same development and it may not be possible to sell all of them quickly and without a price discount.</p> <p>Speculative residential property is not considered as Acceptable Residential Security</p> <p>Note: In exceptional circumstances a minimum DCA Level 3 may determine whether the properties can be classified as acceptable residential security. In determining the suitability of a property as acceptable residential security, minimum DCA Level 3 must consider all of the following issues and if approved, record as a <u>policy exception</u>:</p> <ul style="list-style-type: none"> The proportion of residences/lots held in the development. If the residences/lots form a high proportion of the total development, will this adversely affect the Bank's ability to market and dispose of the properties quickly and without discount in the event that security must be realised? This risk increases with the size of the development. The nature and features of the development. Are there any specific or unique features that would limit the Bank's ability to sell the residences/lots individually or that would require a discount or extended sales period (for example, common or shared areas within the development, or remote location of the development)? Marketability of the residences/lots in the development. How strong is the demand for these residences/lots? Could the residences/lots be sold quickly at the same time, on an individual basis and without discount, or is the market such that a discount may be needed to sell the residences/lots together? The capacity of the customer to service or repay the debt other than from the short-term sale of the properties Is a major part of the customer's repayment strategy the short-term sale of some or all of the properties? Can the customer service or repay the debt from other income sources?
Restricted and inner- city postcodes	<ul style="list-style-type: none"> Properties located within Restricted Postcodes will be bound by LVR limits, which are set based on the location, and risk of the security type. Refer to the Post code tool for detailed restrictions. Note: DCA Holder approval required to consider outside these requirements.
Serviced Apartments	<p>A serviced apartment is an apartment that is approved and used for holiday and short term (generally less than three months) accommodation. Typically, serviced apartments are centrally managed and serviced and subject to a management agreement.</p> <p>In certain circumstances, serviced apartments can be considered normal 'residential apartments' with a copy of the management agreement required to be provided to consider the serviced apartment as Acceptable Residential Security.</p> <p>For Serviced Apartments to be treated as Acceptable Residential Security all of the following criteria are to be met:</p> <ul style="list-style-type: none"> They are legally permitted for permanent residential use based on the zoning and planning regulations of the property. Minimum DCA Level 3 confirms they can be removed from the management agreement at any time and within a maximum of four months. Any applicant is not the principal, a director, or a shareholder of the company operating the management agreement. Advantage (including valuers) can deal with the property in the normal residential property market, separate from the operation of the overall development in which the property is located. <p>If the above criteria are not met the Serviced Apartment cannot be treated as Acceptable Residential Security.</p>
Properties impacted by Potential Flammable Cladding	<p>Properties which are impacted by potential flammable cladding will be assigned a Risk Alert of 5. These properties must be restricted to a maximum LVR of 70%.</p> <p>Additional requirements must be confirmed by the customer – refer to guidance from Valuation Services Any exceptions must be:</p> <ul style="list-style-type: none"> Approved by minimum DCA Level 2 Approved on a P&I basis only

Unacceptable Residential Security Properties

The following are considered unacceptable residential security, with the exception where prescribed property/security criteria are met, as per Acceptable Residential Security Properties.

- Student Accommodation.
- Company Share Titles and Stratum Titles.
- Owner-builder construction projects.
- Mobile and kit homes (i.e. transportable properties).
- Community titles that are situated within Community Title Scheme (development) where lending requested is to purchase vacant land and/or for construction purposes.
- Rural Property
- Speculative Residential Security
- Serviced Apartments
- Multiple construction on one title

Valuations

Approved Valuers

A valuation report, prepared by an Advantedge approved panel valuer, must accompany each application. Valuations must be ordered via CoreLogic's PropertyHub. No exceptions to this will be accepted. Only accredited staff can utilise the CoreLogic's PropertyHub. CoreLogic's PropertyHub will process the request for a valuation report according to Advantedge instructions.

Disclosure

The valuation must not be communicated to customers, property owners, or any other person with the following exceptions:

- The customers broker
- Where customer requests in writing to receive a copy of a valuation report completed by an external panel valuer and signs a copy of the 'Valuation Release Form' (refer Customer Release Authority)

(Note: Valuation reports completed by NAB's internal valuation firm (NAB Valuations), are not to be released to the customer at any time)

Valuation Types

The following types of valuations are acceptable (subject to LMI Provider Valuation Requirements):

1. AVM (Automated Valuation Model)
2. Desktops
3. Kerbsides/Restricted Assessment
4. Short Form
5. Long Form

The type of valuation ordered will be determined by the Business Rules Engine.

External Panel Reports must have the following included as interested parties:

1. National Australia Bank and its related bodies corporate,
2. QBE Lenders Mortgage Insurance Limited (Short Form and Long Form only)
3. Perpetual Trustees Victoria Limited
4. The Mortgage Manager (optional)

Note: Reports completed by NAB Valuations (NAB's internal valuations team) will not include all the above parties but are acceptable for use by Advantedge.

Valuation Requirements

1. The valuation report must confirm that the property is readily saleable with no adverse features.
2. Any sales evidence must not be within the same complex.
3. Vacant land must be valued on an 'as is' basis.
4. Construction valuations must be made on a to-be-erected (TBE) basis and the Valuation must confirm:
 - the Fixed Price Building Contract is an acceptable Industry Standard; AND
 - proposed Construction Stage Costings are reasonable and meet below requirements.

Recording a valuation outcome - contract of sale

When a customer is purchasing, or has purchased a property, that has not yet settled, the market value (M/V) must be recorded as the lesser value of the contract of sale purchase price (must be executed less than 12 months from valuation date); or valuation.

If the contract of sale purchase price and valuation are within \$1,000 of each other, then the higher value may be recorded.

Exceptions:

Valuations must be used as the market value (MV) where:

- The COS was executed (in accordance with state or territory law) and dated more than 12 months prior to the valuation completion date.
- The COS is non-arm's length or negotiated without the involvement of an agent;

Note: Customers must contribute minimum equity (i.e. cash or supporting security) of 5% of the contract of sale purchase price plus costs (i.e. land transfer stamp duty, lenders mortgage insurance (if applicable), and government fees and charges).

Construction valuations:

The market value (M/V) must be recorded as the lower of:

- Overall land value plus the cost of construction/development; or
- Market Value returned on the Valuation report.

Note: If the two values are within \$1,000 of each other, then the higher value may be recorded.

Exceptions:

- For renovations or extension of an existing house, M/V on valuation report can be relied upon.
- For land properties that have already settled the land M/V on the valuation report must be relied upon
- Where the COS is dated more than 12 months, the land M/V on the valuation must be relied upon

Off-the-plan Purchases

For off the plan purchases of a medium or high-density apartment, only submit the application to Advantedge when the property is nearing completion, or for an AIP. For formal approval, the property must be practically completed, and you must ensure the physical valuation* is completed and it is:

- Dated within 90 days at the time of unconditional approval; and
- When completed as a short form or higher, the valuation report must contain no indication that the property is incomplete or partially complete; or
- When completed as a kerbside or when the short form (or higher) indicates property is incomplete or partially complete, supported by an occupancy certificate.

Notes:

- An apartment is considered a medium density apartment when the total number of apartments in the complex is greater than or equal to 20 apartments, and less than 50 apartments.
- An apartment is considered a high-density apartment when the total number of apartments in the complex is equal to or greater than 50 apartments.

*A physical valuation refers to valuation types where the property is inspected by a valuer.

Valuation Age

Valuations must be no older than outlined below.

SECURITY TYPE / LMI / VALUATION TYPE	AGE AT UNCONDITIONAL APPROVAL
Short Form / AVM/ Desktop/ Kerbside	36 Months
Inner City Apartments and off-the-plan Purchases (Low Density apartments)	36 Months
Off-the-plan Purchases (Medium and High-Density apartments)	90 days
Where LMI is applicable (separate to the above)	12 months

Note: Continued reliance on an existing valuation can be continued to be relied upon for up to 36 months as at the submission date for:

- Non-LMI applications
- the property being sold (COS held)
- the property being outwardly refinanced (discharge received)

NB: An existing valuation can only be relied on where it complies with current policy requirements for the application, including valuation type determined by the Valuation Business Rules Engine.

The Business Rules Engine (BRE) will correctly determine an LMI acceptable valuation type where a Banker/Broker has entered/ selected information into the applicable fields. All valuation requirements must be verified and satisfied prior to processing approvals.

LMI Provider Acceptable and Unacceptable Valuations

The following cannot be waived at any Delegated Commitment Authority level as it will void any Lenders Mortgage Insurance policies:

- Panel firm' valuations (excluding desktop assessment) must be addressed to the Bank and state they can be relied on by the LMI provider.
- Downgrade Valuation Types determined by Business Rules Engine (BRE).

QBE – Acceptable Valuation Types

The following valuation types are acceptable to QBE and can be relied upon for LMI purposes:

1. Desktop Assessment conducted by NAB Valuations and Panel Firms – Including Desktop +
2. Automated Valuation Model (AVM) report
3. NAB Kerbside Valuation report (completed by NAB Valuations)
4. NAB Full Inspection Report (completed by NAB Valuations)

5. Residential/Construction Long Form Valuation

6. Residential/Construction Short Form Valuation (including SMARTval)

Note: The valuation must not be older than 12 months as at the credit decision date.

QBE – Unacceptable Valuation Types

The following valuation types are **not** acceptable to QBE for LMI purposes:

1. Restricted Valuations (kerbside conducted by Panel Firms)
2. NAB Platinum Report (completed by NAB Valuations)

Note: For Construction loans a progress payment report does not constitute a valuation

*Refer to table below for AVM and Desktop (Panel Firms and NAB Valuations) requirements.

LOAN PURPOSE	ACCEPTABLE VALUATION TYPE	PROPERTY TYPE CRITERIA	MAX LVR ACCEPTED	PROPERTY VALUE
Purchase or Refinance	Automated Valuation Model (AVM)	All property types excluding: <ul style="list-style-type: none"> • Properties with settlement greater than 90 days from the contract of sale date/sales advice date; or • Vacant land; or • Off the plan; or • New dwellings (not previously occupied); or • Properties with authenticity doubts[^] 	Up to and including 90% **	Minimum property value \$250,000 Up to a maximum value of \$2,000,000
Purchase or Refinance	Desktop (Panel Firms and NAB Valuations)	All property types excluding: <ul style="list-style-type: none"> • Properties with authenticity doubts[^] 	Up to and including 90% **	Up to a maximum value of \$2,000,000
Purchase or Refinance	Desktop + (NAB Valuations)	All property types excluding: <ul style="list-style-type: none"> • Properties with authenticity doubts[^] 	Up to and including 90% **	Up to a maximum value of \$4,000,000

** Capitalised LMI premium can be included beyond this level

Replacement or Updated Valuation Reports

If any of the following change you can use the portal to see if the valuation you have is still valid.

- LVR
- Postcode
- Loan Amount

The portal will check the business rules engine and indicate the TYPE of valuation that is valid for the new amount prior to ordering.

A new or updated valuation report is required when:

1. There is a new security;
2. The property is an off the plan purchase of a medium or high-density apartment and the valuation is greater than 90 days old as at date of unconditional approval.
3. For non-residential properties:
 - There is reason to believe the property value has declined, OR
 - The existing property security is a specialised property and the existing valuation is greater than 36 months old.
4. There is new or increased lending against existing property security and either:
 - the existing valuation is older than 12 months for Lender's Mortgage Insurance (LMI) application; or
 - the existing valuation does not comply with Lenders Mortgage Insurance policy requirements.
5. The existing valuation completed date is greater than 36 months old for all other applications.
6. The date of the valuation reports falls outside the parameters outlined in the valuation table.
7. The duration for reliance, stated by the valuer in the report, expires.
8. There are authenticity doubts.
9. The property has been impacted by a natural disaster.

Security Risk Ratings and Valuation Risk Alerts

Residential property valuation reports contain Security Risk Ratings and Valuation Risk Alerts (if applicable), with requirement for review, comment, and acceptance by respective DCA holder necessary when any of the following is evident for both LMI and non-LMI applications:

Security Risk Ratings

- 2 or more Risk Ratings of 4
- 1 or more Risk ratings of 5; OR
- Any Valuation Risk Alert (VRA) and VRA commentary.

Valuation Risk Alerts

- Any Valuation Risk Alert (VRA) and VRA commentary.

Inconsistencies or potential risks identified in photos supplied within the valuation that are not identified in the valuation report must be disputed with the valuer.

DCA holders are not required to comment on VRA alerts relating to:

1. Flooding, Bushfire and Cyclones.
2. Location issues including but not limited to busy roads, transmission lines.

Authenticity Doubts

A Physical property inspection and valuation is required when there are authenticity doubts.

To assess authenticity, the following examples should be considered:

- Rental guarantee is included in the contract.
- Private sale that have not been advertised and transaction completed without a real estate agent.
- The Contract of Sale price has been altered after the valuation by up to +/- 10%*.
- The property is being purchased by an interstate buyer
- Where the contract includes a side agreement – i.e. discount to the purchase price where certain conditions are met.
- Where the contract is not expressed in Australian dollars.
- Where the purchase contract indicates a leaseback arrangement.
- Security affected by natural disaster.
- Off the plan purchases of medium and high-density apartments.

* Where a contract of sale has been altered (for monetary reasons) and not considered within the valuation report, bankers must dispute the last valuation and upload the amended full COS for Valuer to review (excluding when an AVM has been completed). Refer to Disputing a Valuation.

Note: Above requirements for a physical inspection/valuation do not apply where the transaction is a consequence of a marital separation or deceased estate which involves a property transfer between the existing mortgagors. No policy exception is required to be recorded for this circumstance.

When a sworn valuation is obtained for a loan with Lender's Mortgage Insurance (LMI), the valuation must state that the LMI provider can rely on it. This requirement cannot be waived at any DCA level due to the Bank's contractual obligations with its LMI providers.

General Insurance

Advantedge requires general insurance to be in place on the secured property prior to settlement, and to be maintained at all times.

Upon signing a contract of sale, the purchaser assumes the risk of any damage to the property. The purchaser may be required to proceed with the transaction and pay the vendor despite damage or destruction of the property. The purchaser should therefore insure the property upon signing the contract of sale.

Brokers must:

- Ensure insurance cover held over assets being provided as security and with an insurer approved by the Advantedge prior to drawdown.
- Collect evidence of insurance for new property (i.e. new mortgage being taken) - excluding vacant land and strata title property* security.
- Refer to the Construction Loans section for insurance requirements for properties under construction.

Note:

- *Strata Corporations/Body Corporations are required to hold buildings insurance as part of each state/territory legislative requirements - a copy of the master insurance policy covering the strata property is not required to be held by Advantedge
- For land only properties, no evidence of insurance is required.

Brokers must obtain one of the following acceptable verification documents to evidence insurance cover is held:

- Building insurance policy;
- Certificate of Currency; or
- Invoice from the insurer accompanied by verification of invoice payment (where the invoice contains the full details of the insurance cover to enable each of the verification steps below to be completed).

Advantedge will verify the following once acceptable evidence of insurance has been obtained:

- The insurer is acceptable, i.e. contained on APRA's list of [Insurers Authorised to Conduct New or Renewal Insurance Business in Australia](#);
- The settlement date precedes the insurance expiry date;
- At least one mortgagor is recorded as an insured party; and
- The property is identified and the location matches records held (exception: for construction loans, blanket insurance policies are acceptable if all conditions are met)
- AFSH Nominees Pty Ltd must be noted as having an interest as mortgagee and noted on the policy for properties with a market value over \$2 million.

For information related to co-insurance (where two or more insurance policies covering the same security, or the requirements for home insurance claims to rebuilt – contact your BDM for guidance.

Lenders Mortgage Insurance (LMI)

Any loan greater than 80% LVR (subject to security location) must carry 100% Lenders Mortgage Insurance ('LMI') as provided by a Lenders Mortgage Insurer nominated at the sole discretion of Advantedge. Lenders mortgage insurance companies approved by Advantedge are Genworth Financial Mortgage Insurance Pty Ltd (Genworth) and QBE LMI Mortgage Insurance Limited (QBE). Some conditions apply.

LMI and LMI approval is not required for loans where the LVR is $\leq 80\%$, unless the security property is located within an 'Inner City postcode' as determined by the post code tool and the loan purpose is for investment in which case LMI and LMI approval are required where the LVR is $>70\%$.

The borrower is required to pay the LMI premium.

Advantedge will allow the LMI premium to be capitalised to the loan facility subject to:

1. The base loan facility amount must not exceed the applicable LVR limit; AND
2. The total loan facility must not exceed the following LVRs:

95% (including LMI capitalisation)	For owner occupier purchase (including vacant land) on a principal and interest repayment type only, excluding construction.
90% (plus LMI capitalisation)	For all other owner occupier loans, including refinances on a principal and interest repayment type only.
90% (including LMI capitalisation)	For investment and construction purposes.
90% (excluding the portion of LMI which relates solely to the top up)	Where the borrowing relates to a top up on an existing owner-occupied facility

Advantedge's Loan Submission Summary form and Application form must nominate that the borrower/s wish to capitalise the LMI premium to the loan facility.

1. Loan serviceability will be calculated on the total loan facility (including the capitalised LMI premium).
2. The borrower's notional repayment will be calculated on the total loan facility (including the capitalised LMI premium).
3. The total loan facility (including the capitalised LMI premium) must be repaid by the set maturity date.

LMI premiums can be partially refunded where loans are subsequently discharged within 24 months of draw down.

Application Details and Verification

Key Requirements

- Advantedge will Complete verification for each home loan application, including when an application is required to be reassessed.
- Advantedge Credit must verify as acceptable any income that is not specified or does not meet the Requirements outlined in this Policy, and review documents accepted for validation if relied on for debt servicing purposes.
- All income required to meet servicing in the customers application must be verified.
- Customers assets and all liabilities which must be captured in the customers application using the prescribed loan repayment calculations.
- Capture the customers general living and entertainment expenses using the Living Expense Worksheet (or equivalent) and ensure the higher of the declared expenses or HEM are used.
- Appropriate income shading and income caps are applied to assess capacity to service the proposed loan.
- The security value has been confirmed by a valuation as instructed by the Decision Tool or valuation policy.
- Advantedge must record any details of their income calculations within the origination system or equivalent.
- Income must be captured as gross income.
- All verification documents must meet criteria as outline in 'verification documents requirements'.
- All verified information must match the details in the origination system or equivalent unless within an allowable tolerance as outlined in 'when to reassess an application'.
- Applications paused by the Fraud Team for review must not progress until guidance has been provided by fraud operations.

Serviceability

- You may use the Advantedge Serviceability Calculator to undertake a preliminary assessment of the borrower's loan serviceability for new lending.
- You must use the Advantedge Serviceability Calculator to undertake as assessment of the borrower's loan serviceability for all loan variations. Acceptable loans must have a positive Serviceability result.
- Where the applicant(s) have joint commitments with other parties who are not included in this application, 100% of the commitment is to be used in serviceability calculations.
- Where the applicant(s) have joint investment property income with other parties who are not included in this application, 100% of the income generated from the investment property may be used in serviceability calculations. Where 100% of income has been used, 100% of related investment property expenses must also be captured.
- Advantedge may consider including deductible interest when calculating servicing capacity for a loan application. Where this is applied, the following must be considered:
 - The amount of deductible interest to be used for servicing calculation must not exceed total taxable income from all sources.
 - LMI insurer policies must be complied with where the loan application requires LMI cover.

IMPORTANT: The serviceability calculator serves as a guide only. Your responsible lending obligations require that you do not provide credit assistance where a loan is unsuitable. You must make your own assessment about each applicant's financial circumstances based on the reasonable enquiries you make.

VERIFICATION CATEGORY	WHEN IT IS REQUIRED
Income	<ul style="list-style-type: none"> All applications Secondary verification is not required for loans which meet the criteria for low risk refinances
Expense	
Undisclosed Liabilities	
Loan Repayments	
Employment	<ul style="list-style-type: none"> New to Advantedge (excluding low risk refinances/limit increases) and Lenders Mortgage Insurance Applications
Loan Purpose/Cash out verification document	<ul style="list-style-type: none"> LVR over 90%; or LVR over 80% and cash out above \$100,000 <p>A note detailing the cash out purpose is required for all cash out requests.</p>
Liabilities & Repayment History	<ul style="list-style-type: none"> Required for all refinance loans
Genuine Contributions	<ul style="list-style-type: none"> All loans above 90% LVR
Home Guarantee Scheme - Government Guarantee	<ul style="list-style-type: none"> All loans which are supported by a Government Home Guarantee Scheme All Family Home Guarantee Loans supported by a Government Guarantee
Repayment at retirement	<ul style="list-style-type: none"> All loans that will expire after planned retirement age, or after they turn 70 years of age; and Verify the retirement strategy, if retirement is imminent. Secondary verification is not required for loan which meet the criteria for low risk refinances.

Verification Document Criteria

Verification documents must meet the following criteria:

- Appear genuine;
- Provide the details required to verify in accordance with the verification type; and
- Must meet all the below minimum document standards,
 - Details/amount being verified match the details in the origination system within the allowable tolerance levels – refer [Reassessing an application](#)
 - For PAYG income, as at application submission date*, the most recent payment/payslip date must be:
 - No older than 45 days for weekly/fortnightly/bi-monthly/monthly payments; or
 - No older than 90 days for payments greater than monthly.
 - For all other verification, as at the application submission date*, the most recently issued credit/s or document/s used for verification must be:
 - No older than 90 days; or
 - No older than 12 months for income payment/s made or documents issued; quarterly or greater, unless specifically stated in other sections of policy;
 - The most recent tax return must be no older than 24 months when used for verification purposes, excluding where utilised for self-employed income

Where financial statements are provided to verify self-employed income the most recent financials as at the application submission date, must be no older than

- 21 months; or
- 24 months for non-trading entities
- Clearly identify both the issuer of the document and the Customer/Guarantor, excluding rental appraisals which may not be addressed to a specific customer.
- Either an original typed copy or an electronic copy of the required verification document.
- Not be handwritten unless a corresponding account credit can be reconciled.
- Where in the form of a letter, it must clearly identify the customer and the issuer such as the company or individual.
- Not have Tax File Numbers (TFNs) present (redacted).
- Not appear to be altered, tampered with or forged in any way.

Refer to the Document Verification Requirements checklist for list of recommended documents to be obtained to verify income sources.

Employment Income

- All Employment income must be verified using account credits or a payslip as the primary document with the exclusion of:
 - Recently commenced employment where the customer has not had two pay cycles
 - Return to work employment
 - Defence force reserves
 - Family Business
 - Companies who produce Annual Reports
- Different income types have specific verification periods and may require income shading as specified in the following table:

INCOME TYPE	VERIFICATION PERIOD	INCOME SHADING
<ul style="list-style-type: none"> Full Time/Part Time 	Minimum 2 pay cycles	No Shading
<ul style="list-style-type: none"> Full Time/Part Time inclusive of all allowances and overtime 	Minimum 180 days	
Eligible occupations: <ul style="list-style-type: none"> Ambulance Officer 		
<ul style="list-style-type: none"> Firefighter Nurse/Midwife Paramedic Police Boarder Force Protective Services Officer Medical and Health Professionals – refer below for list of professions 		
<ul style="list-style-type: none"> Casual Defence Reserves 		
<ul style="list-style-type: none"> Commission Overtime 	Minimum 180 days	Decision Tools will automatically apply shading to the amount due to the uncertain nature of these income types as appropriate in the debt servicing.
<ul style="list-style-type: none"> Bonus Income 	Minimum 24 months	

Permanent Full Time/Part Time Income

Definition: The income individuals receive from salary and wages is usually paid during the year under the pay as you go (PAYG) withholding system, and includes customers working for a family business who are not defined as 'Self-Employed'

- Advantage must verify the customer's income using documents that meet the [Verification Document Criteria](#) or internal system/s which confirms the customer has received a minimum of two payments from their employer.
- Where the payments verified are for different payment values, the lowest of the two payments must be used.

Refer to the Document Verification Requirements checklist for additional information. Where customer's salary and wages is derived from the following eligible occupations: Ambulance Officer, Fire fighter, Nurse/Midwife, Paramedic, Police, Protective Service Officers, Border Security.

Medical and Health Professionals include:

Medical Practitioner Training, Anaesthetist, Dermatologist, Emergency Medicine Specialist, Obstetrician & Gynaecologist, Ophthalmologist, Paediatrician, Pathologist, Specialist Physician, Psychiatrist, Radiologist, Nurse Educator, Nurse Researcher, Dentist, Dental Specialist, Hospital Pharmacist, Industrial Pharmacist, Retail Pharmacist, Occupational Therapist, Optometrist, Physiotherapist, Speech Pathologist, Chiropractor, Osteopath, Podiatrist, Medical Diagnostic Radiograph, Radiation Therapist, Nuclear Medicine Technologist, Sonographer, Veterinarian, Dietitian, Naturopath, Acupuncturist, Natural Therapy Professionals, Audiologist, Orthoptist, Orthodontist.

- Allowances and Overtime may be considered as standard PAYG income
 - Advantage must verify a minimum of the last 180 days of payments received.
 - Input the average monthly payment received for a minimum of the most recent 180 day period.

Directors wages exception:

The average wages received over a minimum of the most recent 180 days may be treated as regular PAYG income.

Bankers must:

- Verify a minimum of the last 180-days of most recent payments received; and
 - Input the verified average monthly payment received.
- Or
- Verify the directors' wages and directors' fees declared on their most recent personal tax return; and
 - Input the verified amount as an annual value.

Directors' wages can be verified via the following documents:

- ATO Income Statements
- Most recent ATO return

Director Wages paid from a trading trust ABN are acceptable provided:

- Trustee is a corporate entity and the applicant can be confirmed as a director via a company search
- Verification criteria are met

Allowances

Advantage may include Employee Allowances as base PAYG income where the allowances:

- Are individually specified; and
- Are evident in two pay cycles; and
- Are not seasonal, temporary or short term; and
- Do not vary by more than 20% from the lowest amount (use the lower of the allowance value for assessment).

Where these criteria are not met, allowances must be treated as [Uncertain Employment Income](#)

Advantage must ensure they capture any actual expenses related to these allowances in the [Customers Living Expenses](#)

Deductions

Employee deductions removed from income used in debt servicing do not require further inquiry to be made where servicing remains evident.

To add back deductions, including salary sacrifice, to the customers base wage

Advantage must:

- Verify the type of deduction, and where the amount is not credited to the customer's account, document that there is clear rationale as to why it is an acceptable deduction to add back; and
- Apply tax in accordance with the below table:

DEDUCTIONS ADDED BACK	FRINGE BENEFIT EXEMPT EMPLOYEES (AMOUNTS UP TO \$970 PER MONTH, PER ELIGIBLE FBT EXEMPT EMPLOYER)	PUBLIC BENEVOLENT SOCIETY AND HEALTH PROMOTION CHARITIES	FRINGE BENEFIT EXEMPT EMPLOYEES, PUBLIC BENEVOLENT SOCIETY, HEALTH PROMOTION CHARITIES
<ul style="list-style-type: none"> Add back the deduction amount to the customers gross income; and Tax the total gross income in accordance with customers individual tax rate 	<ul style="list-style-type: none"> Add back tax free where the customer is eligible for a Fringe Benefit Exemption 	<ul style="list-style-type: none"> \$1545 per month as tax free income (per eligible FBT exempt employer) Advantage must complete a Charity Register Search Confirm the charity is registered as a Public Benevolent Society on the Australian Charities and Not-for-profits Commission (ACNC) (their Public Benevolent Society status can be located on the history page). 	<ul style="list-style-type: none"> Exceeding the amounts stated in this table as tax free is acceptable where confirmation is held in writing from the employer that they pay the tax on the employee's behalf. <p>In all other cases, the excess amounts should have the customers effective tax rate applied.</p>

Refer to the Document Verification Requirements checklist for additional information.

Novated Leases

Where a novated lease is evident on a payslip the following treatment must be applied:

- Lease must be captured as a liability with the outstanding limit to ensure DTI is captured correctly
- Pre tax deductions – Must** be deducted and **does not** need to be included in the liability repayment amount
- Post tax deductions – Must** be included in the liability repayment amount but **does not** need to be deducted

** If there is no post tax deduction then the liability repayment must be input as \$1*

It is acceptable to have \$0 for running costs in living expenses where running costs associated with the vehicle are included in a pre tax deduction and this has been noted in living expense commentary.

HECS/HELP Debt Deductions

In most instances the HECS percentage amount may already be included in a customer's tax withheld amount. Care must be taken when reviewing the attributed taxation amount so that it is accurately reflected.

Returning to Work

Where a customer is returning to work after extended leave, the Advantage must capture:

- The customers advise strategy to meet debt servicing commitments over the period of extended leave; and
- Obtain a letter from the customers employer to verify the customers intended return to work date, employment status and salary.

Parental Leave

Customers who are about to commence, or currently on, Parental Leave their intended **BASE PAYG** income when they return to work may be input for credit assessment.

The customer must:

- Be employed as a Permanent Full Time/Part Time Employee; and
- Has worked for the employer for a minimum of 12 months; and
- Advise their intended return to work employment details after parental leave period expires including employment status and hours; and
- Advise how they will meet debt servicing commitments over the period of parental leave, in addition to the loan contract term.

Brokers must:

- Input the customers income according to their return to work employment arrangement; and
- Ensure the Foreseeable Changes questions are completed for customers who are about to commence parental leave; and
- Ensure any costs associated with childcare are considered in the customers living expenses; and
- Verify the customers base wage (note verification via dated payslips is acceptable outside the standard 90-day document validity requirement).

Refer to the Document Verification Requirements checklist for additional information.

Casual Income, PAYG Contract & Tax-Free Defence Force Reserves

Advantage must:

- Verify the average payments received for a minimum of the most recent 180-day period; and
- Document on the application how they have calculated the average income amount received.

Uncertain Employment Income

Uncertain income is generally a variable income source. This can be made up of individual additional income types, or a combination of different payment types. These income types are required to be evidenced and verified over an extended period compared to standard PAYG income, and shaded due to potential volatility.

The nature of the customer's employment must dictate that their income is:

- Paid as a base salary plus:
 - regular **overtime** payments from the same employer;
 - regular **inconsistent allowances** (which do not meet the allowance policy) from the same employer; and / or
 - bonus** payments.
- Paid as regular **commission** payments

Note: Where casually employed applicants earn overtime, the uncertain employment income requirements must be applied to their income.

OVERTIME, COMMISSION & INCONSISTENT ALLOWANCES	BONUS PAYMENTS
<ul style="list-style-type: none"> Advantage must verify a minimum of the last 180-days of payments received. Input the average monthly payment received for a minimum of the most recent 180-day period. 	<ul style="list-style-type: none"> Advantage must verify the last two years of bonus payments received. Input the lower of the average bonus payment received; or the most recent financial year if the bonus payment was lower.

Non-Employment Income Shadings

INCOME TYPE	INCOME SHADING
<ul style="list-style-type: none"> Investment Income Rental income (new, existing, and holiday/ short term or shared spaces) 	Decision Tools and the Advantedge Serviceability Calculator will automatically apply shading to the amount to cover for investment volatility and vacant tenancy as appropriate in the debt servicing.

Australian Rental Income

Rental received from residential and commercial investment properties in Australia can be input for credit assessment where the asset is owned by the applicant and listed in their asset position.

The gross rental income used in the credit assessment **before** applying any automated or manual shading requirements must be the lower of:

- The most recent customer provided verifiable rental income amount; or
- The rental estimate on Advantedge ordered valuation report (new rental only); or

- 6% of the market value of the total Advantedge market value (where held) or customer advised value (where Advantedge valuation is not held) of the property per rented dwelling (residential property only).

Where the most recent verification document reveals different credits e.g. a transaction listing showing two monthly payments, and these payments vary, the lowest rental payment should be used in the credit assessment.

Where a property address is required on a verification, this should include the street number and street name (including unit where

applicable) – the suburb, state and postcode are not required.

Note: Expenses related to investment properties must be captured as part of the living expense conversation and recorded in the living expense work sheet (or equivalent), system shadings are to cover for periods of vacant tenancy.

DEFINITION	VERIFICATION DOCUMENT MUST MEET VERIFICATION DOCUMENT CRITERIA, AND:
New Rental A new or existing property which is not currently earning an income.	<ul style="list-style-type: none"> Must include the property address and the amount of proposed rental income. Be issued by registered real-estate agents on their company stationery, be a current lease agreement or be contained in a valuation ordered by Advantedge. Granny flats must be confirmed via a Advantedge or external valuation report as being self-contained. <p>Exception: rental appraisals do not need to contain the customer's name.</p>
Existing Rental A new or existing property, which is currently earning an income	<ul style="list-style-type: none"> Be issued by their bank when confirming account income credits as rental income and confirm they have received the rental for a minimum of: <ul style="list-style-type: none"> 2 payments; or 8 weeks where the property is rented privately and verified via income credits. Be issued by the real-estate agent or ATO. Preferred documents to verify are: <ul style="list-style-type: none"> Rental or ownership statement Rental ledger Rental property schedule contained within ITR Existing tenant information included within the contract of sale – must include rental amount, frequency, and lease end date Be an executed lease agreement (if expired, written confirmation of extension from agent) Rental AVM <p>Note: If the above rental amount received varies on the same verification document type, use the lowest gross rental payment in the credit assessment.</p> <p>Note: Granny flats must be confirmed via an Advantedge or external valuation report as being self-contained.</p>
Existing Holiday Rental Where the customer is earning rental income from short term letting such as a holiday house or AIR BNB accommodation	<ul style="list-style-type: none"> Be issued by the ATO/Tax Agent or managing agent/company. It must include the property address and the amount of rental received for a minimum of 12 months to cover periods of seasonality. This amount must be entered as the total annual amount, and not be annualised if rented for a period of less than 12 months. The period must cover a full financial year, ending 30th June of the most recent financial year as at the application submission date. <p>Note: Verification documents listed above are only acceptable for the year ending 30 June 2021 onwards.</p>
Shared Spaces Where the customer is earning rental income from renting part of their home such as Room Rental.	<ul style="list-style-type: none"> Be issued by the ATO/Tax Agent and include the property address and the amount of rental received. This amount must be entered as the total annual amount, and not be annualised if rented for a period of less than 12 months. The period must cover a full financial year, ending 30th June of the most recent financial year as at the application submission date. Advantedge must confirm the customer still currently receives the rental by confirming two recent account credits. The lowest amount (12-month average, or current rental amount received) must be used in the credit assessment. <p>Note: Verification documents listed above are only acceptable for the year ending 30 June 2021 onwards.</p>

Australian Government Allowances

Due to the Department of Human Services varying eligibility criteria and means testing associated with some payments, applications containing selected government payments need to be referred to a DCA holder to consider:

- A customer's **individual circumstances** and overall strength of their application (including assets, liabilities and, consistency and reliability of all income including government payments);
- Impacts that the proposed transaction may have on their government payment (particularly in relation to income and asset testing);

- The intended duration of the payment and its availability to rely on for the term of the loan; and
- Advantaged's responsible lending obligation to ensure that the loan is not unsuitable.

To ensure appropriate consideration is provided to all customers, income sources that require manual assessment **must** be referred to an Advantaged credit for a full review **before** a customer is provided an outcome on their loan.

Advantaged must:

- Verify the most recent payment and frequency using a Centrelink statement; or
- Confirm a minimum of two payments have been received into the customers account from a government department
- Where the payments vary by more than 20% including any allowances use the lower of the 2 payments.

The following table outlines government pension and payment types, whether '**system**' or '**manual**' credit assessment is required, and instances where payments cannot be considered for debt servicing:

GOVERNMENT PENSIONS	
Pension Type	Assessment Method
Aged Pension	System Assessment
Veteran Affairs Pensions and Totally and permanently incapacitated (TPI) pension	
Disability Pension that are exempt from asset/income test (i.e. permanent blindness)	
Widower Pension	
Supplement Payments (related to the above pensions)	
All Other Disability Pensions	
Sickness Allowance	Manual Assessment completed by Advantaged Credit due to <u>eligibility requirements as set out by department of human services</u>
Other Pensions	
Pension Type	Assessment Method & Eligibility Criteria
Family Tax A (Single/ Couple)	System Assessment when <ul style="list-style-type: none"> • Customer advised age of child is before their 12th birthday. • Family tax income is not predominant source (i.e. more than 50%). Note: Pro Rata amount can be used for number of eligible children where benefit is paid for multiple children but not all meet eligibility requirements.
Family Tax B (Single)	
Family Tax B (Couple)	System Assessment when <ul style="list-style-type: none"> • Customer advised age of Child is before their 9th birthday. • Family tax income is not predominant source (i.e. more than 50%). Note: Pro Rata amount can be used for number of eligible children where benefit is paid for multiple children but not all meet eligibility requirements.
Family Tax (outside above criteria)	Manual Assessment completed by Advantaged Credit due to <u>eligibility requirements as set out by department of human services</u>
Carers Payments	
Supplement Payments (related to Payments)	
Foster Care Payments	
Parenting Payment	
Other Government Payments	
Job Seeker	Not acceptable for debt assessment purpose
Austudy	

Child Support or Maintenance

Child support or maintenance payments should only be included in debt servicing when they are registered with a child support agency, and where they are being paid for a child who is yet to have their 13th Birthday.

Advantage must:

- Obtain the Maintenance Agreement/Child Support Assessment notice and:
 - Ensure it is registered with the Child Support Agency
 - Verify the payment amount on the agreement
 - Verify the child's age on the agreement (where noted)
- Verify the customer has received a minimum of 180 days of payments and input the lower of the average amount received or the amount of the Maintenance Agreement/Child Support Assessment notice.
- Ensure that the Maintenance/Child Support Payments do not represent the predominant income source of the application.

Note:

- Pro-Rata amount can be used for number of eligible children where benefit is paid for multiple children but not all meet eligibility requirements.
- Payments that have been paid pursuant to an unregistered (or private) agreement must be confirmed by Advantage Credit.
- Child support payments are tax free.

Investment Income

Income from the following investments can be considered in the credit assessment when the investment is current at the time of the credit application, and the investment income can be verified as received.

- Dividends from shares in a Publicly listed company on the Australian Stock Exchange (ASX)
- Australian Interest-bearing deposit accounts, where a minimum of two payments have been received
- Australian Managed Funds (which may include international assets)

Verification must:

- confirm the amount and the frequency of the return from the investment; and
- meet [Verification Document Criteria](#); and
- meet requirements as outlined below:

<ul style="list-style-type: none"> Interest Bearing Deposits; or Dividends from a publicly listed company 	<ul style="list-style-type: none"> Be issued by the investment provider, the ATO/ Tax Agent or a NAB Financial Planner, account credits are acceptable where a minimum of two payments have been received. These savings must not be part of the customers contribution towards the purchase.
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Note: When inputting share dividends into the application, franked or unfranked dividends and franking credits may be utilised

Privately Listed Income – Companies & Trusts

Income from the following can be considered as investment income and shared accordingly in the credit assessment where the investment income can be verified as received for the prior two financial years.

- Trusts - where the customer is not noted as a named beneficiary
- Dividends from Private Australian Companies

Verification must:

- Be completed using documents from the ATO or an Accountant prepared tax return; and
- meet the document time frames as outlined in [LEN506 - Financial Statements and Debt Servicing Analysis](#) policy; and
- meet requirements as outlined below:

Trusts	This income must only be accepted by minimum DCA Level 3 who must ensure the funds are not used elsewhere for debt servicing within the aggregation group, which may cause hardship if not paid to the non-named beneficiary.
Private Australian Companies	The lowest annual amount received must be used in the credit assessment.

Note: When inputting share dividends into the application, franked or unfranked dividends and franking credits may be utilised

Superannuation Income

Superannuation income qualifies when:

- The Customer is drawing income from their superannuation fund at the time of application and payments are regular and stable.

Advantage must:

- Verify the income evidenced by the two most recent payments and ensure they are current
- Where income drawings evidenced are inconsistent use the lowest drawing in the credit assessment

Foreign Source Income

- Foreign source income is any income sourced outside of Australia.
- Advantage does not accept foreign source income for serviceability purposes. No exception to this policy can be considered.

Defence Home Ownership Subsidy

This subsidy income is acceptable for credit assessment purposes where:

- Customers currently hold and will not alter the eligible Defence Loan post loan drawdown; and
- The DHOAS subsidy amount can be verified as being received to their Home Loan

Self Employed (Personal, Partnerships, Company, Trust)

Self Employed income is generated by:

- Sole Traders or 'Proprietors'
- Traders as part of a business partnership
- Company Directors who also own shares personally
- Company Directors where their spouse/de-facto own shares
- Company Directors where they, or their spouse/de-facto own shares through a company or company/trust structure
- A Trustee who controls the distributions from a trust to beneficiaries
- Named Trust Beneficiaries who receives Trust Income Distribution/s

Advantagede Must:

- Obtain at least two consecutive years of the most recent historical annual financial statements (Balance Sheet and Profit & Loss Statement) for all borrowers (& guarantors when the debt servicing/primary exit assessment includes guarantor income). The most recent financial year end must not exceed 21 months (15 months for listed & large proprietary companies).
- Ask the customer about their financial statements, and if their future financial position/performance is likely to materially deteriorate when compared with the current income documents or financial statement. Where the customer advises that their future performance will materially deteriorate, mark the application as foreseeable changes 'yes' in the origination system and in addition to their financials obtain:

- Business Activity Statements (BAS); OR
- Transaction statements with business income (where BAS is reported annually or there is no GST registration)

Note: These documents must cover a minimum of the most recent financial quarter and the same information for the corresponding quarter of the prior financial year.

- Only input the income into litework where the Acceptable Financial Statements are held (i.e. you cannot input projections)
- Input the financial information into the Self-Employed Ready Reckoner (SERR) to determine the income values as follows:

Two consecutive years financials held

Financials with no future deterioration expected	<ul style="list-style-type: none"> • Input both years into the Self-Employed Ready Reckoner (and litework).
The customer advises that their future financial position/performance is likely to materially deteriorate when compared with the current income documents or financial statements	<ul style="list-style-type: none"> • Calculate the % drop between the customers BAS for the most recent quarter, and the BAS for the same quarter of the prior financial year. • Apply the % reduction to their most recent financials. • Input the reduced financial information into both columns of the Self-Employed Ready Reckoner (and litework). • Mark foreseeable changes 'yes' for review by Credit.
The best indication of the customers future servicing ability is the most recent years performance due to a change or event which occurred.	<p>The use of the most recent year requires the Broker to complete financial analysis:</p> <ol style="list-style-type: none"> 1. Confirm with the customer what has changed in their business when the financial statements are reviewed. 2. Identify where the change can be identified in the financial statements. 3. Record the details of the further enquiries made by ensuring the change/event is documented and point to where in the financials this change is evident.

Complete the additional requirements in the below table:

Sole Traders and Partnerships	<ul style="list-style-type: none"> • Confirm the business is still trading – this must be confirmed via an ABN lookup or Business Search.
Companies	<ul style="list-style-type: none"> • Confirm the customer is entitled to funds from the company by completing a Company or Business Search, or their Personal tax return to confirm receipt of funds in prior financial years.
Trust	<ul style="list-style-type: none"> • Confirm and Verify: <ul style="list-style-type: none"> • If the customer is a named Beneficiary of the Trust; or • If the customer is the Trustee of the Trust; or • If the customer is the director and shareholder of the corporate trustee. • Where the Customer is a Trustee and intends to increase the amount, they are currently paid as a Beneficiary, this redirection is acceptable once bankers have made reasonable inquiries with the trustee that this will not cause hardship to existing beneficiaries, including confirming via NAB systems that the funds are not used elsewhere for debt servicing within the aggregation group.

Acceptable Types of Financial Statements (Self Employed Income)

The following types of financial statements outlined below are acceptable for credit assessment purposes

For trading entities:

- one year of accountant prepared annual financial statements. Plus, one year of either management or accountant prepared annual financial statements.

For non-trading entities and individual borrowers (sole traders or individuals trading as a partnership):

Either:

- one year of accountant prepared annual financial statements. **Plus**, one year of either management or accountant prepared annual financial statements or income tax returns.

OR

- One year of income tax returns with Notice of Assessment or ATO Portal confirming lodgment. **Plus**, one year of either management or accountant prepared annual financial statements or income tax returns.

WHERE THE ABOVE IS NOT AVAILABLE, THE FOLLOWING REQUIREMENTS MUST BE MET:

Individuals are Partners of Tier 1 Accounting and Legal firms	Bankers must obtain: <ul style="list-style-type: none"> Annual Distribution Advice from Tier 1 Accounting and Legal firms.
A customer is a small trading entity that doesn't prepare annual financial statements.	Bankers must obtain: <ul style="list-style-type: none"> Two years of Income tax returns <21 months, with NOA or ATO Portal for most recent year.
A customer is a non-trading entity that doesn't prepare management accounts.	Bankers must obtain: <ul style="list-style-type: none"> Two years of accountant prepared annual financial statements <24 months.
A customer has been trading for <24 months	Bankers must obtain: <ul style="list-style-type: none"> Minimum 12 months of projected financial statements. One year of annual financial statements or if not available obtain supplementary information.
A customer is acquiring a new entity	Bankers must obtain: <ul style="list-style-type: none"> Minimum 12 months of projected financial statements. Projections should be based on two years historic financial information from previous operator and the customer's business plan. NABs credit team will review and determine the appropriateness of the projections and if there is a requirement to obtain an Independent Due Diligence report.

General Living and Entertainment Expenses (GLEE)

- Brokers **must** complete and comply with all requirements within the Living Expense Worksheet for all Home Lending applications, use of this worksheet (or system equivalent) is mandatory where there is reliance on an individual's income such as a borrower or guarantor to support debt servicing.
- Brokers must record the customer's post-loan expenses related to renting a property.
- Brokers must record a Minimum \$500 Board or Rental expense per month per household post loan, where a customer will not live in their owner occupied PPR home or live with their spouse/de-facto post drawdown – excluding for owner occupied construction loans.

Decision Tool (DT) Assessed	<p>All applications assessed by a DT will use the Household Expenditure Measurement (HEM) to validate that expenses provided by the customer are realistic. DT will use the higher of customer advised expenses or Household Expenditure Measurement (HEM) in serviceability assessment.</p> <p>Where DT alerts that the customer advised expenses are less than HEM, Advantedge must make further inquiry to ensure customer/s declared living expenses are consistent with the customer/s circumstances and representative of their actual living expenses, Advantedge must record the customer/s response.</p> <p>Unless directed otherwise by DT or the DCA holder, no further action is required.</p>
Manually Assessed	<p>For applications not assessed by DT, Advantedge must use the higher of the customers Declared expenses or Household Expenditure Measurement (HEM). Where customer advised expenses are less than HEM, Advantedge must make further inquiry to ensure customer declared living expenses are consistent with the customer/s circumstances and representative of their actual living expenses, Advantedge must record the customer/s response.</p> <p>Where customer advised expenses are lower than HEM, Advantedge must use HEM in the serviceability assessment.</p>

Loan Purpose/Cash Out

Loan Purpose

The Loan Purpose ABS Code and funding requirements must be captured in the origination system, where the funds are for the purpose of a property purchase the customers intended use of the property must also be captured

- Owner Occupied Principle Place of Residence; or
- Owner Occupied Non- Principle Place of Residence; or
- Investment

Cash Out

Cash out is defined as the total funds being released to borrowers on an uncontrolled basis. Brokers must:

- make inquiries with the customer to understand the purpose of the cash out/equity release and how it meets the customers' needs and objectives and record a note on the application when taking a Principal and Interest, or Interest Only Loan Term Loan.
- Where the cash out is the predominant purpose of the loan, you must enter the purpose of the cash out as the loan purpose in the application.
- Where an LMI policy will be established, and the cash out is more than \$100,000 or LVR exceeds 90% verify a minimum of 80% of the total funds being released to borrowers on an uncontrolled basis using acceptable documentation.

Examples of supporting documents are:

- Builders quote
- Purchase contract
- Confirmation from a financial planner or accountant as to the intended use of funds

Advantage will:

- Review the application to ensure notes are held on the application where cash out exceeds \$100,000
- Complete verification where applicable for LMI applications

Note: Where the cash out/equity release is for a deposit on a future property purchase, and additional lending will be required to complete the purchase, Brokers must complete a note to confirm how the customer can fulfil the needs and objectives of the cash out request.

Loan Repayments

Brokers must:

- Use the Advantage's origination systems where possible to obtain the relevant loan repayments associated with a credit application; and
- Ensure loan repayment amounts are calculated and included in credit applications for all new and existing facilities.
- For credit assessment purposes, all current liabilities and repayment amounts must be calculated and input in accordance with the table below
- Advantage Credit cannot waive the requirement to capture the customer's liabilities in the application.

Where customers advise a liability will be paid out prior to the proposed loan drawdown or not using funds from the loan, the debt must be included in the application and noted as payout and close, bankers must calculate and note how the debt will be paid out in the application submission notes

FACILITY TYPE	LIMIT	BALANCE	TREATMENT
Home Loan Facilities	Yes	Yes	Liability For New and Existing Home Loan facilities (excluding debt/s to be paid out or refinanced) the repayment amount is to be based on:
			Principal & Interest loans
			The Affordability Rate on a Principal & Interest basis over the contracted / remaining loan term
			Interest Only loans
			The Affordability Rate on a Principal & Interest basis over the P&I term at the expiry of the IO term (i.e. contracted loan term less any IO term);
For other home lending facilities (e.g.: Line of Credit loans)			The Affordability Rate on a Principal & Interest basis over 30 years.
			Note: Where the remaining contracted loan term is not known, a customer advised loan term of up to a maximum of 20 years can be utilised to determine the Existing Loan Repayment value used for serviceability assessment purposes. EG: If the customer has advised the remaining loan term is 15 years, then this term must be used.
Credit Cards/Overdrafts	Yes	Yes	Liability For existing credit card and overdraft facilities, bankers must input a minimum monthly repayment amount of 3.8% of the total limit.
Lending with set repayment (e.g.: Personal Loan, long term BNPL greater than 3 months)	Yes	Yes	Liability Use contracted / actual loan repayment
Lending with no set repayment (e.g. Unsecured LOC / Margin Loan/ Business Loan in Personal Name)	Yes	Yes	Liability As the facility has no set repayment or repayment is unknown, must calculate the repayment amount using the effective borrower rate.
Non- Genuine Savings (e.g. Family loan)	No	Yes	Liability Calculate loan repayment using effective borrower rate. Note: If the customer has advised interest rate and term as well, Bankers must calculate repayment based on the information and use the higher of customer advised or calculated repayment.
ATO Debt Repayment Plan	No	Yes	Liability Use actual loan repayment as agreed with the ATO and input as 'other' repayment.
HECS/HELP loan	Yes	Yes	Liability Use customer declared limit/balance (unless information held varies from the customer provided information) and input as liability type 'HECS'.

Deferred Payment Facilities

The following deferred repayment facilities do not need to be recorded as a liability; the full purchase made on these facilities must be discussed and recorded as part of your living expense conversation.

FACILITY TYPE	LIMIT	BALANCE	TREATMENT
Post Pay Purchases (e.g. Short term deferred payments, such as BNPL, over maximum of 3 months)	No	No	Deferred Repayment, not considered a liability Include the purchase/s that was financed via the deferred repayment/post pay service in the customers living expense worksheet (total amount of purchase, not the repayment amount)
Charge Card (Paid in full each month, with no limit)	No	No	Deferred Repayment, not considered a liability Include the purchase/s that was financed via the charge card in the customers living expense worksheet (Note: these facilities are paid in full each month, and cannot retain a balance)

THE BELOW ARE CONSIDERED POST PAY FACILITIES TO BE CAPTURED AS A LIABILITY	THE BELOW ARE CONSIDERED POST PAY FACILITIES TO BE CAPTURED WITHIN LIVING EXPENSES
Zip Money	Nab Now Pay Later
Snaffle	CBA Step Pay
Payright	Suncorp PayLater
Humm	AfterPay
Bundll	PayPal in 4
Brighte	Klarna
Plenti	Latitude Pay
Westpac FlexiCard	Wizpay
Make it Mine	LayBuy
My Laybuy	Pay It Later
ZestMoney	Zip Pay
Zip Business	Certegy
Splitit	Sezzle
Art Money	Inkpay
	Deferit
	Genoapay
	Ourpay
	Spot BNPL
	Charge Cards (where paid in full each month)

Home Loan Repayment Verification

Home Loan Repayment Verification

Brokers must make enquiries and provide documentation to confirm the input of the following details for all Home Loans external to Advantedge:

- Loan Limit;
- Interest Rate; and
- Expiry date of the loan term OR Remaining loan term period (excluding Line of Credit facilities).

Where not a low risk refinance or limit increase, Advantedge must verify the loan limit and expiry date of the loan using a bank issued document or a comprehensive credit report (CCR).

Verification documents must be issued by the loan provider and meet Verification Document Criteria. Where the loan expiry cannot be obtained or located via comprehensive credit reporting, serviceability must be assessed based on the customer advised loan term of up to a maximum of 20 years.

Refinanced Liability Verification

Advantedge must:

- Verify liabilities and the repayment history for all debt external to Advantedge subject to refinance as part of the loan purpose
- Confirm that there has been no unacceptable behaviour for the periods specified below
- Confirm that lenders details and loan/ card limit match the details in the origination system

Verification may be completed using a Comprehensive credit report or using Loan or Card issuer document/s which meet Verification Document Criteria

Minimum Verification Periods:

Credit Card	90 days/3 months; or History since opening or available history in CCR; if under this period
Personal Loan/ Home Loan	180 days/6 months; or History since opening or available history in CCR if under this period

Note: any periods in excess of the above do not need to be reviewed.

Undisclosed Liabilities

Advantedge must check the following for undisclosed debts:

- Any customer provided transaction listings for undisclosed debt/s;
- Customers Comprehensive Credit Report (CCR) where the origination system provides a verification task or message code to do so; or
- Customers Comprehensive Credit Report (CCR) for all applications which are not assessed by Decision Tool (DT).

Where additional debt/s are identified that have not been included in the loan application, Advantedge must make further inquiries as to their status. The application must be re-assessed where facilities are still open.

Unacceptable Behaviours

The following behaviours are considered unacceptable, during the verification period.

- Confirm that there has been no evidence of bankruptcy, default, judgement or write-offs on the customer's credit report – if identified, refer the application to Credit DCA
- The loan or any other account of the customer shows arrears of 14 plus days, within last 90 days for credit cards and 180 days for personal loan/home loan, or history since opening if the account has been opened under this period – if identified, refer the application to Credit DCA.

Genuine Contributions (Genuine Savings)

Where a loan application has an LVR above 90%, Advantedge must:

- Verify a minimum 5% of purchase price as Genuine Savings/contribution customers contribution towards the purchase, without exceptions (due to Advantedges contractual obligations with its LMI Provider)

WHAT MUST BE VERIFIED	ACCEPTABLE VERIFICATION DOCUMENT/S
Genuine Contribution (Genuine savings)	<ul style="list-style-type: none"> • Equity in the residential property security or any other residential property • Funds held in a savings account or term deposit for 90 days or more (including where these funds have then been transferred to pay the required deposit) • Funds accumulated in a savings account or term deposit within the last 90 days which has increased the balance (excluding unacceptable forms of Genuine Contribution (Genuine Savings) (including where these funds have been transferred to pay the required deposit) • Shares held for 90 days or more as verified by a share certificate or holding statement (including deferred shares from an employer which have vested) • Funds held in trust, with evidence of contributions from the customer (ie transfers from a personal account or directly credited by their employer) • Government approved first home buyer saving schemes (ie Superannuation Salary Sacrificed contributions/First home buyer accounts) • Tax refunds • Sale of Real Estate or other Asset • Rental repayment history must be demonstrated over minimum 6 month period, verified via a Letter from the Registered Real Estate Agent detailing the following: <ul style="list-style-type: none"> – Full Name of tenant/s – Address of the tenanted property – Commencement date of tenancy – Amount of rent paid per cycle (e.g. weekly, fortnightly, monthly) – Confirmation of acceptable rental repayment history (i.e. no missed payments) <p>Note: Borrowed funds are not acceptable sources of genuine equity. Verification documents must be dated within 60 days of:</p> <ul style="list-style-type: none"> • The Application Submission Date; or • The deposit payment date, where Genuine Contribution (Genuine savings) were utilised to pay the deposit prior to application submission (ie off the plan). <p>Unacceptable forms of genuine savings include:</p> <ul style="list-style-type: none"> • First Home Owners Grant • Gifts or inheritances • Gambling proceeds • Loan-funded deposits • Advances on wages or commissions • Rental discounts • Builder or vendor discounts or finance or incentives • Compensation • Employer Superannuation contributions (does not include employee voluntary contributions) • Fund held in Company/Business Trading accounts <p>Disclosure of equity contributions comprising the following is required:</p> <ul style="list-style-type: none"> • Gifts • Inheritances; AND • First Home Owners Grant (FHOG) <p>Where equity includes gifted funds, Advantedge must be advised of the relationship between the provider and the borrower and whether the gift is repayable in the loan application. Where the gift is repayable, the terms of repayment must be advised and included in servicing calculations.</p>

Exceptions:

LMI Applicable	<p>Where LMI applies and the loan is being recontracted due to a spouse/de-facto split; Customer Contribution (Genuine Savings) verification is not required if confirmation is held in writing from the LMI provider which details that a current LMI policy may continue (including where a top up premium is required).</p> <p>Note: In all other instances Customer Contribution (Genuine Savings) requirements must be met due to the Bank's contractual obligations with its LMI provider.</p>
LMI not applicable (i.e LVR below 80%)	Genuine Contribution (Genuine Savings) verification documents or requirements must only be waived in exceptional circumstances by minimum DCA level 3.

First Home Owners Grant (FHOG) Policy

FHOG availability and conditions vary from state to state with each Australian State and Territory having its own rules for eligibility. To determine the eligibility of applicants for FHOG you will need to go to each state's website (links provided below).

Where Advantedge is to process a FHOG application, the following requirements must be met:

1. All FHOG applications must relate to the purchase or construction of an owner-occupied dwelling and therefore be regulated under the National Credit Code (NCC).
2. Advantedge will not process a FHOG application for a non- Code regulated loan.
3. Advantedge will process FHOG applications in accordance with Government requirements and regulations. FHOG funds will be made available at settlement.
4. Where FHOG funds are not available for settlement and settlement is subsequently delayed, Advantedge will not be liable for any costs, penalties or losses incurred by the borrower, as a result of the delay.
5. Where funds cannot be made available at settlement, Advantedge will cancel the FHOG application and borrowers must make their own separate application to the State Revenue Office for grant funds.
6. At the discretion of Advantedge, an amount equivalent to the approved FHOG may be advanced from the borrower's approved construction loan for use at the borrower's vacant land settlement. To qualify the borrower must be a First Home Buyer who qualifies for the government grant and is purchasing vacant land and will obtain construction lending approval prior to land settlement.
7. Advantedge must apply for the grant on behalf of the borrower and therefore the original executed documents must be supplied to Advantedge for processing.
8. Approval from the relevant government body must be held at least three days prior to the vacant loan settlement. Where approval is not provided, Advantedge will not advance funds and the borrower may need to provide additional funds to settle the vacant land.
9. Borrowers must complete and execute the "Authority to use FHOG for payment towards construction costs" form for this feature to apply. This completed document must be supplied with the loan credit package documents.
10. Upon the first progress payment, the grant will be released from the government body and credited to the construction loan to ensure adequate loans funds are held to meet construction costs.

An extensive list of FHOG requirements, particular to each State or Territory of Australia, can be downloaded from the below state-based websites:

- Australian Capital Territory: www.revenue.act.gov.au/home-buyer-assistance/first-home-owner-grant
- New South Wales: www.nsw.gov.au/housing-and-construction/first-home-buyer-grants-and-assistance
- Northern Territory: nt.gov.au/property/home-owner-assistance/first-home-owners/first-home-owner-grant
- Queensland: www.qld.gov.au/housing/buying-owning-home/financial-help-concessions/qld-first-home-grant
- South Australia: www.revenuesa.sa.gov.au/
- Tasmania: www.sro.tas.gov.au/
- Victoria: www.sro.vic.gov.au/
- Western Australia: www.wa.gov.au/organisation/departments-of-finance/fhog

First Home Owners Grant for Construction Loans

- FHOG proceeds are not available to fund vacant land. FHOG will only be released during construction.
- At the discretion of Advantedge, an amount equivalent to the approved FHOG may be advanced from the borrower's approved construction loan for use at the borrower's vacant land settlement.
- To qualify, the borrower must be a First Home Buyer who qualifies for the grant and is purchasing vacant land and will obtain construction lending approval prior to land settlement.

For more information please refer to the FHOG Fact Sheet & FAQs

Vacant Land Loans

- Vacant land loans are available to purchase land for either owner occupied or investment purposes.
- The maximum LVR is 95% (including LMI capitalisation).
- Vacant land finance is only available on the variable rate product.
- The valuation will be for the vacant land only on an 'as is' basis.
- Advantedge offers no guarantee that it will approve further requests for additional funds in the future and requires full credit information to be provided for any requests for additional funding.
- Where existing loans/securities change to vacant land by either substitution of securities or subdivision of land, vacant land/construction conditions apply. Where the loan is not re-documented, the Borrower's Guide to Vacant Land and/or Construction Funding must be issued to the borrowers.
- FHOG proceeds are not available to fund vacant land. Refer to FHOG Policy in this guide.

For further details refer to the Vacant Land and Construction Loan Fact Sheet

Construction Loans

- Construction loans are available to purchase land, build a residential property or renovate a residence for either owner occupied or investment purposes.
- The maximum LVR is 90% (including LMI capitalisation).
- Construction finance is only available on the variable rate product.
- Construction finance is not available to Owner Builders, a customer is considered an owner builder when the owner of the property under construction holds the building licence and/or has a financial interest in the company or business (excluding PAYG employees) that will complete the construction. **Note: DCA Holder approval required to consider outside these requirements.**
- Split contract, costs plus contracts and any building contract that allows progressive payment for construction beyond work completed (e.g. Simple Works Contract) are unacceptable.
- Each construction loan must only be for a single dwelling
- Construction must be completed within 24 months of loan settlement, noting after that time the loan will automatically convert to a Principal and Interest loan.
- Before any construction loan approval, all relevant construction documents as outlined below must be provided with the loan credit package.

(a) Before loan approval

Before loan approval is provided for vacant land/construction loan, Advantedge requires:

- Full copy of Contract of Sale (if applicable);
- Copies of plans/specifications; and
- Copy of signed industry standard (such as Master Builders Association or Housing Industry Association) fixed price contract;
- Minimum all sections of the contract requiring full signatures by interested parties.
- Examples of such sections are (but not limited to): Signature Section / Instrument of Agreement / Acknowledgement Section / Proof of receipt of Documents.
- Variations and/or additional legitimate quotes for "out of contract" items (if applicable);
- Required Insurance policies (see below)

An “As If Completed” valuation must be completed before commencement of building/construction works to estimate:

- the market value of the land and proposed improvements
- the building contract is an acceptable industry standard (e.g. Master Builders Association or Housing Industry Association)
- the check cost of construction using the plans, specifications and a signed industry standard (e.g. Master Builders Association or Housing Industry Association) fixed price contract (registered builder) and
- confirms the fixed price building contract construction stage costings are within acceptable industry standards.

The following documentation is to be provided to the Valuer:

- a copy of signed industry standard fixed price building contract, or formal tender with prescribed progress payment schedule, which is to include at a minimum all sections of the contract requiring full signatures by interested parties
- Examples of such sections are (but not limited to): Signature Section / Instrument of Agreement / Acknowledgement Section / Proof of receipt of Documents
- a schedule of proposed finishes and specifications
- formal scaled plans with dimensions and measurements
- variations and additional legitimate quotes.

The proposed construction stage costings must meet the following requirements, or the Valuation report must indicate the stage costings are reasonable for the type of build.

- Deposit must not exceed 10% of the total build contract
- Base and Deposit stage must not exceed 20% of the total build contract
- A minimum of 10% of the total build contract must be retained for Practical completion

Note: There are no restrictions on stages in-between base and practical completion.

(b) Prior to the first progress payment

Advantage reserves the right to request a copy of the Builder's Registration Certificate if required.

Advantage requires the following documentation be provided to satisfy the Construction Conditions prior to the first progress payment:

- A copy of the stamped *Council Approved Plans* and specifications;
- A copy of the *Builders Insurance of the Work (also known as construction works)*
- A copy of the *Domestic/Home Warranty Insurance*

Note: There is no need for a copy of the Builder's Registration Certificate to be provided. Advantage will confirm the builder's registration internally by performing a search on state government websites which contain up-to-date information on the builder's registration.

Advantage reserves the right to request a copy of the Builder's Registration Certificate if required.

(c) Progress payments

Advantage Customer Care administers all progress payment requests. All payment requests must be lodged with Advantage Customer Care no later than 3pm Melbourne time, two business days prior to the requested payment date. When requesting a progress payment the following information is required:

- A valuer's certificate (inspection report) confirming the stage of works completed and a 'cost-to-complete' figure;
- The builder's progress claim (or invoice), showing the stage of construction that is being claimed or a copy of the builder's receipt if the claim has already been paid. The claim should include the builder's banking details including the account name, BSB, and account number; AND
- An Authority to Pay signed by all borrowers. The Authority should include any request to pay valuer's inspection fee.

(d) At final payment

The final progress payment can only be advanced when Advantage has received:

- Valuer's certificate (inspection report) which confirms that the property is finished with 'NIL' works to complete;
- Final Council approval certification (occupancy permit) - WA excluded;
- Building insurance policy The builder's progress claim (or invoice), or a copy of the builder's receipt if the claim has already been paid; AND
- An Authority to Pay signed by all borrowers, which should be retained on the Customer(s) file.

Where there are surplus funds remaining at the completion of construction, Advantage, subject to the borrower's request, will pay these surplus funds:

- Directly into the borrower's nominated bank account (the one used for making repayments); OR
- Retain surplus funds as redraw in the borrower's loan account.

Settlement Funds

Once Advantage requirements have been met, loan funds will be provided at settlement as follows:

1. Where the loan amount is solely for the purchase of the land Advantage will release the approved loan facility amount.
2. Where the loan is for the construction of a property and the loan amount is more than the Fixed Price Building Contract Advantage will retain the full amount of the contract including variations.
3. Where the loan amount is for the construction of a property and the loan amount is less than the Fixed Price Building Contract Advantage will retain the loan amount.
4. Where deposits have been paid Advantage may release up to 5% of Fixed Price

Building Contract – see Special Condition section above.

5. Where works have commenced Advantage will release funds towards works completed to date, retaining cost to complete. Documentation noted below under “Progress Payment Procedure” must be provided to Advantage Customer Care.

Special Conditions

1. Funds are provided by progressive advances and are released on a 'cost-to-complete' basis. Where Advantage is not providing all of the funds to complete construction, the borrower's funds must be used first.
2. Construction properties should have their own separate Certificate of Title
3. Advantage will allow a maximum amount of 10% of the Fixed Price Building Contract amount to be paid prior to the commencement of any construction works.
 - Funds can be paid direct to the builder where the builder acknowledges that the funds form part of the Fixed Price Building Contract.
 - Funds can be made available at land settlement where a deposit has already been paid to the builder. The builder must provide Advantage with an acknowledgment to this affect.
4. All payment requests must be lodged with Advantage Construction Team no later than 3 pm Melbourne time, two business day prior to the requested payment date.
5. All payments are made payable to the builder, unless otherwise authorised. Payments cannot be made to third parties. Payment will be banked directly into the builder's nominated bank account. Advantage Construction Team must be provided with the builder's banking details including; account name, BSB and account number.
6. The usual number of progress payments is five, however additional payments are allowed.
7. Where the works are completed by registered builders two progress inspections are usually conducted. These usually occur:
 - When the first progress payment is requested;
(Note: Preparation, Deposit and Base stages cannot exceed 20% of total building contract costs);
 - When the final progress payment is requested.
(Note: Completion/Final stage must represent a minimum 10% of the total building contract costs).

Each valuer's progress inspection report must outline a 'cost-to-complete' figure for the dwelling. Funds will be released in line with the valuer's progress inspection report.
8. Progress inspection fees can be, but are not required to be, paid to the valuer at the time the progress payment is made. Advantage Construction Team must be provided with the valuer's banking details including; account name, BSB and account number. Any fee payment will be deducted from the available construction funds, which may result in reduced funds

available to meet the builder's claim. The borrower is responsible for any shortfall.

9. Borrower's monthly repayment will be calculated on a pro-rata basis on the funds advanced to date and will comprise Interest-Only until completion of the building and when all funds have been advanced or a maximum period of 24 months, whichever of the two occurs first.
10. Where the borrower requires a fixed interest rate option, a Loan Variation form must be completed after the final progress payment.
11. Where the loan facility is split and Advantedge is providing all of the funds for the construction, the construction split portion must be equal to the full amount of the construction contract.
12. If there are any variations to the Building Contract, Advantedge Construction Team must be advised. The valuer must also be provided with full details of the variations for comment as to their effect on the valuation figure previously provided. No part of the construction can be completed on an 'owner-builder' basis.
13. Construction must be completed within 24 months of drawdown (for new lending) or 24 months of Construction Product Commencement Date (for variations and top ups to Construction Loan).
14. At 21 months where a Construction Loan is deemed incomplete Advantedge will make contact with the borrower to confirm the expected completion date and provide options should construction not be completed at the end of the approved construction period.
15. Where an extension of the construction period is requested to extend the Interest Only period, it will be subject to a Full Credit Serviceability Assessment.
16. The Maximum Interest Only Term Extension is 12 months, to a total Construction Interest Only period of 36 months from drawdown.
17. At 36 months, where build remains incomplete customer may be subject to Non-Monetary Default action.

Construction Loans LVR Calculation

LVRs are calculated by expressing the amount borrowed as a percentage of the security value. The security value for construction loans MUST be calculated using the following figures:

- The lower of the land value shown on the valuation OR Contract of Sale; **PLUS**
- The lower of improvement value shown on the valuation OR the Fixed Price Building Contract including any variations.

Example:

	Contract/ Purchase Price	Valuation
Land	\$100,000	\$95,000
Improvements	\$200,000	\$210,000
Total	\$300,000	\$305,000

In this example the security value used by Advantedge to calculate the LVR is \$295,000.

Construction and Renovation Loans

The guidelines applicable to a construction advance are different to those that apply to a renovation advance. Construction will involve structural alterations to the property whereas renovations do not include structural changes to the property and are usually of a cosmetic nature.

- Examples of 'construction' include extensions or additions to the security property, garages, permanent outbuildings and in-ground swimming pools:
 - a) Construction will require Council approval.
 - b) Construction loans will be advanced by progress payments.
- Examples of 'renovation' include cosmetic items such as minor repairs, landscaping, footpaths, painting, carpet, tiling and furnishings:
 - a) Renovations do not require Council approval.
 - b) Renovation loans, at the absolute discretion of Advantedge, may be advanced in a single lump sum to the borrower.

Cessation of Building Activity

- If a builder has ceased work at the site, Advantedge should be notified immediately.
- A replacement builder must be engaged to complete the construction – completion cannot be done on an 'owner-builder' basis.
- The replacement Building Contract must be provided to Advantedge and to the valuer for comment. Subject to Advantedge approval, progress payments will proceed as normal, on a 'cost-to-complete' basis.

For further details refer to the **Advantedge Vacant Land and Construction Loan Fact Sheet**.

Procedure and Documentation

Documents to be completed by applicant(s):

Application form containing Privacy Notice and Consent form (in Advantedge's approved format). The consent provided to Advantedge only applies to the application(s) that are being made at the time of obtaining the consent and remains in force until the credit contract covered by the application is closed. A new consent is required for any subsequent applications for credit.

Documents to be provided with all applications:

For the application to proceed for credit assessment all of the applicable documents outlined below must be provided. For detailed documentation requirement, refer to the Loan Application Submission Checklist.

- **Loan Application Form including Privacy Notice and Consent** – Fully completed, signed* and dated by each applicant.
- **Verification of identity PDF report generated via IDyou** – If customer has

performed ID check at Australia Post please make note in the submission notes. Identity documents provided must show the customer's full legal name as per the application. ID must be valid, with exception of Australian Passports – acceptable if expired within the past 2 years.

Submission Notes

- Broker Notes: with clear purpose, direction of cash out, advice regarding pre & post deductions and adverse conduct.
- Copy of approved scenario exception (if applicable)

Income Verification Documents –

Remove all Tax File Numbers (TFNs) prior to submission.

- **Upfront Valuation** – pre-ordered and a valuation report included with credit submission (except for pre-approvals and construction loans if there is no contract to build inclusive of a progress payment schedule).

- **Refinance Documents** – for incoming refinances only.

- **Contract of Sale Document** – for purchases only. Not required for pre-approvals or refinances.

- **Genuine Savings (where base LVR > 90%)**

- **Construction, if applicable**

- **Mandatory repayment at retirement verification documents** – for imminently retiring customers.

Acceptance of Electronic Signature for Supporting Documents

For home lending applications and credit verification purposes, the following **supporting documents** can be accepted with either a wet or electronic signature (using any platform) provided that they are in the form of an **agreement/form/letter** (i.e. documents which are not deeds or statutory declarations, in which a wet signature is required). Electronic signing is where the document has been signed using an imaged signature, a signature drawn with a mouse/finger/stylus or a typed name (where the font of the typed name is different to the font of the document).

- Contract of sale
- Sales advice
- Real estate nomination form
- Deposit receipts
- Gift letter
- Fixed price building contract / variation agreement of building contract
- Employment contract / letter from the employer
- Rental/market appraisals
- Lease agreement
- Acceptable verification document from a real estate agent
- Letters/statements from accountant or financial planner

Customer Acceptance

National Credit Code (NCC) regulated loan must have loan contracts executed by all parties within 90 days of the unconditional approval date. Where loan contracts are not signed within 90 days of the unconditional approval date, a reassessment of the application is required including:

- Collection of updated verification documents where documents do not meet verification document criteria; and
- Preparation and execution of new loan contracts.

Loan Variations (Broker Guidelines)

Loan Amount Increase

The application will be assessed by Advantedge in the same manner as a new loan. Advantedge must be provided with:

1. Signed and completed Loan Variation form from all parties;
2. Updated valuation of security property (where required); and
3. A credit package in accordance to the requirements stipulated on the Variation form.

Change of Loan Product Features

When borrowers wish to change their:

1. Interest rate (variable or fixed); or
2. Repayment options (Interest-Only, Principal and Interest or Extension to Interest-Only Period).

A serviceability assessment is required for switching Principal & Interest loan to Interest-Only or for an extension to Interest-Only period. The Interest-Only Period Restrictions detailed in section 0 will apply.

Advantedge must be provided with:

1. Signed and completed Loan Variation form from all parties;
2. Signed Fixed Rate Authority form where a fixed rate is requested.
3. Fixed Rate Break Cost Acknowledgement form if a loan is to be converted from a fixed rate facility to a variable rate facility;
4. Borrowers must be advised of the affects to their redraw or drawdown ability;
5. Borrowers must be advised of the affects to their repayment ability.

The date of the conversion will be at the absolute discretion of Advantedge and subject to receipt of all necessary documentation, as Advantedge reasonably requires.

Split Facilities

A borrower may choose to split their facility post settlement. Advantedge must be provided with:

1. Signed and completed Loan Variation form from all parties;

Borrower Changes

Additional Borrower

Advantedge must be provided with:

1. Signed and completed Loan Variation form from all parties;
2. A credit package in accordance to the requirements stipulated on the Variation form

The new borrower application will be assessed by Advantedge, and where applicable the Lenders mortgage insurer, in the same manner as a new loan, and the same procedure applies.

1. Where applicable a Lenders mortgage insurance policy amendment fee may apply.
2. Existing security documentation will be varied or new documents prepared, depending on whether or not the loan will be subject to the requirements of the National Credit Code (NCC).

Borrower Release

A request to release a borrower from the mortgage will be considered by Advantedge if the remaining borrower(s) can demonstrate an ongoing ability to service the loan. In some instances the borrower may not be released because of the relationship to the remaining borrower or if they are a registered proprietor of the security property.

Advantedge must be provided with:

1. Signed and completed Loan Variation form from all parties;
2. A credit package in accordance to the requirements stipulated on the Variation form

Advantedge and, where applicable, the Lenders mortgage insurer will assess the application in the same manner as a new loan, and the same procedure applies.

1. Where applicable a Lenders mortgage insurance policy amendment fee may apply.
2. Existing security documentation will be varied.

Guarantor Release

A written request to release a guarantor will be considered by Advantedge having regard to the original purpose for which the guarantee was obtained, unless the guarantor makes the request to be released before the credit is provided or the terms of the credit contract are materially different (in one or more respects) from the proposed credit contract that was provided to the guarantor before the guarantee was signed, in which cases Advantedge must release the guarantor.

Change of Borrower Name

When there is a change of borrower name it is not mandatory to have security documentation or loan records amended. Should the borrower require security documentation to be altered, all legal costs and disbursements are to be borne by the borrower. Advantedge must be provided with:

1. Signed and completed Loan Variation form from all parties;
2. Copy of statutory name change certification, such as Marriage Certificate or Deed Poll.

Death of a Borrower

In the event of the death of a borrower Advantedge requires:

1. A 'Notice of death' and/or 'Death Certificate'; and either
2. A 'Survivorship application', in the case of joint proprietors or
3. A 'Probate Grant', and/or 'Beneficiaries Notice of Transfer', in cases where the borrower was the sole proprietor.

Security Property Substitution

Borrowers who sell their security property may be able to transfer their existing loan account to the new property.

1. Where security property is substituted for vacant land and loan is not re-documented, a Guide to Construction Loans brochure must be issued to the borrower.
2. A release of property and Security Substitution must be simultaneous. Advantedge no longer accepts settlement dates that are offset of one another.
3. Where a simultaneous Security Substitution is not available a full discharge discharge must take place followed by a new application of new property at a later date via a new submission into Lodgement System (AOL or LoanApp).

Procedures

Advantedge, and where applicable its Lenders mortgage insurers, must assess the new security property being substituted in the same way as a new loan.

1. Advantedge Lending Services department must process all Security Substitutions.
2. Brokers should provide a Loan Variation form, valuation and supporting information, as noted below, to the Lending Services department clearly identified as a Security Substitution. Where this does not happen or the discharge area is instructed independently by the broker, borrower or their representative, Advantedge will take no responsibility if the loan is inadvertently discharged. In these circumstances, full costs including those to reinstate the loan facility, will be payable by the borrower.
3. Instructions from brokers must clearly provide:
 - a) The date of discharge for the existing security property;
 - b) The nature of the discharge either full or partial – for all loans including splits;
 - c) The date of settlement for the replacement/new security; and
 - d) Details of the borrower's solicitor who is acting on the sale and purchase of the security properties.
4. Updated Credit Package information should include:
 - a) Completed Loan Variation Summary form;
 - b) A copy of the Contract of Sale for the security property being released;
 - c) Valuation of the new property; and
 - d) Updated financial information, if required (refer to page 30).

5. No further financial information is required, where the following criteria is met:

- Existing loan product, loan term, loan purpose and loan account to remain unchanged
- No increase to loan amount
- No deterioration in the lending category, outside of Lending Category A to D; or LMI is not required (refer to Lenders Mortgage Insurance (LMI) or waiver approval held from minimum Level 3 DCA Holder); or if LMI is currently held, the LVR has not increased. (Exception: If LMI is now required for account – refer to point 6 below for instructions)
- The valuation report and residential security type (including Term Deposits) are acceptable; LVR policy requirements are met (i.e.: Restricted and Inner-City Postcodes)

Note: For existing loan accounts with LMI, referral to LMI Provider will be required to determine if additional premium is payable.

6. Where the loan amount is increased, or LMI is now required, a full Credit Package must be provided. The application will be considered in the same manner as a new loan.

Property Subdivision

1. Any proposed plan of subdivision must be reviewed and approved by Advantedge solicitors. Advantedge may request an updated valuation of the security property, which must take into consideration all the effects of the proposed subdivision on the Advantedge security property.
2. If, after the subdivision has occurred, a portion of the security is to be sold, a reduction to the loan amount may be required by Advantedge.
3. After the subdivision has occurred, if the security property remaining is vacant land and loan is not re-documented, a Guide to Construction Loans brochure must be issued to the borrower.

Further Charges – Other Lenders

For Real property (Land) Mortgages, completion of a title search is required to be completed, when any extension of credit request is requested.

This is to ensure any subsequent mortgages lodged post Advantedge mortgage registration are identified to enable appropriate Priority Arrangements to be put in place and/or to ensure an accurate calculation of the Bank Value of the Security is reflected.

Advantedge must approve and consent to any request for a further charge (second or subsequent mortgage) over the security property. Where applicable, a Lenders mortgage insurance approval is required on all subsequent charge requests. This approval can only be obtained by Advantedge. Fees and Charges may apply – refer to Fees and Charges booklet for further details.

Deed of Priority

Advantedge must ensure that AFSH Nominees Pty Ltd (applicable for loans submitted from 31 January 2011) or Perpetual Trustees Victoria Limited (as mortgagee) is registered as first mortgagee and as such cannot enter into any deed of priority, which may alter that position.

When a borrower requests a loan from Advantedge, and where there are existing mortgages or charges on the title, Advantedge will require the existing mortgagee to:

1. Execute a deed of priority in favour of AFSH Nominees Pty Ltd (applicable for loans submitted from 31 January 2011) or Perpetual Trustees Victoria Limited; and
2. Lift its mortgage or charge, allow our mortgage to be registered, and then re-register its charge; or allow the registration of a deed of postponement to re-arrange the rank of the mortgages as per point (a) above.
3. When an existing borrower requests a variation to increase their loan with Advantedge and where there are subsequent charges on the title, Advantedge will require the existing subsequent mortgagees to execute a NEW deed of priority in favour AFSH Nominees Pty Ltd (applicable for loans submitted from 31 January 2011) or Perpetual Trustees Victoria Limited.

Fees and Charges may apply – refer to Fees and Charges booklet for further details.

Notice of Charge Received Prior to Settlement

1. Advantedge Lending Services department must be provided with details of the proposed charge, including at least the following information:
 - a) Details of the subsequent lender;
 - b) The amount of the further charge;
 - c) The term of the facility to be provided by the other lender;
 - d) The repayment amounts and interest rate applicable; and
 - e) Where possible, the purpose of the advance.
2. Advantedge will arrange for the production of the title documents to the appropriate Advantedge settlement agent. A production fee is payable.
3. The borrower's solicitor or financier will be advised by Advantedge of the consent, and the name of the relevant Advantedge settlement agent.

Notice of Charge Received Post Settlement

1. Advantedge Customer Care must be provided with details of the proposed charge, including at least the following information:
 - a) Details of the subsequent lender;
 - b) The amount of the further charge;
 - c) The term of the facility to be provided by the other lender;

d) The repayment amounts and interest rate applicable; and

e) Where possible, the purpose of the advance.

2. Advantedge will arrange for the production of the title documents to the appropriate Advantedge settlement agent. A production fee is applicable.

Post Settlement Requests and Powers of Attorney

Where a post settlement request has been signed under a power of attorney and Advantedge does not already hold a copy of the power of attorney on file, a copy of the power of attorney must be provided with the post settlement request and the attorney must be identified via one of our acceptable Customer Identification methods.

Advice will be sought from Advantedge's panel lawyers on all post settlement requests signed under power of attorney, and as a result, there may be a delay in approving and processing such requests.

Loan Repayment or Discharge

1. When a borrower or its properly authorised representative requests full repayment of the mortgage, you must provide Advantedge with a completed Full Discharge Authority Form.
2. Advantedge settlement agents will be advised of the pending discharge; Advantedge will provide an estimated payout figure and request preparation of discharge documents.
3. Advantedge will also provide the borrower's solicitor with an estimated payout figure and the name of the appropriate person to contact at Advantedge settlement agents.
4. Payout figures cannot be arranged using StarNet.
5. Where an existing Advantedge loan is being refinanced by a new Advantedge application then Advantedge will take action on the discharge request only when it receives authorisation from the outgoing Mortgage Manager/Broker, the borrower or their legal representative.
6. Advantedge will instruct the file within 15 working days upon receipt the Discharge Authority Form, or 15 working days prior to the anticipated settlement date. For example, if a request is received on 1 February for settlement to be completed on 28 February, the request will not be actioned until approximately 22 February.
7. In addition, Advantedge's Trustee will take 3 working days to send the packet to our settlement agents. Settlement bookings will only take place once the packet is in their possession.
8. The final payout figure will be provided within 1 or 2 working days prior the actual settlement date.
9. Request for Section 27 will be attended to within 3 working days upon receipt of the completed documents required.

Discharge Calculations

1. Discharge figures prepared by Advantedge Discharge department are subject to change upon confirmation of the actual settlement date.
2. The final repayment figure will include:
 - a) Repayments, if any, received after the date of the initial notification;
 - b) Accrued interest charges;
 - c) Early Repayment Fees (if applicable);
 - d) Lender's Administration Fee (if applicable), and
 - e) Principal balance outstanding.
3. Advantedge will, at its discretion, deactivate the borrower's repayment arrangements with its bank when the settlement date and appropriate repayment figures have been finalised. If there is any delay or the discharge does not proceed Advantedge should be advised immediately. Borrowers will be expected to make up any missed repayments.

Partial Release / Repayment – Multiple Securities

Advantedge will perform an assessment at the time of discharge and determine if funds are required to reduce total loan limits to an acceptable level.

Advantedge must be provided with the following documents:

- Loan Variation form; **AND**
- A copy of the Contract of Sale for the property being released

The customer's request will advise if:

1. Full Funds are applied to reduce limits
2. Partial Funds are applied to reduce limits

1. Full Funds to Reduce Limits

Where customers are applying all sale proceeds to the loan (i.e.: are not retaining any funds from the sale) confirm all loans are in order and there is no evidence of financial hardship.

2. Partial Funds

Where the customers wish to retain funds from the sale of their property, Advantedge will:

- Order a valuation on any security which is being retained (where existing valuation is older than 12 months); and
- Confirm all loans have satisfactory repayment history, and that there is no indication of financial hardship.

LVR INCREASE AND LMI IS REQUIRED	LVR IS THE SAME, OR REDUCES, OR HIGHER AND LMI IS NOT REQUIRED
Advantedge will: <ul style="list-style-type: none"> – Complete a new servicing assessment based on the updated verification document/s provided; and – Advise if additional funds need to be retained to evidence serviceability; and – Obtain Credit approval to release the property 	Advantedge will: <ul style="list-style-type: none"> – Confirm repayment history on all loans is satisfactory; and – Obtain Credit approval to release the property

Where Lenders Mortgage Insurance is already held, Advantedge will obtain consent from its Lenders mortgage insurer.

Note: The request must be processed as a new loan where:

- Limit/s are required to be increased to allow the property to be released; or
- The LVR increases and it means LMI now applies

IMPORTANT

Where the loan has been in arrears, or the customer has answered 'yes' to 'Possible Adverse changes to financial situation' (section 3 of the loan variation form). Advantedge will complete a new servicing assessment based on the updated verification document/s provided and obtain credit approval to release the property



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