MORTGAGE CREDIT REQUIREMENTS

RETAIL CREDIT RISK CONFIDENTIAL

16 DECEMBER 2024

TABLE OF CONTENTS

PART I

ASSESSING CREDIT APPLICATIONS

1 ASSESSING CREDIT APPLICATIONS

1.1 AUTOMATED CREDIT ASSESSMENT

Generally, all mortgage credit applications are subject to automated credit scoring models. The objective of automated credit scoring models is to achieve business efficiency by providing faster assessment processes and minimise risk by providing more consistent and accurate credit decisions.

Credit scoring uses a statistical approach to assign points to various characteristics, which empiric al evidence shows are predictive of borrowers defaulting, to arrive at a credit score. Different credit scoring methods may be applied to different products, types of applicants i.e. new to bank or existing customers. For existing customers, a behavioural score is derived from statistical methods using the borrower's internal historical account conduct. The combination of the application credit score (for new to bank and existing customers) and customer behavioural score (for existing customers) for each credit application is compared against cut-off scores that, in conjunction with the application of credit policy rules, determine if the application is acceptable.

Debt To Income (DTI) Ratio

DTI (Debt to Income) ratio is a measure of the customer's leverage. The higher the leverage, the higher the risk.

DTI Thresholds

- Owner occupied home loan applications without rental income will be declined where DTI is 7.5 and above.
- Owner occupied home loan applications with rental income will be declined where DTI is 8 and above.
- Investment loan applications will be declined where DTI is 8 and above.

Applications that exceed the DTI thresholds are outside of ANZ risk appetite.

Note:

- Company home loans and bridging loans are exempt from all DTI related policies.
- For LMI lending, the maximum LVR limits are affected by the DTI and being an eligible existing borrower.
- Higher LVRs permitted for loans with DTI <6 are not applicable for Company home loans and bridging loans.

PART II

LENDING FEATURES

2 LENDING FEATURES

2.1 BORROWER TYPES

ANZ must ensure credit facilities are only offered to acceptable borrowers. Borrowers must receive a substantial benefit from the loan and care must be taken with borrowers who may be vulnerable.

Acceptable Borrower Types

Acceptable Borrower Type	Definition
Individual	A natural person aged 18 or over who is: 1. an Australian or New Zealand citizen residing in Australia; or 2. a Permanent Resident residing in Australia; or 3. an Australian or New Zealand citizens living and working abroad, classed as expats. Refer to Foreign Income Verification for more details. 4. a Non-Permanent resident holding an acceptable provisional or temporary visa as listed below. LMI is not available for Non-Permanent residents. • Skilled Regional Sponsored - subclass 487 • Skilled Regional Sponsored - subclass 475 • Temporary Work (Skilled) - subclass 457 • Temporary Skill Shortage - subclass 482 (current occupation must be on the Medium and Long Term Strategic Skills List - MLTSSL) • Skilled Regional (Provisional) - subclass 489 (current occupation must be on the Medium and Long Term Strategic Skills List - MLTSSL) • Skilled Work Regional (Provisional) - subclass 491 (current occupation must be on the Medium and Long Term Strategic Skills List - MLTSSL) • Skilled Employer Sponsored Regional (Provisional) - subclass 494 (current occupation must be on the Medium and Long Term Strategic Skills List - MLTSSL) • Partner - subclass 820 (as spousal co-borrowers only) • Partner (Provisional and Migrant) - subclass 309 (as spousal co-borrowers only) • New Zealand Citizen Family Relationship – subclass 461 (as spousal co-borrowers only) • Bridging A (BVA) - subclass 010 (previous visa must be an acceptable type) Other visa subclasses that permit a stay of several years in Australia in a working capacity may be acceptable. Only cases with strong justification should be submitted to Credit Assessment for consideration. Note: • All provisional or temporary visa holders need to be recorded as Non-Permanent Residents, and in some cases they may require approval from the relevant government authority to invest in ownership of Australian assets (including the purchase of residential property).
Non-trading company	Non-trading companies (in their own right or as trustee for a trust) are acceptable, only if the company: • does not sell a product or service (including to a related entity) or is involved in a production activity; **and** • does not have creditors / debtors or stock in the balance sheet; **and** • derives income from passive investment, such as rental, dividends or interest (including rental income, dividends and / or trust distribution from a related entity). Note: • Non-trading companies that are directly owned by a trading company, are not acceptable. Some non-trading companies act as trustee for both trading trusts and non-trading trusts. When borrowing in their capacity as trustee they should: • be acting solely on behalf of the non-trading trust in the subject application; and • provide separate financial statements and tax returns for the non-trading trust Note: • Newly created trusts where no financials are available may be accepted where it is advised that they will act as passive income entities only

	Directors' guarantee will be required and GSA may be required. Refer to required [Borrower Security Requirements]().
Trust (individual or non-trading company as trustee)	ANZ's security position rests on its ability to access the trust assets if the trustee fails to pay any liability it has incurred in its capacity as trustee. Consider lending to trustees only when satisfied about all aspects relating to powers, financial position, security, character and ability. Trusts that ANZ can lend to: • discretionary trusts; **or** • unit trusts that do not have SMSF as unit holders. Examples of trusts that are not acceptable: Bare, Hybrid, Testamentary and Special Disability.
	Trust Deed certification requirements A Trust Deed certification must be obtained if: • ANZ is dealing with the trust for the first time; **or** • ANZ has dealt with the trust before but no Certification or Trust Review Report has been received; **or** • There has been a change to the Trust Deed.

Lending Threshold	Certification
Less than $200,000	Self-declaration. Solicitor certificate not required.
$200,000 – $3 million	Borrower's solicitor certification process / solicitor's certificate. OR ANZ panel solicitor (Gadens Lawyers) to vet the Trust Deed at borrower's cost.
More than $3 million	ANZ panel solicitor (Gadens Lawyers) to vet the Trust Deed.

Borrower Security Requirements

Borrower Type	Security Requirements
Company (non-trading)	In addition to landed security, all directors must provide unconditional joint and several personal guarantees. A GSA must be taken in all circumstances, unless: • there is no history of delinquency for more than 30 days; **and** • the company has less than 6 residential properties (not necessarily pledged to ANZ); **and** • the total balance of business mortgage facilities is less than $2.5 million.
Individuals or non-trading company acting as trustee	Depending on trust structure, security items such as guarantees, GSA, SSA and CSSA may be required, in addition to landed security. Guarantees must be obtained if there is a need to link cash flow or security to the lending from these parties. All directors of a company must provide unconditional joint and several personal guarantees (director's guarantee). Consider obtaining: • Guarantees from shareholders / adult beneficiaries / grantor / appointor / guardian / unit holders, supported by security with a tangible value, where possible. • A cross-guarantee between all corporate entities in the customer group (to cross-collateralise entities). • A GSA, dependent on entity structure, over all cash flow generating entities and asset owning entities.

Unacceptable Borrower Types

Unacceptable Borrower Type	Definition
Minor	A natural person under the age of 18.
Self-Managed Superannuation Fund (SMSF)	Any private superannuation fund. Any lending directly or indirectly is unacceptable.

Incorporated Associations	A registered legal entity usually established for recreational, cultural or charitable purposes.
Bankrupts	Borrowers under bankruptcy arrangements, including part 9 debt agreements.
Non- Permanent Residents	Any temporary / provisional visa holders that do not meet the visa subclass criteria. This also includes foreign citizens and foreign residents with no entitlement to travel to, live in or work in Australia.[1]
Trading companies	A corporate entity actively engaged in commercial activity (e.g. retail, manufacturing, property development). Applies to any company trading in its own right or as trustee for a trust.
Trading trusts	A trust actively engaged in commercial activity (e.g. retail, manufacturing, property development). Applies even where the trustee is a non-trading company.

[1] By exception, Non-Permanent Residents can be considered as non-income contributing co-borrowers if a spousal relationship exists to the primary borrower and the security property is not provided solely by the Non-Permanent Resident.

Note:
Care must be taken when dealing with borrowers who may be vulnerable. Refer to Servicing Vulnerable Customers.

Acceptable Co-Borrower Types

Under the Banking Code of Practice (BCOP), ANZ cannot approve an individual as a co- borrower, unless they receive a 'substantial benefit' from the loan or ANZ satisfies itself that the co-borrower meets specific requirements set out in the BCOP. A substantial benefit includes when the co-borrower acquires a reasonably proportionate legal or equitable interest in the assets purchased with the loan funds, or if a reasonable portion of the loan funds are used to repay the individuals debts or other obligations.

ANZ determines this by completing the interview guide, for all co-borrower applications. Some co-borrower scenarios may be unacceptable under ANZ policy even if the BCOP allows for these to be considered (refer to Unacceptable Co-Borrower scenarios below).

Note:
Under BCOP, substantial benefit does not apply to borrowers acting in their capacity as trustee of a trust, companies, and partners in a partnership or joint venture arrangement. However, ANZ policy requires that a benefit to the borrower (including corporate entities) must be established even in these circumstances.

Unacceptable Co-Borrower Types

A borrower cannot be added to a loan as a co-borrower for the sole purpose of providing acceptable income or asset position, where that co-borrower does not receive a substantial benefit from the loan proceeds.

Except in limited circumstances (i.e. where co-borrower is in a spousal / de facto relationship and ANZ is satisfied that they have a clear rationale for wanting to be a co-borrower, understand the associated risks of entering into the loan as co-borrower, as well as the difference between being a co-borrower and guarantor, and are not experiencing financial abuse), ANZ will not lend to customers where both / all borrowers are not registered on the title securing the loan. The below co-borrower scenarios are considered unacceptable to ANZ:

- If the loan purpose is a cash-out transaction, the applicants are not spousal / de facto, and both / all borrowers are not registered on the title.
- If the loan purpose is a cash-out transaction, the applicants are not spousal / de facto, and there is no clear substantial benefit from the loan proceeds, despite both / all borrowers being registered on the title.
- If the loan purpose is to purchase / refinance, renovate a jointly owned property, or repay joint debts, the applicants are not spousal / de facto, and both / all borrowers are not registered on the title being provided as security.

2.2 LOAN PURPOSE

Funds must only be borrowed for acceptable legal purposes.

Acceptable Mortgage Loan Purposes

- Land purchase
- House purchase
- Refinance
- Personal asset purchase
- Debt consolidation
- Construction (restrictions apply refer to Property Types and Loan to Value (LVR) Thresholds)

- Bridging loans
- Off-the-plan strata purchase
- Cash out for personal use e.g. weddings, holidays (refer Cash Out Guide)
- Purchase / refinance of established multi-dwellings (limited to the purchase / refinance of four established dwellings on the one title or within the same body corporate)
- Personal investment purposes

Note:
Where the loan is for investment in shares or managed funds and will be used as security for a margin loan, the Submitter must recommend the borrower seek independent advice from a financial advisor. The margin lending loan liability and repayments must be included in the Statement of Financial Position.

Unacceptable Mortgage Loan Purposes

- Illegal activity
- Commercial construction
- Residential property development, including developer refinancing onto home loan terms or purchase of residual stock from a property the borrower has developed. This does not include properties constructed for owner occupation or personal investment
- Construction of three or more dwellings on separate titles, or more than four dwellings on a single title at the same time, regardless of number of property titles or whether properties are being built in different locations
- Rent-to-buy schemes / loan wrapping
- Purchase / refinance of five or more established dwellings on one title or within the same body corporate
- Business or commercial lending* (including Land Banking)

***Exception:**
When a business debt has become a personal debt because:
- the borrower is no longer directly or indirectly self-employed; **and**
- the business is no longer trading, to be verified by:
  - For sole trader, partnership, individual as trustee, there must be evidence that the ABN has been cancelled.
  - For company (in its own capacity or as trustee of a trust), via ASIC search.

Cash Out Guide

In the lending application, the borrower must fully disclose the purpose for all funds being sought. A clear description of the intended loan purpose must be detailed. It is ANZ's discretion to seek further evidence for the purpose of funds being sought.

Note:
Cash out is not available to borrowers with adverse account conduct for LMI loans.

Evidence will only be required where cash out amount of $50,000 or more is sought **and:**

- Any customer is self-employed and the loan is subject to LMI; **or**
- Any customer has had prior cash out within the last 12 month' period.

The following matrix outlines when evidence is required for applications that have a "cash out" component.

○ No evidence is required ● Evidence is required

Cash out amount	Non-LMI Loans		LMI Loans	
	PAYG	Self-Employed	PAYG	Self-Employed
Less than $50,000	○	○	○	○
$50,000 and above	○	○	○	●
$50,000 and above and prior cash out within last 12 months	●	●	●	●

Note: If cash out is sought for a deposit on a property, ANZ has an obligation to understand the borrower's ability to complete the purchase. Where additional finance will be required, an Approval in Principle application should be considered as part of the cash out transaction.

Acceptable Evidence

The table below lists **some examples** of acceptable evidence. Alternative documents can be provided to support the purpose of funds being sought.

Cash Out Purpose	Possible Evidence Types
Personal investment (share purchase, property purchase)	• Confirmation of recommendation from Financial Planner that purchase forms part of an investment strategy; **or** • Statutory Declaration from applicants to confirm that they intend to purchase investments such as shares / managed funds / property and understands the risks associated with this strategy; **or** • Contract of Sale for the purchase property.
Renovations / home improvements	• Copy of contract or quotes for works to be undertaken; **or** • Detailed list of estimated expenses.
Personal use	• Detailed list of use of funds.
Motor vehicle	• Copy of contract / order; **or** • Statutory Declaration from applicants to confirm intention to purchase vehicle by private sale.

2.3 LOAN FEATURES

Requirements for the maximum loan term, loan repayment type including Interest Only.

Loan features and requirements

<table>
<tr><th>Feature</th><th colspan="2">Requirements</th></tr>
<tr><td>Maximum loan term</td><td colspan="2">30 years</td></tr>
<tr><td rowspan="3">Maximum Interest Only loan term</td><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>5 continuous years</td><td>10 continuous years</td></tr>
<tr><td colspan="2">After the Interest Only period, the rate will switch to the applicable variable rate for a Principal and Interest (P&I) loan.</td></tr>
<tr><td>Interest Only lending restrictions</td><td colspan="2">Interest Only lending is not available for:
• Scorecard declined applications.
• Loans supported by a family guarantee (including all split loan arrangements when any individual loan is supported by a family guarantee).
Maximum LVR thresholds (including LMI premium) for any owner occupied home loan product with Interest Only repayments:
• All new or increased lending – 80%.
• Eligible $0 Credit Critical renewals – 90%.
Updated valuations are not mandatory for $0 renewals however Credit Assessment can request new valuations.
$0 renewals are subject to assessment with full income verification over the new residual P&I term (serviceability must be evident).
Maximum LVR thresholds (including LMI premium) apply for any residential investment home loan product with Interest Only repayments:
• All new or increased lending – 90% (97% where DTI is less than 6).
• Eligible $0 Credit Critical renewals – 90% (97% where DTI is less than 6).
Updated valuations are not mandatory for $0 renewals however Credit Assessment can request new valuations.
$0 renewals are subject to assessment with full income verification over the new residual P&I term (serviceability must be evident).</td></tr>
</table>

Feature	Requirements
Redraw	• Allows borrowers to access any additional repayment to the loan account over and above the normal amortisation schedule for the loan. • Will not increase the debt over the original amount nor extend the original term of the loan. • Borrowers can only redraw up to the level of debt that would apply if a normal amortisation schedule were followed. • Borrower must be eligible for ANZ Redraw and have an eligible loan product. For eligibility criteria and further information, refer **ANZ Redraw**.
Taxation payments	Where the purpose of the loan is to fund payment of tax debt, the maximum overall loan term is 1 year. Not available for loans with LMI.

2.4 SIMPLER SWITCH

Simpler Switch is a streamlined application process available for eligible borrowers seeking to refinance their existing home loan to ANZ. Income verification documents are not required when using this streamlined process. Simpler Switch is only available to customers with satisfactory account conduct as determined by ANZ credit decision systems.

The customers' ability to repay is assessed in line with ANZ standard policies. The customers' stated income is considered when completing the assessment. The customers' repayment history will be taken as verification of ability to meet financial commitments.

Note:
Income declared must meet MCR definition of acceptable income sources.

Simpler Switch Criteria

Category	Criteria
Eligibility	The following criteria must be satisfied: • Borrowers are PAYG or meet the (self-employed) Company Wages income requirements • PAYG borrowers must be in their current role for a minimum of 3 months for full-time and part-time employment (6 months for casual employment) • No foreign income is required for servicing • Current OFI must be full participant of Comprehensive Credit Reporting (CCR) • Must have a minimum 12 months' repayment history for all existing OFI home loans (12-month requirement is not applicable for existing ANZ loans) • Borrowers must have clear credit history which includes: - no evidence of hardship or delinquencies (up to a 24-month' period); - no pay-day lender enquiries within the last 12 months; - no new OFI home loan lending facilities opened within the last 12 months; - no more than 3 credit cards and / or personal loan products opened within the last 12 months. • No changes to borrowers or security (changes to security ownership is permitted) • No debt consolidation allowed • Not available for loans with LMI. **Note:** Although income verification is not required, an income continuity check will be performed. Where ANZ systems identify a customer's income has recently ceased or time in current employment is less than the minimum term required, the application will no longer be eligible through the Simpler Switch streamlined process.

Loan repayment requirements	**Definition requirements** The minimum monthly loan repayment for the new lending must not exceed the current monthly loan repayments for the loan being refinanced, as determined by ANZ systems. Loan term extensions are permitted. **Evidence requirements** A current screenshot of the customer's internet banking or home loan statement with the following: • Account number; **and** • the loan repayment amount and payment frequency. **Note:** • For Interest Only loans or where statements provided demonstrate more than one interest charge / repayment amount, the lowest amount will apply. • When comparing loan repayments for customers seeking interest only lending, the minimum loan repayment on the new loan will be based on the payment amount after the expiration of the interest only period.
Loan Purpose	Limited to the refinance of an OFI home loan. Maximum cash out of up to $50,000 is also permitted for Simpler Switch loans within the last 12 months. **Note:** Loans requiring debt consolidation of non-mortgage facilities are not eligible through the Simpler Switch streamlined process.
Maximum LVR	80% or less, subject to Property Types and LVR Thresholds. **Exception:** Simpler Switch is available for eligible customers that qualify for LMI premium waivers, up to a maximum of 95% LVR.
Security and Property types	Standard LVR thresholds apply. Loans that require guarantees, second registered mortgages and LMI are not available.
Loans that are ineligible for Simpler Switch	• Refinancing of a line of credit facility • Partial refinances • Loans and / or security held in a company name or involves a trust • Loans involving a Guarantor.
Minimum credit criteria	Loan applications must meet minimum credit criteria as determined by ANZ systems including: • positive UMI • scorecard approved • satisfactory ANZ and OFI account conduct • no defaults / judgements / bankruptcy on bureau report • no delinquency or hardship indicators including pay-day lender enquiries. **Note:** Home loan statements for accounts that are not full participants of CCR reporting not being refinanced, are required. Where any adverse conduct or hardship indicators are present, the Simpler Switch streamlined process cannot be applied (refer to Account Conduct Checks for further details)
LMI	LMI is not available.
Applications that fail Simpler Switch	If the application does not meet all aspects of the eligibility requirements, the application can still proceed following the ANZ standard application process. Income verification will be required.

2.5 LENDERS MORTGAGE INSURANCE (LMI)

Lenders Mortgage Insurance (LMI) is required by ANZ when a loan is over 80% Loan To Value Ratio (LVR) due to the greater risk of loss it represents.

The insurance cover protects ANZ if the borrower defaults and there is a shortfall on the sale of the security. If not advised, borrowers may think that the payment of the premium provides them protection if they default and a loss occurs. This is not the case, as the insurer may seek recovery of their loss from the borrower.

It should be noted where additional lending occurs on a standard insured loan, and due to the subsequent re-valuation the LVR becomes less than 80%, and no further LMI premium is paid on the additional lending, the insurance policy on the original loan lapses. This will cause a full premium to be payable if the borrower applies for further funding that takes the LVR above 80% in the future.

Note:
LMI may be required when a loan is over 70% LVR for some property types. Refer to Property Types and LVR Thresholds for further details.

Maximum LVR limits

Borrower type (with DTI greater than or equal to 6)	Excluding LMI premium		Including LMI premium	
	Owner-occupied	Investment	Owner-occupied	Investment
Eligible existing borrowers and ANZ staff	95%	90%	97%	90%
All other borrowers	90%	90%	92%	90%
Borrower type (with DTI of less than 6)	**Excluding LMI premium**		**Including LMI premium**	
	Owner-occupied	Investment	Owner-occupied	Investment
All borrowers	95%	95%	97%	97%

Note:
The maximum LVR threshold for Owner Occupied Interest Only loans is 80% (refer to Loan Features for further details).

Eligible existing borrowers need to have a satisfactory borrowing history and:

- have held an ANZ lending product in their own name (solely or jointly) for at least 6 months; **or**
- have repaid an ANZ mortgage in the last 6 months, held in their own name (solely or jointly) for at least 6 months; **or**
- are business customers who are a director of a company that has held a lending product for at least 6 months; **or**
- have held an Esanda or ANZ Asset Finance loan in their own name or as a director of a company for at least 6 months.

Loans covered by ANZLMI

ANZLMI will insure loans where the underlying security property is regarded as standard residential security.

The following loan and LVR limits apply on a "per security" basis. Other aggregate limits apply on a "per borrower" basis(refer to Maximum borrower exposure). All security properties are also classified according to the following postcode location categories:

- Category 1
- Category 2
- Category 3
- On Application (high risk locations which require assessment before approval)

"Not Acceptable" (N/A) Locations

Locations classified as "Not Acceptable" (N/A) are locations where ANZLMI has no risk appetite.

These locations are generally:

- non-residential; **or**
- located offshore of mainland Australia or Tasmania; **or**
- locations with an unacceptably high risk e.g. mining locations.

Properties in these locations are unacceptable security for mortgage lending purposes.

Note:
ANZ Qualify provides categorisation on a postcode level.

Residential Security Types and lending limits

The following maximum loan and LVR limits apply to standard loans secured by residential security accepted by ANZLMI:

Principal & Interest and Interest Only facilities

Security type	LVR	Category 1	Category 2	Category 3	On Application
House, strata titled home, vacant land < 2 ha, Strata titled Unit/Apartment >= 50m2 (RSTD) and company share titles (RCOT)**	≤85%	$2,500,000	$2,000,000	$1,500,000	$750,000
	85.01%-90%	$2,500,000	$2,000,000	$1,500,000	$500,000
	90.01-95%*	$2,500,000	$2,000,000	$1,000,000	$500,000
Strata title Unit/ Apartments >=40m2 & <50m2 (RLUO)	≤85%	$1,000,000	N/A	N/A	N/A
	85.01%-90%	$750,000	N/A	N/A	N/A
Rural residential housing larger than 10 hectares, up to 50 hectares **and** Vacant land – fully serviced, between 2 to 10 hectares (RRUL) **Note:** Additional requirements apply to Rural properties. Refer to [Property Types and LVR Thresholds] for details.	≤85%	$2,500,000	$1,500,000	N/A	N/A
	85.01-90%	$2,500,000	$1,500,000	N/A	N/A

Note: LVR bands and dollar limits are prior to LMI premium calculation.

*Lending over 90% LVR (excluding LMI premium) is only permitted for New to bank borrowers with a DTI of less than 6 and Eligible Existing borrowers please refer to Maximum LVR Limits.

** Company share titled properties are restricted to a maximum LVR of 85%.

"On Application" Locations

"On Application" locations are higher risk locations due to various factors including local market risks, economic risks or other concerns.

On Application locations have the following restrictions that apply to each application:

- Full valuation is mandatory for all securities; **and**
- Limited to the purchase of an owner occupied property only (includes purchase of land and construction for owner occupied purposes) i.e. no investment; **and**
- No OFI refinance or debt consolidation; **and**
- Must be scorecard approved (scorecard decline decisions cannot be overridden); **and**
- Minimum combined score of 600 as determined by ANZ.

Note:

Internal ANZ refinances and cash out is acceptable.

Applications outside the above criteria may be considered for exceptional applicants and must be referred to Credit Assessment for consideration.

Maximum borrower exposure

	Maximum lending
	The maximum insured loan limit to any one borrower (or group of borrowers) is $3.0 million, subject to: • The individual loan & security limits noted in the Residential Security table; **and** • The maximum exposure in 'On Application' locations is no more than $750,000.

Other Requirements

Loans subject to LMI must comply with higher requirements which may include:

- 5% Genuine Savings Requirements
- Property Types and LVR Thresholds restrictions (including TML)
- Income and employment type restrictions
- Interest Only restrictions in Loan Features.

2.6 LMI PREMIUM WAIVERS

Borrowers Eligible for LMI Premium Waiver

Where specific eligibility criteria are met, ANZ may waive the LMI premium for:

- Medical Professionals
- Accountants
- Legal Professionals
- ANZ staff
- Low Risk LMI Waiver

The LMI waiver is not automatically applied. An eligible borrower must request the waiver, provide any required documentation to show their eligibility and meet the requirements outlined below. Specific eligibility criteria for each category of eligible borrower is detailed in separate sections below, however common criteria (with some noted exceptions) are shown here.

Borrower Type

Borrower Type	Eligibility Criteria
Individual name	• Eligible borrower can be one of multiple borrowers. • Eligible borrower must have an equal share of property ownership (as shown on title). • For Asset Protection scenarios where one spouse is an eligible borrower and the other is not, equal share of property ownership (as shown on title) is not required, provided the eligible borrower is: - either a guarantor (for the full amount of the loan) OR a co-borrower; **and** - a spouse or de facto of the borrower / co-borrower / individual being guaranteed. Eligible borrower (and any co-borrowers) must meet the Acceptable Borrower Types criteria. Note: ANZ Staff must be a borrower (not a guarantor) where loan is in individual names. May be guarantors for home loan in a company name.
Home loan in company name	Eligible borrower is one of the Directors AND shareholder AND provides a personal guarantee.
Family trust	Eligible borrower is the Trustee AND a beneficiary.
Unit trust	Eligible borrower is the Trustee AND a unit holder.

Note:
The eligible borrower(s) must hold a combined 25% or greater ownership in company or unit trust entity.
Low Risk LMI Waiver is not available for Home loan in a company name, Family trust or Unit trust.

Purpose and Product

Features	Eligibility Criteria
Loan purpose	Must be acceptable within current mortgage lending guidelines. Cash out is acceptable and must follow the Cash Out Guidelines.
Product types and features	All products are eligible with below noted exceptions. Refer to LVR Requirements for specific details. **Note:** Not available on bridging loans. Not available in conjunction with family guarantees.

Loan To Value Ratio (LVR)

The [Property Types and LVR Thresholds] of MCR apply and are unchanged by this waiver (e.g. RMDS maximum LVR remains at 70%).

Lending Type			
Owner occupied lending	Borrower type	Principal and Interest	Interest Only
	New and existing	≤ 90% LVR	≤ 80% LVR
Investment lending	New and existing	≤ 90% LVR	≤ 90% LVR

For Group 1 medical professions under the Medico Package and Low Risk LMI waivers, higher LVRs are permitted for loans with DTI <6 as per the below:

Lending Type			
Owner occupied lending	Borrower type	Principal and Interest	Interest Only
	Existing	≤ 95% LVR	≤ 80% LVR
	New (with DTI less than 6)	≤ 95% LVR	≤ 80% LVR
	New (with DTI greater than or equal to 6)	≤90% LVR	≤ 80% LVR
Investment lending	New and existing (with DTI greater than or equal to 6)	≤95% LVR	≤95% LVR

Note:

Existing bank borrowers need to have a satisfactory borrowing history and:

- have held an ANZ lending product in their own name (solely or jointly) for at least 6 months; **or**
- have repaid an ANZ mortgage in the last 6 months, held in their own name (solely or jointly) for at least 6 months; **or**
- are business customers who are a director of a company that has held a lending product for at least 6 months; **or**
- have held an Esanda or ANZ Asset Finance loan in their own name or as a director of a company for at least 6 months.

LVR, TML and Security

Features	Eligibility Criteria
Maximum loan amount	For houses, duplexes and townhouses valued up to $5M (RSTD): • $4.5 million ($4.75 million where 95% LVR applies). For all other standard residential property types up to $4M (RSTD): • $3.6 million ($3.8 million where 95% LVR applies). **Exceptions:** Where $6M postcode exception applies for houses, duplexes and townhouses (RSTD): • $5.4 million ($5.7 million where 95% LVR applies). Where $8M postcode exception applies for houses, duplexes and townhouses (RSTD): • $7.2 million ($7.6 million where 95% LVR applies). **Note:** ANZ Staff are limited to $1.8 million (irrespective of postcode).
TML	$8 million. **Note:** ANZ Staff are limited to $5 million. Low Risk LMI Waiver are not limited by TML.
Individual security value (as assessed by ANZ)	For houses, duplexes and townhouses (RSTD): • up to $5 million. For all other standard residential property types (RSTD): • up to $4 million. **Exceptions:** The following exceptions to thresholds apply (for houses, duplexes and townhouses only) in the following postcodes: • up to $6 million for postcodes 2024, 2025, 2026, 2063, 2090, 2095, 2110 and 3186. • up to $8 million for postcodes 2023, 2027, 2028, 2029, 2030, 2088, 2108 and 3142. **Note:** ANZ Staff are limited to $2 million (irrespective of postcode). Low Risk LMI Waiver must have all properties listed in the eligible postcodes.
Security type	Standard Residential.
Security	Must be first mortgage on all securities. Third party security (i.e. a property offered by a guarantor) is acceptable. **Note:** Low Risk LMI Waiver cannot utilise third party security.
Standalone and cross-collateral	Loans can be stand-alone or can use existing security. If existing security is used and there are multiple securities, all securities must be cross collateralised i.e. debt cannot be apportioned.
Valuation	As per current credit requirements.

Medical Professional Package (Medico Package)

Eligible medical professionals can apply for new or increased lending with an LVR of up to 95% without the requirement for Lenders Mortgage Insurance (LMI).

Eligible Medical Professions

Registration must be verified on the Australian Health Practitioner Regulation Agency (AHPRA) website or relevant veterinary board.

Eligible medical professions	Ineligible medical professions
Group 1 • Medical practitioner • Dental practitioner (division must be 'dentist') • Specialists (Eligible specialists as identified in AHPRA as: Profession: Medical Practitioner Registration Type: Specialist)	• Herbal medicine practitioner • Medical radiation practitioner • Nurse • Midwife • Occupational therapist • Osteopath
Group 2 • Physiotherapist • Chiropractor • Optometrist • Vets	• Pharmacist • Podiatrist • Psychologist • Radiographer • Dental or oral health therapist/hygienist • Dental prosthetist **Note:** No exception can be considered.

Acceptable Registration Types

Registration must be verified on the Australian Health Practitioner Regulation Agency (AHPRA) website or relevant veterinary board.

Acceptable registration types	Unacceptable registration types
• Generalist registration • Specialist registration	• Provisional registration • Limited registration • Non-practising registration

Note:
Non-practicing registration may be acceptable where the absence from practice is temporary (e.g. on parental leave). In these cases, refer to Credit Assessment.

Professional Industry Packages

Where eligibility criteria are met, ANZ may waive the LMI requirement for:

- accountants
- legal professionals

Accountants Package

Accountants who are current members of their professional practicing body can apply for new or increased lending up to a maximum LVR of 90% without the requirement for Lenders Mortgage Insurance (LMI).

The borrower is not required to be working for an accounting firm nor does their role / title need to include accountant. They just need to maintain their professional membership. Members of any other organisation that is not listed in the below will not be considered for eligibility.

Eligible Accountants

In order to be eligible for the Professional Industry Package, the borrower have completed all requirements to be fully qualified (i.e. Associate and Junior members who are yet to complete all requirements would not be considered) and must hold a current professional membership with:

- Chartered Accountants Australia & New Zealand (CA) / Affiliate CA) – or any other member of the Global Accounting Alliance (full list below); **or**
- Certified Practising Accountant (CPA) / Fellow CPA) – including recognised partnering professional bodies (full list below); **or**
- Chartered Financial Analyst Institute (CFA); **or**
- Fellowship of the Institute of Actuaries of Australia (FIAA).

Evidence needs to be in the form of:

- an invoice and proof of payment from the relevant governing body; **or**
- internet print out confirming current membership (including letter of good standing); **or**
- current year's certificate confirming current membership.

Global Accounting Alliance Members	CPA recognised partnering professional bodies
Chartered Accountants Australia and New Zealand	Chartered Accountants Australia and New Zealand
American Institute of Certified Public Accountants	American Institute of Certified Public Accountants
Institute of Chartered Accountants in England and Wales	Institute of Chartered Accountants in England and Wales
Chartered Professional Accountants Canada	Chartered Professional Accountants Canada
Institute of Chartered Accountants of Scotland	Institute of Chartered Accountants of Scotland
Chartered Accountants Ireland	Chartered Accountants Ireland
Hong Kong Institute of Certified Public Accountants	Hong Kong Institute of Certified Public Accountants
South African Institute of Chartered Accountants	South African Institute of Chartered Accountants
Japanese Institute of Certified Public Accountants	National Association of State Boards of Accountancy
Institut der Wirtschaftsprüfer in Deutschland e.V.	Certified Generals Accountants Canada
	Chartered Accountants Sri Lanka
	Chartered Institute of Management Accountants
	Chartered Institute of Public Finance and Accountancy
	Institute of Certified Management Accountants of Sri Lanka
	Institute of Certified Public Accountants in Ireland
	Institute of Certified Public Accountants of Kenya
	Institute of Chartered Accountants of Bangladesh
	Institute of Chartered Accountants India
	Institute of Chartered Accountants of Nepal
	Institute of Cost & Management Accountants Pakistan
	Institute of Indonesia Chartered Accountants
	Institute of Singapore Chartered Accountants
	Malaysian Institute of Accountants
	National Federation of Certified Public Accountant Associations of the Republic of China
	Philippine Institute of Certified Public Accountants

Legal Professionals Package

Legal professionals who currently hold their practising certificate can apply for new or increased lending up to a maximum LVR of 90% without the requirement for Lenders Mortgage Insurance (LMI).

The borrower is not required to be working for a law firm nor does their role / title need to include lawyer / barrister / solicitor. They just need to maintain their practicing certificate. Alternatively they may work for a government department where their practising certificate is not required but where they act as a legal professional (e.g. legal advisor in the Attorney General's Department).

Eligible Legal Professionals

In order to be eligible for the Professional Industry Package, the borrower must hold a current practicing certificate with the relevant state body. It is acceptable to have conditions such as supervision listed on the practising certificate.

Eligible lawyers / solicitors	Eligible barristers	Eligible judges and magistrates
• Victorian Legal Services Board • Law Society of the Australian Capital Territory • Law Society of New South Wales • Law Society of Northern Territory • Law Society of Queensland • Law Society of South Australia • Law Society of Tasmania • Legal Practice Board of Western Australia.	• Victorian Bar • ACT Bar Association • New South Wales Bar Association • Northern Territory Bar Association • Bar Association of Queensland • South Australian Bar Association • Tasmanian Bar Association • Western Australian Bar Association Inc.	Due to the complex nature in verifying judges and magistrates through the relevant state bodies, Lenders / Assessors are only required to verify eligibility through: • copy of their current commission; **or** • letter of appointment; **or** • other document confirming they are a current judicial officer (e.g. payslips or tax return).

ANZ Staff Benefits

Where eligibility criteria is met, ANZ may waive the LMI requirement for staff.

Eligible Staff

In order to be eligible for the ANZ Staff Package, the borrower must be:

- full-time or part-time permanent employees of ANZ Australia (including Suncorp Bank); **or**
- an ANZ Mobile Lender; **or**
- an ANZ Retired Officer with 30 or more years of service

Note:
Fixed term contractors, consultants and casual staff do not qualify for ANZ Staff benefits.

Low Risk LMI Waiver

Eligible low risk borrowers as determined by ANZ can apply for new or increased lending up to 95% LVR without the requirement of Lenders Mortgage insurance (LMI), where they provide suitable Standard Residential (RSTD) security in select postcodes. A **minimum** loan amount of $2 million and specific ineligible purposes (listed in the detailed section below).

In addition to eligibility criteria outlined above (and the specific ineligible aspects listed below), ANZ systems use various characteristics of the loan application to determine final eligibility.

Feature	Eligibility Criteria
Ineligible loans	• Construction loan or loans that are progressively drawn • Loans involving vacant land securities • Loans and / or security held in a company name or involves a trust • Loans involving a Servicing or Security Guarantor • Bridging proposal (on both peak bridging debt and residual loan)

2.7 NON-CREDIT CRITICAL OR CREDIT CRITICAL EVENTS

Home loan renewals are used to process changes to a borrower's loan arrangements. Renewals can be Non-Credit Critical or Credit Critical.

Non-Credit Critical or Credit Critical Events

Event	Requirements
Non-Credit Critical Events A Non-Credit Critical event (NCC) is where there is no change to amount, to the borrower or to security (including change of ownership) and where there is no increase to the loan repayment or to the residual loan repayment. Credit application and assessment is not required. Borrower requests that fail to meet account conduct checks will be considered Credit Critical events, refer to Account Conduct.	The following borrower requests are considered Non-Credit Critical: • Changing from variable to fixed. • Changing from fixed to variable. • Changing from fixed to fixed. • Changing from Interest Only (IO) to Principal and Interest (P&I). • Equity Manager Account (EMA) limit swap. • Splitting a loan. • Changing from a Residential Investment Loan (RIL) to Home Loan (HL). Refer to Additional Requirements for RIL to HL Renewals. • Changing from a HL to RIL. • No increase in lending other than to cover fees or charges up to $2,000. Note: • The above requests will be Credit Critical if the resultant repayment type is Interest Only (IO) and: - the current repayment type is P&I; **or** - the proposed IO term is greater than the remaining IO term of existing facility. LMI Impact on NCC If borrower chooses to capitalise fees and charges up to $2,000 and this results in a non-LMI loan now attracting LMI, the request will be Credit Critical.
RIL to HL Renewals	RIL to HL renewals can be processed as NCC. The borrower will need to provide acceptable supporting documents that will prove that the loan security is not being used for investment purposes. Acceptable supporting documents can include: • Copy of a current Australian driver's licence, updated with the security address as their new residence; **or** • Council rates for the current period or water rates invoice (dated within last 3 months) for the property where the mailing address matches the security address; **or** • A utility bill (electricity, gas or phone / internet) dated within last 3 months for the property where the mailing address matches the security address; **or** • Copy of a current insurance certificate showing property usage. The document must have: • At least one of the borrower's names; **and** • The mailing address must be the security property. If multiple securities exist for the loan, only one of the securities needs to be listed on the document. Note: Land loan, construction loan and loans in company name will be treated as exceptions if the borrower is unable to provide acceptable supporting documents.

Event	Requirements

Credit Critical Events	A credit application and assessment is required when a Credit Critical event occurs. The following borrower requests are considered Credit Critical:
	• For new credit facility.
	• To increase an existing facility.
	• To reduce or defer repayments that extend the loan term.
	• To extend or reduce loan term.
	• To consolidate, refinance or restructure debt due to financial difficulties or initiated by ANZ due to a history of defaults.
	• To change or release security, including change of ownership of the security.
	• Change of borrower(s) and / or guarantor(s).
	• Converting to or extending an existing IO period.
	• Change from an EMA. Where EMA is switching to a HL or RIL and doesn't meet serviceability on the higher of the floor rate (currently 5.1%) or the sensitised interest rate, then test for serviceability on the actual interest rate:
	  - If a positive UMI is demonstrated using actual interest rate, then this can be treated as a serviceability override.
	  - If a negative UMI is still evident using actual interest rate, lender should refer borrower(s) to Hardship team to apply for assistance.
	• Fixed rate loan maintenance with early repayment cost financed (other than for financing of interest, fees and charges up to $2,000).
	• Combining loans.

Streamlined Credit Critical Renewals (SCCR)

For eligible borrowers, SCCR allows a more streamlined process for HL top-ups, supplementary loans and $0 Credit Critical renewals. Standard income verification requirements apply where stated below. Expenses and liabilities must be verified as per Mortgage Credit Requirements.

A Statement of Financial Position (SP) must be completed in all instances as per current Mortgage Credit Requirements. The SP and Letter of Offer can be signed or accepted verbally by calling a dedicated number (call will be recorded). For detailed information, please refer to the relevant section on KnowHow or for Broker applications in the Broker Operations Manual.

Eligible for SCCR		Not Eligible for SCCR
Income Verification Required	Income Verification Not Required	
• Requesting additional funds to an existing loan. • Splitting loan with additional funds. • Combining loans (ILS only) with additional funds – excluding LMI loans. • Creating an additional / supplementary loan (ILS only). • Renewal request with updated valuation (Fair Market Value – FMV amount). • Principal and Interest to Interest Only (For Simplicity PLUS Interest Only loans, prior product must be Simplicity PLUS Principal and Interest). • Interest Only extension with or without additional funds. • Interest in Arrears to Interest in Advance (vice versa).	• Combining loans (ILS only) without additional funds – excluding LMI loans. • Changing from an EMA to a loan account. • Changing loan term (up to 30 years).	• Adding / deleting security. • Adding / deleting borrowers. • Current bridging loan. • Any renewal that would result in a new LMI policy payable, or an additional LMI premium payable. • Home loans in a company name or that involve trusts. • Loans with guarantors. • Loans reliant on foreign income for serviceability.

Security Swap

For eligible borrowers, a Security Swap is a process offered to customers who have an existing loan with ANZ and are seeking to replace their existing security with another, and do not require any further lending.

The replacement security (which may include taking a charge over an ANZ Term Deposit), may already be owned by the customer or may be a new purchase.

Where conditions for a Security Swap are met, these are handled outside of the credit application process and are covered under specific procedural guidelines (refer to the Broker Operations Manual for eligibility and process requirements).

Note: A Term Deposit is acceptable for eligible borrowers as temporary security only, limited to a maximum 6 month' period, after which it is to be replaced by a residential security suitable to ANZ.

2.8 CONSTRUCTION LOANS

Construction loans provide finance for:

- the purchase of land and construction of a residential property; **or**
- structural renovations to an existing property.

Local and state governments have a number of requirements for property construction including building standards, builder's registration and warranty insurance. Failure to meet these requirements may result in the demolition of a building or additional cost not considered in the original assessment. Risks and potential loss to the borrower and ANZ that may arise during the construction process are managed through a number of prudent lending requirements.

Requirements

Construction Type	Lending Requirements
All construction loans	Loan criteria Available on Standard Variable rate and Simplicity PLUS. Construction: • must commence within 12 months of the land settlement date; **and** • must be completed within 24 months of commencement (construction period); **and** • of up to 2 dwellings at the same time regardless of the number of property titles or the construction of 3 or 4 dwellings on a single title. Refer to Property Types and Loan to Value (LVR) Thresholds. The value of the security must be determined by a Tentative-On-Completion (TOC) valuation. A TOC valuation provides the proposed value of the property when renovations or construction are completed. For non-structural renovations, assess the value of the security as-is i.e. before any construction or renovations have been completed. All works and costs of construction are to be covered in the building contract (and quotes / invoices if applicable – refer to Quotes for works outside the Fixed Price Building Contract) to ensure completion of the property. Note: • ANZ will not consider property as security that is under construction with an OFI. • If an existing ANZ security under construction requires further lending to ensure completion due to post- drawdown variations, a revised TOC valuation and full reassessment is required.

Construction Type	Lending Requirements
Fixed Price Building Contract (FPBC) Agreement between the borrower and builder that covers the cost of all items needed to complete the construction of the building, thus reducing the risk of cost over runs. It also sets clear terms of payment at set stages. FPBC does not include Cost Plus contracts or Lump Sum contracts with costs unrelated to works outside the set stages. Exceptions may be considered by a CAD holder.	**Definition requirements** The borrower and builder must have an arm's length relationship. Where this is not the case, assessment should be considered on an owner builder basis. **Document requirements** • Fixed Price Building Contract (FPBC); **and** • TOC valuation and for FPBC greater than 2 million a Quantity Surveyor (QS) report is required; **and** • Council-approved plans or building permit must be held before first progress payment for construction; **and** • Home warranty insurance (or equivalent) must be held before first progress payment for construction. **Note:** The FPBC can be unsigned for full approval but the same contract must be fully executed and held by ANZ prior to the first progress payment. **Exception to Lump Sum Contracts (construction costs only)** Fixed Price Building Contracts may include Lump Sum Contracts where there are no costs assigned for design and architectural pre-build (i.e. only the actual construction costs are covered) and are considered acceptable where: • the contract price amount is fixed; **and** • progress payments are paid on completion of the respective stage.
Quotes for works outside the Fixed Price Building Contract	**Definition requirements** In addition to a fixed price building contract, additional works required to complete the construction can be included as part of the total construction costs. Quotes / invoices are capped at 10% of the fixed price building contract amount, up to $400,000. **Document requirements** • Quotes / invoices for all items or works to be undertaken; **and** • TOC valuation that includes the quotes / invoices.
Owner builder Owner builders take responsibility for constructing a property on their own land without a Fixed Price Building Contract (FPBC), in many cases engaging sub-contractors to complete building works on their behalf.	Owner builders are considered high-risk borrowers and ANZ will only consider lending to them if the borrowers meet rigorous qualifying requirements. Owner builders are limited to the construction of two dwellings being constructed at the same time regardless of the number of property titles or whether properties are being built in different locations. Owner builder loan criteria also apply to: • owners who are subcontracting on their own build • kit homes or prefabricated / modular homes built offsite • fixed price building contract between borrower and builder that do not have an arm's length relationship **Definition requirements** Maximum LVR 80% of land value. **Evidence requirements** All documents listed below are required before full approval. • Council-approved plans or building permit; **and** • Full costings supported by detailed quotes for large / structural items e.g. brickwork, roofing, framework, kitchen, bathroom; **and** • Builders insurance / construction insurance; **and** • Current bank statement showing savings to cover at least 10% of total cost of construction to meet cost overruns (in addition to borrower's contribution); **and** • Confirmation that the construction is being overseen by a registered builder or that the borrower is a registered builder; **and** • Tentative-On-Completion (TOC) valuation; **and** • Confirmation that borrower's assessed income will be sustained while construction is taking place; **and** • Progress payment schedule in line with a standard FPBC.

Progress Inspection Requirements

Progress inspections are required to ensure progress of construction is in line with funds disbursed.

Loan Type	Valuation Requirements
Loan approved on the basis of a Tentative-On-Completion (TOC) valuation	For Fixed Price Builders Contracts: • Below $500,000: at final / practical completion • Between $500,000 – $800,000: at frame and final stage • For greater than $800,000: at each request for drawdown to be completed by - panel valuer; **or** - an ANZ quantity surveyor (QS), where applicable. For Owner Builder: • At each request for drawdown to confirm the works done from previous stage • For greater than $800,000: at each request for drawdown to be completed by - panel valuer; **or** - an ANZ quantity surveyor (QS), where applicable.
Loan approved on the basis of an 'as-is' valuation (only applicable to non-structural renovations)	Progress payments and progress inspections are not required. Funds can be advanced at initial drawdown.

Progress Draws

Before authorising progress draws on construction loans, ensure:

- Borrower's contribution has been used prior to advancing any loan funds.
- Sufficient security value to cover the amount of the loan that has been or is to be drawn, determined by obtaining progress inspection report or relying on the 'as-is' value of the security.
- Sufficient loan funds available to complete the project.

Progress Payment Document Requirements

Contract Type	Document Requirements
Fixed Price Builders Contract (FPBC)	Documents required for all progress draws: • Copy of signed Fixed Price Builders Contract • Copy of quotes / invoices for works completed outside the FPBC (if applicable) • Builder's invoice or receipts • Progress inspection report (as per Progress Inspection Requirements) • Progress payment instruction signed by the borrower Additional requirements for release of final progress payment: • Final Inspection must be completed and Occupancy Permit (or equivalent) issued • Building insurance policy or Certificate of Currency
Owner builder	Documents required for all progress draws: • Invoices • Progress inspection report (at each request for drawdown) • Progress payment instruction signed by the borrower Additional requirements for release of final progress payment: • Final Inspection must be completed and Occupancy Permit (or equivalent) issued • Building insurance policy or Certificate of Currency

Residential Construction with Split Contract Arrangements

Properties being built under split contract arrangements are not acceptable for construction loans.

Item	Detail
Definition	Split contract arrangements relate to purchases from developers in residential estates where larger residential blocks are being subdivided and developed. The property is often dependent on the completion of the development, increasing the borrower's construction and funding risks should the builder be unable to complete the entire project. These properties may have common walls / slab shared by multiple units and are typically found in strata titled developments where an owner's corporation exists or is likely to exist in the future.
Risks	Properties being built under split contract arrangements are not acceptable for construction loans because: • The land component cannot be sold in the event of default due to restrictive clauses within the original Contract of Sale relating to the sale, construction, builder and resale of the land. • If the developer or builder ceases operation, the borrower (or ANZ) will need to engage with the remaining owners and financiers to complete the development. As a result, ANZ will not fund the construction on a progress payment basis and will only consider funding split contract arrangements once the construction has been completed, similar to an off-the-plan purchase.
Valuations	Where a split contract arrangement is treated as an off-the- plan purchase, a full valuation must be held for the completed property prior to any release of funds. Note: • Where a TOC valuation has been completed for a property that is being built under a split contract arrangement, the valuer will provide a single 'as if complete' market value figure reflecting the property at completion including common areas. The valuation report should not provide a separate value for land and improvements. • Strata title construction on a progress payment basis is also not permitted and should be treated as an 'off-the-plan' purchase.

2.9 BRIDGING FINANCE

Bridging finance is used by borrowers who are buying a property and need to settle before receiving the proceeds from the sale of their existing property.

There are generally two components to bridging finance, which are included in the peak bridging debt:

- bridging loan; **and**
- residual loan(s).

Term	Definition
Bridging loan	A bridging loan is a short-term loan that the borrower requires to complete the purchase of the property. It is to be cleared and closed when the existing property is sold.
Residual loan	Any ongoing loan amount after the settlement of the existing property.
Peak bridging debt	The peak bridging debt is the total funding required, made up of the bridging loan and residual loan, as well as any current ANZ home loans secured by the property to be sold. The Total Mortgage Lending (TML) for servicing requirements may be higher than the peak bridging debt as the borrower may have additional loans secured by other properties.

Bridging Loan Features

Item	Detail
Bridging loan criteria	• The existing property must be mortgaged to ANZ before the bridging loan can be drawn down. • Loan must be set up as a standard variable product. • Maximum 12 month' loan term with Interest Only over that period. • Where the existing property has an unconditional contract of sale, the term of the bridging loan is to align with the settlement date. • The existing property that is to be sold and the new property being purchased will secure the bridging loan. • Approval in principle can be sought where the address of the new property is not yet known. Note: Extensions beyond the initial bridging term may be considered for exceptional circumstances. Reassessment will be required.
Loan to Value Ratio (LVR)	• The maximum LVR (without LMI) on the peak bridging debt is 80% depending on the property types (e.g. Standard Residential Property – 80%, Rural – 70%); • A maximum LVR (with LMI) on the peak bridging debt is 85% for Standard Residential Property only. • LMI waiver available under ANZ staff, medico and professional packages and Low Risk LMI Waiver cannot be applied to a bridging proposal (on both peak bridging debt and residual loan). Note: • Bridging proposals with strong justification, e.g. short-term bridging period and unconditional Contract of Sale (CoS) for the property that has been sold is held, can be submitted to Credit Assessment for consideration of LMI waiver on peak bridging debt of more than 80%. Residual LVR can only be up to 80%. • Refer to **Lenders Mortgage Insurance (LMI)** for maximum loan amounts (including TML) and LVR limits that apply.

Bridging Loan Requirements

Loan Type	Requirements

All bridging loans	There are two options:
	
	Option 1 – If the property has been sold
	• Unconditional Contract of Sale (CoS).
	• Bridging loan term must align with settlement date (maximum 12 month' loan term with Interest Only over that period).
	• Up-to-date full valuation which includes saleability of the property and comparable sales.
	OR
	
	Option 2 – If the property is not sold
	• Sale agreement with real estate agent. If the borrower has not engaged a real estate agent:
	  - further inquiries must be made to ensure the bridging loan can be cleared within the proposed bridging term (up to 12 months); **and**
	  - ensure the borrower is aware of the requirement to engage an estate agent within 30 days after the bridging loan funds are advanced (as documented in the Bridging Finance Undertaking to Meet the Market form).
	• Bridging Finance Undertaking to Meet the Market form for the proposed bridging term.
	• Up-to-date full valuation which includes saleability of the property and comparable sales.

Bridging loans with a negative UMI	ANZ has an obligation to ensure that we do not enter into credit contracts that the borrower is not able to afford. Therefore, a bridging loan with a negative UMI should only be considered where both repayment and clearance sources are verified. In addition to requirements for all bridging loans, the borrower must provide evidence of funds for interest coverage in line with bridging term. Interest coverage is to be calculated at the sensitised rate and funds to be held in an ANZ account prior to full approval. Note: Serviceability must be evident on all residual loans. Residual loans may be P&I or IO repayments.

2.10 NATIONAL RENTAL AFFORDABILITY SCHEME (NRAS)

NRAS is a federal government initiative, launched in 2008, designed to provide more affordable rental accommodation to lower income individuals and families. The investor accepts reduced rental income by up to 25% in exchange for additional tax credits amounting to $9,500 per annum (indexed).

No further funding rounds or new allocations of NRAS incentives are available, the only dwellings eligible for NRAS incentives are those that have been or are currently being built by approved participants in the Scheme.

The Special Conditions section of the Contract of Sale will have reference to the management agreement outlining the investor's rights and the NRAS manager's obligations.

Key Rules Governing NRAS Properties

- The scheme runs for 10 years from the completion of the approved development / property. Properties must be new and not lived in previously.
- Each property must have an approved NRAS manager to act as agent. The NRAS manager is responsible for ensuring tenants qualify and they also manage the NRAS tax credits for the investor.
- The investor and the NRAS manager enter an agreement called a Non-Entity Joint Venture (NEJV). The NEJV agreement sets out the terms and conditions between the investor and the NRAS manager, which includes:
  - restrictions on resale (e.g. the investor may be restricted and can only sell to another investor who will re-enter the NEJV agreement)
  - lodgement of caveat or registration of lease
  - management fees and charges
  - exit notice and fee

Criteria for NRAS Properties to be Considered as Security

NRAS properties can only be considered as security for a home loan when all of the following criteria is met:

- properties must be new and not lived in previously; **and**
- the NRAS manager on NEJV is ANZ approved, validated by a copy of the NEJV agreement; **and**
- no restrictions on resale; **and**
- management agreement exit notice period is less than 90 days; **and**
- penalty to exit management agreement less than $1,000; **and**
- full valuation is completed (valuation will indicate an NRAS property in the comments section).

Note:

- Refinance of an NRAS property from OFI is not acceptable.
- LMI is not available. Maximum LVR of 80% applies.
- LMI waiver available under medico, staff and professional packages cannot be applied to NRAS applications.

Rental Income Verification

Prospective rental income

To verify rental income:

- 75% of the market rental from the valuation report is used as **gross rental; and**
- The gross rental (90% of market rental) is then automatically shaded further to allow for periods of vacancy. Property related expenses are captured within **Residential investment property running costs**, refer to Expenditure for details.

Property currently rented

For an NRAS property already owned by the borrower, standard rental income verification requirements apply.

Note:

- Tax credits cannot be used in servicing.
- Rental income from NRAS properties is subject to rental gearing calculation.

ANZ Approved NRAS Managers

Properties managed by approved NRAS managers are Standard Residential Properties (RSTD) and are approved up to a maximum of LVR of 80%

- Affordable Management Corporation Pty Ltd
- Aspire Housing Group
- Brisbane Housing Company Limited
- Coast2Bay Housing Group
- Common Equity Housing Limited
- Community Housing Limited
- Crown Properties Pty Ltd
- Loddon Mallee Housing Services Limited trading as Haven, Home, Safe.
- Mission Australia Housing Limited
- National Affordable Housing Consortium
- Questus Funds Management Ltd

For an NRAS property that is not part of the approved list, the NEJV agreement must be submitted to Credit Risk for consideration. A copy of the NEJV agreement must be provided to Credit Assessment for review and recommendation to Credit Risk.

PART

III

STATEMENT OF FINANCIAL POSITION

3 STATEMENT OF FINANCIAL POSITION

3.1 STATEMENT OF FINANCIAL POSITION

ANZ has an obligation to make reasonable inquiries into the borrower's financial situation. ANZ must not enter into credit contracts that the borrower is unable to afford. Part of these obligations requires ANZ to obtain information about the customer's financial position.

A Statement of Financial Position (SP) must be completed at the time of application for:

- all borrowers; **and**
- all servicing guarantors; **and**
- all servicing and/ or security guarantors in a spousal or de facto relationship with a borrower.

The SP must be accurate and reflect the borrower's and / or guarantor's financial situation. It should include expense items that relate to any dependants. It must demonstrate a financial position sufficient to service any current and future loans and living expenses.

Dependants

A dependant relies on the borrower for their living expenses. It is not limited to children and is not bound by age. It also includes dependants who are not living at home. The borrower stated living expenses should reflect the expenses of the borrower and their dependants.

Note:

Where a borrower who is in a spousal or de facto relationship applies for a loan in a sole name, the borrower will be required to specify if their spouse / de facto earns an income. The borrower stated living expenses should reflect the expenses of the borrower, spouse / de facto and their dependants where appropriate. The spouse / de facto should not be recorded as a dependant.

For some examples on dependants and spousal / de facto relationships, please refer to the relevant section on KnowHow or for Broker applications in the Broker Operations Manual.

Lenders Requirements

- Signed and dated SP / declaration from each borrower / relevant guarantor to be held in the file.
- Separate SP to be completed for each borrower (refer to exceptions below).

Exceptions where a joint SP is required:

- Borrowers are in a spousal or de facto relationship.
- Guarantors are in a spousal or de facto relationship with a borrower.

In both situations, the SP / declaration must be completed and signed by both parties.

For Streamlined Credit Critical Renewals (SCCR), borrower can:

- sign and return SP / declaration; **or**
- call a dedicated number to accept SP verbally (call will be recorded).

Note:

A guarantor's income can only be used for servicing where the type of guarantee being taken is a servicing guarantee. Refer Guarantees for detail.

Statement of Financial Position Requirements

The Statement of Financial Position (SP) is split into five sections and the information **collection requirements** for each section are listed in the table below. For **verification requirements**, refer to the relevant sections in Mortgage Credit Requirements.

Section	Comments
Assets What the borrower owns **at the time of application.**	• All current assets are to be listed on the SP, including deposits paid, current ANZ deposit accounts and investments held. • OFI deposit accounts and investments held are to be listed.
Liabilities What the borrower owes **at the time of application**.	• All liabilities are to be listed on the SP at current limits, including current ANZ credit cards (at ongoing limits), loans, redraw and / or ANZ loans being renewed. • OFI credit cards (at ongoing limits) and loans are to be listed, even when the loan is being refinanced to ANZ. • Buy Now Pay Later facilities (at ongoing limits) and / or loans. • STSL / HECS-HELP debt Note: Goods and services that are purchased under an instalment plan over a short term period (generally repaid within two months from date of purchase) with non-fixed limits are treated as an expense item in the SP under the relevant category.
Income The borrower's ongoing income as assessed **at the time of application**.	For additional information regarding Income Verification, refer to Employment (PAYG) Income, Business (Non-PAYG) Income, Investment Income or Centrelink, Child Support and Other Income.
Expenses What the borrower's monthly commitments will be **at the time of draw down**.	• Lenders must input the borrower stated breakdown of living expenses in the SP. • Capture all expenses and ongoing credit commitments accurately under relevant sections of the SP. • Borrower-stated rental / boarding expenses must be captured in the SP. Note: ANZ credit decision systems will automatic ally apply ANZ default living expenses in the serviceability calculation if the borrower stated amount is lower. Where the borrower stated living expense is significantly lower than default living expense or a nominal amount is declared, further enquiries are required to understand borrower's circumstances. The conversation outcome must be recorded in the submission / system notes.
Other liabilities E.g. hire purchase, bank guarantees, margin loans, business loans (if applicable).	• Include any other commitments that have a contractual basis. • Tax debt arrangement with the ATO that remains outstanding and sufficient cash funds are not available to cover this. Note: Ongoing contractual commitments such as gym membership or mobile phone contract should not be included in Other Liabilities. These should be included under the relevant category of Living Expenses.

PART IV

BORROWER'S CONTRIBUTION AND GENUINE SAVINGS

4 BORROWER'S CONTRIBUTION AND GENUINE SAVINGS

4.1 BORROWER'S CONTRIBUTION

The purpose of confirming the borrower's contribution is to understand where the funds are coming from and in particular, that the borrower's contribution (cash / equity) is available and sufficient to complete the transaction, i.e. that the true position of ANZ's exposure to the borrower is accurately reflected.

The borrower's contribution must be from their own sources. Funds borrowed or sourced illegally are not considered acceptable sources of borrower's contribution.

Acceptable Sources of Borrower's Contribution

The list below provides some examples of where the funds to complete can be sourced from. Funds will be required to complete settlement.

- Personal savings
- Term deposit
- Sale of real estate
- Sale of shares in publicly listed companies
- Gifts
- Equity from an existing property
- Third party mortgage security (i.e. a property offered by a guarantor)
- Proceeds from superannuation (including First Home Super Saver scheme)
- First Home Owner's Grant (FHOG)
- Sale of assets other than real estate
- Tax refund
- Inheritance

Evidence of Borrower's Contribution

Documentary evidence of a borrower's contribution is not required, unless one or more of the following applies:

- Complex construction loans (i.e. construction not involving a fixed price building contract, owner builder or construction that requires the engagement of a Quantity Surveyor)
- Applications that require assessment of savings as part of serviceability calculations (e.g. bridging applications, parental leave policies)

In circumstances where evidence of the borrower's contribution is required, the documents must be dated within 60 days of the Statement of Financial Position.

Note: The ANZLMI genuine savings requirement must still be met, and is a separate requirement to the overall borrower's contribution towards the transaction.

Genuine Savings for LMI Loans

Borrowers must provide a minimum contribution of 5% of the purchase price from their own sources, i.e. genuine savings, where the LVR is more than 90% (excluding capitalised LMI premium).

Where all borrowers are first home buyers purchasing an owner occupied property additional options are available. Refer to 5% Genuine Savings – Additional Verification Option for First Home Buyers for details.

The 5% genuine savings requirement is to:

- ensure that the borrower has a financially vested interest in the property being purchased; **and**
- assist in demonstrating the borrower's character and ability to make a commitment; **and**
- assist in demonstrating the borrower's capacity and willingness to repay their loan.

Acceptable Sources of Genuine Savings for LMI Loans

Borrower(s) are required for loans >90% LVR to demonstrate a satisfactory savings pattern over a minimum of 3 months. This may be achieved through the provision of:

Source	Verification Requirements
Personal savings	Copies of bank statements or passbook dated within 60 days of the Statement of Financial Position.
Term deposit	Copy of statement or certificate showing funds held in the borrower's name.
Sale of real estate	Property must be held in the name of at least one of the borrowers; exception to this is property held in a company name with the loan in the name of the directors.
Sale of shares in publicly listed companies or units in a managed investment schemes	Shares / units must be held in the name of at least one of the borrowers. Evidence provided by CHESS or issuer sponsored statement, share certificates or managed fund statements.
Equity from an existing property	Property must be held in the name of at least one of the borrowers. Where the property is not held with ANZ, this is evidenced via loan statements and a rates notice or a title search.
Sale of assets other than real estate	Proof of sale must be provided to indicate the asset was in the name of the borrower (i.e. car title transfer).
Work bonuses or commissions	Evidence provided in line with income verification requirements (i.e. bank statements or payslip).
Voluntary Superannuation contributions (FHSS)	Voluntary / additional super contributions (over and above the compulsory guaranteed portion) that can be withdrawn for settlement. Funds sourced as part of the First Home Super Saver scheme (FHSS) must be supported by documentary evidence (e.g. correspondence from the ATO that confirms the approval and / or source of the funds and the amount). Evidence must be held prior to formal approval of the loan. **Note:** Other forms of superannuation are unacceptable sources of genuine savings.
Tax refund	Evidence provided by tax return or bank account credit transaction.
Inheritance	Held by borrower for minimum of 3 months.

Unacceptable Sources of Genuine Savings

- Government grants (e.g. FHOG)
- Loans or borrowed equity – excluding equity used from existing real estate assets
- Windfall gains (gambling, compensation, etc.)
- Redraw available from a personal loan
- Builders' or vendors' rebate / incentive
- Unconfirmed deposit sources
- Bulk savings deposits inconsistent with income
- Gifts
- Superannuation (other than funds accessed as part of the FHSS)
- Equity in any 'off the plan' or 'off market' purchase where the property has not been owned by the borrower(s) for a minimum of three months.

5% Genuine Savings – Additional Verification Option for First Home Buyers

Where evidence of the full 3 months' genuine savings history cannot be demonstrated, rental payment history may be used as evidence of the borrower's ability to consistently save.

Note:

Rental payments do not form part of the borrower's actual cash contribution / funds to complete.

Rental payment history can only be accepted when:

- The purchase property being financed is owner occupied.
- All borrowers are first home buyers.
- Genuine savings must come from acceptable sources only however the requirement to hold the funds for 3 months is waived. Refer to Acceptable Sources of Genuine Savings for LMI Loans.
- Unacceptable Sources of Genuine Savings cannot be considered.
- Rental payment history evidence requirements below are met.

Rental payment history evidence requirements:

- 3 consecutive months' rental statements from the relevant real estate agent evidencing rent paid in the name of at least one of the borrowers, or
- 3 consecutive months' transaction account statements of an account in the name of at least one of the borrowers showing clearly identified rental payments being made.

AND

- Rental history must be consistent and timely; any payment overdue by 7 days or more is unacceptable; and
- The latest rental statement / transaction account statement must be within 60 days of the submission.

PART V

ASSESSING ABILITY TO REPAY

5 ASSESSING ABILITY TO REPAY

5.1 CAPACITY TO SERVICE

The ANZ Credit Principles are intended to direct staff behaviour when assessing credit risk to ethically achieve the best outcomes for our customers, communities and shareholders.

One of these principles is: **Only lend what the customer has the capacity and ability to service and repay.**
At ANZ, assessing a customer's ability to repay is determined by calculating their Uncommitted Monthly Income (UMI). Income verification must be completed in every instance, either via an automated or manual process.

Uncommitted Monthly Income (UMI)

The UMI is determined by deducting from the customer's verifiable net income (after tax):

- All the borrowers' personal living expenses; **and**
- All credit commitments, including credit commitments for the credit facility applied for; **and**
- Any other regular fixed commitments the borrower may have.

If the UMI is positive, then the customer is considered to have the ability to repay.

5.2 EMPLOYMENT INCOME (PAYG)

You must ensure that:

1. All documents meet ANZ requirements
2. Checks are undertaken to identify overtime, commission, and bonuses so that appropriate % shading is applied.
3. All documents are reviewed for Fraud Indicators.
4. Sanity checks are undertaken for inconsistent financial information.

For detailed information on the above topics, please refer to Employment Income (PAYG) Hub in KnowHow or the Broker Operations Manual.

Income Verification

Employment Type	Definition	Evidence Requirements
Full-Time Part-Time	Permanent and ongoing salaried employment that provides regularly paid income. Must have been employed for at least the last 3 months. A change in employer(s) during the last 3 months is considered acceptable if the gap in employment is less than 28 days. Exceptions may be considered by an appropriate CAD holder.	• 1 YTD payslip covering 3 months, dated within 60 days of the Statement of Financial Position; **or** • Where YTD figures do not cover 3 months or are not present; 2 consecutive payslips with the most recent dated within 60 days of the Statement of Financial Position; **and** for the purposes of **employment verification only (if not evident from the payslips)** any form of acceptable documents / evidence listed in the Employment Income (PAYG) table which can act to verify 3 months employment; **or** • Bank statements / transaction history covering 3 months showing 3 monthly or 6 fortnightly or 12 weekly salary credits, with the most recent dated within 60 days of the Statement of Financial Position. Where there is a recent change in employer, or change of role with the same employer, **and the above documents are unavailable** the below option may be applied: • Employment contract or remuneration schedule dated within 60 days of the Statement of Financial Position; **and** for the purposes of **employment verification only** any form of acceptable documents / evidence listed in the Employment Income (PAYG) table which can act to verify 3 months employment.
Casual Temp Contractor	Casual, temp and contractor employment that provides income based on an hourly, daily or per-project basis, often with fluctuating hours worked each week and generally have no annual or sick leave entitlements. Must have been employed for at least the last 6 months. A change in employer(s) during this period is considered acceptable if each gap in employment is less than 28 days. It is acceptable for employees to have moved between industries during the last 6 months (i.e. have had casual employment <6 months with a variety of end-employers).	• 1 YTD payslip covering 6 months, dated within 60 days of the Statement of Financial Position; **or** • 1 recent payslip (where YTD figures cover <6 months or are not present) dated within 60 days of the Statement of Financial Position **and** any form of acceptable documents / evidence listed in the Employment Income (PAYG) table which can act to verify the previous year's income amount and 6 months employment – the lower of the annualised income from the payslip or the prior year's income must be used; **or** • Bank statements / transaction history covering 6 months showing 6 monthly or 12 fortnightly or 25 weekly salary credits, with the most recent dated within 60 days of the Statement of Financial Position; **or** • Payslips (consecutive) covering 6 months, with the most recent dated within 60 days of the Statement of Financial Position; **For loan applications requiring LMI:** • Casual / Temp employees cannot apply as a sole borrower or primary income earner for any ANZ home loan. They can apply as an equal joint borrower with someone employed either Full-Time , Part-Time, Contractor or a Self-Employed borrower.

Income Types

Income Type	% used for servicing	Definition
Base Salary	100%	PAYG base salary (sometimes expressed with other descriptions such as Normal Pay, Ordinary Hours, Regular Wages) that is ongoing and meets the income and employment verification requirements. Multiple roles are acceptable if they each meet the income and employment verification requirements separately. Note: • Previous earnings and back pay are considered acceptable as part of base salary where they are evident on documents within the current financial year and submitter confirms they do not include Overtime, Commission or Bonus. • Stipends are considered acceptable as salary or allowances where they are ongoing (e.g. paid in lieu of a salary). If they are only paid over a defined term (e.g. scholarships) they are generally unacceptable. Exceptions may be considered by an appropriate CAD holder. • An increase in salary for a borrower that remains in the same role with the same employer that is considered routine (e.g. annual salary review, CPI-adjustment defined in an award or agreement) should be accepted as base salary. • Relief In Higher Post (RIHP), Higher Duties or Secondments are not considered ongoing – temporarily higher income cannot be considered, regular base income from prior to the higher role must be used.
Allowances	100%	PAYG allowances are considered acceptable (with unacceptable allowances noted below). Some common examples of acceptable allowances (but not an exhaustive list) are: • Meals / Food / Beverage • Car / Vehicle / Transport • Uniform / Protective Clothing • Tools / Equipment • Location / Site / Accommodation Unacceptable Allowances: • Relief In Higher Post (RIHP), Higher Duties or Secondment allowances cannot be considered. • One-off payments (e.g. relocation costs, discretionary retention / sign-on amounts) that are not ongoing cannot be considered. • Reimbursements that cover work expenses not expensed in the Statement of Financial Position cannot be considered.
Shift Loading / Penalty Rates	100%	PAYG shift loadings / penalty rates are considered acceptable. Generally identifiable as: • Special rates of pay which an employer must pay to an employee to compensate them for working outside of regular business hours or due to the nature of the work involved (e.g. night shifts, weekends, public holidays) • A % multiplier applied to base hourly pay rates, due to working outside standard business hours / days

Income Type	% used for servicing	Definition
Overtime	80%	Overtime is where an employee works outside the ordinary hours listed in a contract, award or enterprise agreement and is paid on top of their base salary. • Same verification requirements apply in line with the Employment Type • Amounts should be annualised from YTD figures if a minimum period of 3 months is evident for Full-time / Part-time employees or 6 months is evident for Casual, Temp or Contract employees **or** (where the YTD period is insufficient or not available) amounts should be annualised from the average figure(s) evident from payslips or bank statements / transaction history • A submitter can confirm that variable income amounts on payslips or bank statements / transaction history is overtime and can be used for servicing purposes.
Commission	80%	Commission is a performance-based payment often outlined in employee's contract and not subject to the discretion of the employer. Commissions could be considered guaranteed should an employee meet agreed targets and requirements. • Same verification requirements apply in line with the Employment Type • Amounts should be annualised from YTD figures if a minimum period of 3 months is evident for Full-time / Part-time employees or 6 months is evident for Casual, Temp or Contract employees **or** (where the YTD period is insufficient or not available) amounts should be annualised from the average figure(s) evident from payslips or bank statements / transaction history • A submitter can confirm that variable income amounts on payslips or bank statements / transaction history is commission and can be used for servicing purposes.
Bonuses	80%	Bonus is paid at the discretion of the employer, awarded for meeting or exceeding personal, professional or community standards. Bonuses are generally paid annually, biannually or quarterly. Bonuses that are paid more frequently than quarterly are to be treated as commission. • Verification requirements can be met with any form of acceptable documents / evidence listed in the Employment Income (PAYG) table which can act to verify the Bonus amount. Annual bonuses (over 2 years) • Can be considered where regularly awarded, i.e. 2 bonuses over 2 years. • The most recent bonus must be paid within the last 12 months. • The annual bonus amount is determined by applying the lower of either the average of the last 2 years bonus payments or the most recent bonus payment. Biannual, quarterly bonuses (over 1 year) • Can be considered where regularly awarded, i.e. 2 biannual bonuses or 4 quarterly bonuses over 1 year. • Biannual and quarterly bonuses are to summed up over a full year rather than annualised from the most recent bonus.

Salary Sacrifice or Packaging

If adjustment to income relating to salary sacrifice is required to demonstrate serviceability then additional information must be sought.

Type	Definition
Discretionary Super Contribution	PAYG employees may choose to salary sacrifice a set amount (as a % value or a specific amount) of their gross salary towards making voluntary superannuation contributions. If required to demonstrate serviceability, a submitter can discuss with a borrower their financial circumstances and the option of ceasing these arrangements. Evidence requirements • Payslip displays pre-tax deduction. • If unclear, borrower can advise if this item is for voluntary superannuation. • Submitter to confirm in writing that borrower is aware that this income is being used for serviceability and will be cancelled to ensure ongoing loan serviceability if required - payments can be added back to gross income.
Employee Share Schemes	Some PAYG employees may have employers that offer the opportunity to salary sacrifice a set amount (as a % value or a specific amount) of their gross salary to purchase a financial share in the company where they work. These arrangements are generally referred to as Employee Share Schemes. They are most commonly used by publicly-listed companies (e.g. ANZ). Any shareholding that is obtained via such a scheme will not result in an applicant being regarded as self-employed, and that policy would not apply to such a scenario. There are both concessional (pre-tax) and non-concessional (post-tax) schemes. These schemes may have set periods of participation (e.g. deductions in place for a year, half, quarter, month) so it is important to understand the details of the specific scheme. If required to demonstrate serviceability, a submitter can discuss with a borrower their financial circumstances and the option of ceasing these arrangements. Evidence requirements • Payslip displays pre-tax or post-tax deduction. • Borrower provides evidence from their employer of the arrangement confirming this deduction is part of an employee share scheme which they can exit at any time (i.e. immediately if required) upon their request. • Submitter to confirm in writing that borrower is aware that this income is being used for serviceability and will be cancelled to ensure ongoing loan serviceability if required - payments can be added back to gross or net income (depending on type of scheme).
Non-Tax Packaging	Non-tax packaging schemes allow employees to reduce taxable income via pre-tax deductions to fund various expenses. If using the taxable income, an untaxed addback can be used to account for this pre-tax deduction. Some common expenses (but not an exhaustive list) are: • Professional Memberships • Subscriptions for work-related content (print and digital media) • Electronic devices and software • Tools of the trade • Vehicle running costs • Insurance premiums • Home loan repayments / rental expenses • Meals / entertainment expenses • Schooling / childcare fees • Other living expenses • Maxxia, Smartsalary, RemServ, Salary Packaging Australia, etc Evidence requirements • Payslip, employment contract or equivalent schedule / arrangement confirming details of salary packaging arrangement as pre-tax deduction items.

Type	Definition
Novated Leases	Novated leases generally involve a vehicle owned by a financing company, used by an individual, and paid for directly by the individual's employer using both pre-tax and post-tax deductions from the individual's salary / remuneration. • Where Net income after deductions is being used novated leases do not need to be expensed separately. • Where Gross income is being used ensure that the corresponding expense has been captured in relation to the cost of the novated lease and/or captured in the applicant living expenses in the Statement of Financial Position (i.e transport & general basic insurance). Evidence requirements • Payslip, employment contract or equivalent schedule / arrangement confirming details of salary packaging arrangement as pre-tax deduction items.

Other PAYG scenarios

Circumstances	Definition & Requirements
Parental / Career Leave	Available for borrowers whose income is required to service new lending; and • Are yet to commence leave, but are scheduled to go on leave for a maximum 12-month period; or • Are currently on leave, but are scheduled to return to work within the next 12 months. Serviceability is assessed using the amount of ongoing income available after borrower's return to work (i.e. the ongoing income available prior to commencement of leave unless advised otherwise). Where there is a negative UMI during the leave period, the borrower must provide evidence of funds to cover this (which may include the value of leave payments) The borrower must provide evidence from their employer which confirms the return-to-work date, as well as the borrower disclosing to the submitter any relevant information if income or employment type will be different upon their return to work. Where the borrower has advised there will be a change to their hours / days upon their return to work, this must be accounted for in the calculation of income when assessing serviceability. Note: If the evidence from their employer which confirms the return-to-work date also contains all relevant income information required, this can be accepted in lieu of the below options. If yet to commence leave: • Evidence Requirements for Income Verification apply in line with Employment Type. If currently on leave: • Evidence Requirements for Income Verification apply in line with Employment Type, however they must be within 60 days prior to the commencement of the leave period (in lieu of within 60 days of the Statement of Financial Position). • The period of employment (or continuity) can be verified by including the leave already taken. If recently returned from leave: • Evidence Requirements for Income Verification apply in line with Employment Type. • In addition, Parental Leave evidence from their employer may be used to verify employment tenure, as well as income, if those details are provided.

Circumstances	Definition & Requirements
Employed by related party	When borrowers are employed by a related party, in addition to standard PAYG Income Verification, the following are required to ensure validity of the PAYG documents: • Current ATO income statement; **or** • Individual Tax Return and ATO NOA Note: The below are borrowers that will be considered self-employed; • A borrower who is a shareholder or director of the business that employs the borrower; **or** • A borrower who is a co-borrower of a shareholder or director of the business that employs the borrower; **or** • All borrowers who are ANZ Relationship-Managed For these borrowers, income will be assessed based on the customer's individual tax return and corresponding ATO NOA (or NOA equivalent). If ownership in the business is equal to or greater than 25%, standard Business Income (Non-PAYG) Income Verification will apply. Exceptions for these borrowers, to use standard PAYG Income Verification supported by ATO documents, may be considered by an appropriate CAD holder where a borrower has a nominal % shareholding, no directorship and uses no Business Income (Non-PAYG) sources to service the loan.
STSL / HECS-HELP	STSL / HECS-HELP are government schemes that assist people to pay for student needs (e.g. course fees, books, learning materials) with a loan that is then repaid once specific income thresholds have been exceeded. • Required repayments are determined using the taxable income level, not the level of outstanding debt. • Required repayments (based on PAYG income) are already deducted as additional taxation. • A liability is required to be listed, however no repayment figure is required if using net income and these repayments are deducted from gross pay. • Payments cannot be stopped on HECS-HELP until debt is repaid. Evidence requirements (where HECS debt has been repaid) • If the debt has been repaid, evidence from a myGov account or other ATO documentation is required confirming the clearance.

5.3 BUSINESS INCOME (NON-PAYG)

Business (non-PAYG) income is income earned:

- As a sole trader.
- From a partnership.
- From a company.
- From a trust.

Where an applicant earns both Business Income (non-PAYG) and Employment Income (PAYG):

- Use the majority income source to determine if the borrower is self-employed.
- Verify each income source using the methods for that source i.e. Employment Income (PAYG) is verified by Employment Income (PAYG) methods and Business Income (non-PAYG) is verified by Business Income (non-PAYG) methods.

Business Income (Non-PAYG): Income Verification

You must ensure that:

1. All documents / evidence meet the requirements detailed in Business Income (Non- PAYG): Income Verification Documents.
2. All documents are reviewed for **Fraud Indicators**.

For detailed information on points 1 and 2 above, and how to address them, please refer to the relevant section on KnowHow or for Broker applications in the Broker Operations Manual.

Business financials are not required if borrower(s) are partners in a large law / accounting firm or have a combined minority shareholding (less than 25%) in a company. Minimum ABN/ACN period requirements apply to trading entities where income is generated and not to non-trading entities that only receive passive income (e.g. dividends, distributions, interest).

Income Type	Requirements

Sole Trader
An individual who is legally responsible for all aspects of the business, including any debts and losses.
	Definition requirements
	Has been self-employed over the last 18 months determined by:
	• valid ABN registration (as verified by ABN search); **and**
	• one year's financial documents for income verification.
	Medical practitioners who are doctors, specialists or dentists (as verified under their AHPRA registration) are exempt from this requirement of 18 months' ABN registration, for non-LMI loans only. Standard income verification will still be required.
	Refer to Medical Professional Package (Medico Package) for LMI waiver requirements.
	For document requirements, refer Business Income (Non- PAYG): Income Verification Documents.
	• Tax returns and financials may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and are required to be related to the same financial year.
	Evidence requirements
	• Use business income from individual tax return; **and**
	• Apply relevant addbacks; **and**
	• Include and expense (at 100%) financial liabilities in the borrower(s)'s name(s).
	Verify income using:
	1. Individual tax return; **and**:
	  • ATO Notice of Assessment (NOA); **or**
	  • ATO lodgement receipt, as well as written confirmation from accountant (within 90 days from the SP) stating that the tax return provided is final and the one that has been lodged; **or**
	  • the previous year's NOA, as well as written confirmation from accountant (within 90 days from the SP) stating that the tax return provided is final and has been lodged or will be lodged to ATO.
	Note:
	Business financials (which include Profit and loss statement and balance sheet) are not mandatory. This information can be sourced from the business income and expenditure section in the borrower's individual tax return.
	To determine financial liabilities for a sole trader:
	• Check the SP for declared debt.
	• Check their individual tax return for 'interest expense' or 'lease / HP charge'. This information can also be found in the business profit and loss statement where business financials are provided.
	Where the business is operating at a loss and strong justification is evident, refer to Business Income (Non-PAYG): Business Adjustments (Addbacks).

Income Type	Requirements
Partnership A group of up to 20 people who operate a business together and distribute income or losses between the partners.	Definition requirements Has been self-employed over the last 18 months determined by: • valid ABN registration (as verified by ABN search); **and** • one year's financial documents for income verification. Medical practitioners who are doctors, specialists or dentists (as verified under their AHPRA registration) are exempt from this requirement of 18 months' ABN registration, for non-LMI loans only. Standard income verification will still be required. Refer to Medical Professional Package (Medico Package) for LMI waiver requirements.

	For document requirements, refer Business Income (Non- PAYG): Income Verification Documents.
	• Tax returns and financials may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and are required to be related to the same financial year.
	Evidence requirements
	• Use business income from individual tax return (distribution from partnership); **and**
	• Apply relevant addbacks; **and**
	• Include and expense (at 100%) financial liabilities in the borrower(s)'s name(s).
	Verify income using:
	1. Individual tax return; **and**:
	  • ATO Notice of Assessment (NOA); **or**
	  • ATO lodgement receipt, as well as written confirmation from accountant (within 90 days from the SP) stating that the tax return provided is final and the one that has been lodged; **or**
	  • the previous year's NOA, as well as written confirmation from accountant (within 90 days from the SP) stating that the tax return provided is final and has been lodged or will be lodged to ATO.
	AND
	2. Business tax return.
	Note:
	Business financials (which include profit and loss statement and balance sheet) are not mandatory. This information can be sourced from the business income and expenditure section of the partnership tax return.
	To determine financial liabilities for a partnership where the business financials have not been provided:
	• Check their Partnership tax return for 'interest expense' or 'lease / HP charge'.
	Exception:
	Where the borrower(s) have less than 25% combined ownership in the partnership:
	• Borrower(s) are still considered to be self-employed for the purposes of the application and need to provide their individual tax return and ATO Notice of Assessment.
	• However, the business tax return, profit and loss statement and balance sheet are not required e.g. partners in large law / accounting firms where business tax returns are not available to the partner.
	• Valid 18 month ABN registration (as verified by ABN search) is still required.
	Where the business is operating at a loss and strong justification is evident, refer to Business Income (Non- PAYG): Business Adjustments (Addbacks).

<table>
<tr><th>Income Type</th><th>Requirements</th></tr>
<tr><td>Company
A separate legal entity that has the same rights as a natural person and can incur debt, sue and be sued. The company's owners (shareholders) can limit their personal liability.</td>
<td>Definition requirements
Has been self-employed over the last 18 months determined by:

valid ABN / ACN registration (as verified by ABN / ACN / ASIC search); and
one year's financial documents for income verification.
Borrower(s) on the application cover the roles of director(s) and shareholder(s) of the company, determined by ASIC search.

Medical practitioners who are doctors, specialists or dentists (as verified under their AHPRA registration) are exempt from this requirement of 18 months' ABN / ACN registration, for non-LMI loans only. Standard income verification will still be required.
Refer to <u>Medical Professional Package (Medico Package)</u> for LMI waiver requirements.
<hr>
For document requirements, refer <u>Business Income (Non- PAYG): Income Verification Documents</u>.

Tax returns and financials may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and are required to be related to the same financial year.

Evidence requirements
There are two options:

Option 1 – Wages only
No minimum shareholding applies. Business must be operating at a profit.

Use income solely from the individual tax return (wages paid from company); and
Do not apply <u>addbacks</u>; and
Do not expense company liabilities; and
If the company has recorded a loss, refer to <u>Business Income (Non-PAYG): Business Adjustments (Addbacks)</u>.

Exception:
Expense all company financial liabilities (including all new or existing mortgage products) at sensitised repayment rates when the borrower is a:

company that has applied, or is applying, for a company mortgage product; or
guarantor for an existing company mortgage product.

<u>OR</u>

Option 2 – Wages and business addbacks (including profit)
Minimum 50% combined shareholding requirement applies and must be verified by ASIC search.

Use income from the individual tax return (wages paid from company); and
Apply all relevant <u>addbacks</u> (in line with borrower's shareholding); and
Expense all business liabilities (in line with borrower's shareholding).

<u>For both options</u>
<hr>
Verify income using:

Individual tax return; and:

ATO Notice of Assessment (NOA); or
ATO lodgement receipt, as well as written confirmation from accountant (within 90 days of the SP) stating that the tax return provided is final and the one that has been lodged; or
the previous year's NOA, as well as written confirmation from accountant (within 90 days of the SP) stating that the tax return provided is final and has been lodged or will be lodged to ATO.

<u>AND</u>
<ol start="2">
Business tax return, profit and loss statement, and balance sheet.

</td></tr>
</table>

Income Type	Requirements
	Note: Where the borrower(s) have less than 25% combined ownership in the company: • Borrower(s) are still considered to be self-employed for the purposes of the application and need to provide their individual tax return and ATO Notice of Assessment. • However, the business tax return, profit and loss statement and balance sheet are not required. • Valid 18 months ABN / ACN registration (as verified by ABN / ACN / ASIC search) is still required. Where the business is operating at a loss and strong justification is evident, refer to Business Income (Non- PAYG): Business Adjustments (Addbacks).
Company Wages (confirmed by ATO Income Statements) This alternate option for income verification can only be applied where the borrower / guarantor receives a regular and consistent wage through their current Company and does not require any business addbacks for servicing. Not available for loans with LMI. Remains available for loans with an LMI Waiver. Personal and business tax returns and business financials are not required.	**Definition requirements** Has been self-employed over the last 18 months determined by: • valid ABN / ACN registration (as verified by ABN / ACN / ASIC search); **and** • Borrower(s) on the application cover the roles of director(s) and shareholder(s) of the company, determined by ASIC search; **and** • Has received a regular wage for a minimum period of 6 months from their company. **Evidence requirements** • One payslip dated within 60 days; **and** • ATO Income Statement (marked 'Year to date') confirming a minimum 6 months YTD, dated within 60 days. Where 6 months is not evident, the previous years' income statement (marked 'Tax Ready') will also be required. • Income used for servicing will be the annualised income taken from the ATO Income Statement(s). • The outcome will be compared to the income from the current payslip checking for consistency of income received. • Volatility will align with current PAYG requirements and will trigger an enquiry where the outcome is ± 15%. • Where an explanation detailing the discrepancy > ± 15% cannot be provided or the discrepancy is due to a bonus, full financials will be required. **Note:** This process can be applied to co-borrowers (and guarantors providing a servicing guarantee) on the application, who are not listed as a Director / Shareholder of the company.

Income Type	Requirements
Company dividends Dividends are paid at the discretion of the directors to shareholders, in line with shareholding, based on the performance of the company.	**Definition requirements** • Dividend payments to the borrower from their company and declared in their individual tax returns are acceptable where receipt of company dividend payments over the last 2 financial years is shown in the individual tax returns for those years. • Valid 2-year ABN / ACN registration (as verified by ABN / ACN / ASIC search) is required in all instances. • Borrower(s) on the application cover the roles of director(s) and shareholder(s) of the company, determined by ASIC search.
	Evidence requirements • If the most recent tax return shows a dividend payment that is lower, apply the lower figure as dividend income. • If the most recent tax return shows a dividend payment that is higher, apply the average over the last two years as dividend income. The result of the above must be cross-referenced against the company's net profit in the most recent financial year. Ensure the dividend payment being used is not more than the borrower's share of the net profit. Apply the lower figure as the final income. **Note:** • No minimum shareholding / ownership requirements apply. • If dividend payments are used, profits and addbacks from the same company should not be applied and company liabilities do not need to be expensed.
Director's fees Similar to wage payment for work performed for the company and represents the responsibility and control the director has with the company.	**Definition requirements** Director's fees disclosed in the borrower's individual tax return is acceptable where the last two years' individual tax returns and ATO Notice of Assessment are held.
	Evidence requirements Where director's fees are used, combine any director's fee payment and wage / salary paid from the director's company and: • apply the average of total income over the last two years' individual tax returns; **or** • apply the latest year's income if this is the lower. **Note:** • This does not include allowances paid by the borrower's own company. • This applies to someone who is self-employed and receives director's fees as income. It does not apply to someone who is employed in a PAYG capacity / on the board of directors of a public listed company.
Where income from an entity is not required	**Definition requirements** Where income from an entity is not required for servicing, financials of the entity are not required.
	Evidence requirements Written confirmation from accountant (dated within 90 days from the SP) is required to validate: • that the entity is trading profitably; **and** • has no outstanding tax liabilities; **and** • is currently meeting its own financial commitments. If the entity is not trading (has ceased or never traded), written confirmation from the borrower's accountant (dated within 90 days from the SP) must confirm: • that the entity is not trading; **and** • has no outstanding liabilities.

Income Type	Requirements
Trust (individual as a trustee) A trust is a relationship, not a separate legal entity. The trustee is the legal owner of the property or assets which are held in trust for the beneficiary. Profits from the trust go to the beneficiaries.	**Definition requirements** Has been self-employed over the last 18 months determined by: • valid ABN registration (as verified by ABN search); **and** • one year's financial documents for income verification. Medical practitioners who are doctors, specialists or dentists (as verified under their AHPRA registration) are exempt from this requirement of 18 months' ABN registration, for non-LMI loans only. Standard income verification will still be required. Refer to Medical Professional Package (Medico Package) for LMI waiver requirements.

	For document requirements, refer Business Income (Non- PAYG): Income Verification Documents.
	• Tax returns and financials may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and are required to be related to the same financial year.
	Evidence requirements
	• Use income from the individual tax return (distribution paid from trust); **and**
	• Apply relevant addbacks; **and**
	• Expense business liabilities (at 100%).
	
	Verify income using:
	1. Individual tax return; **and**:
	  • ATO Notice of Assessment (NOA); **or**
	  • ATO lodgement receipt, as well as written confirmation from accountant (dated within 90 days from the SP) stating that the tax return provided is final and the one that has been lodged; **or**
	  • the previous year's NOA, as well as written confirmation from accountant (dated within 90 days from the SP) stating that the tax return provided is final and has been lodged or will be lodged to ATO.
	AND
	2. Business tax return, profit and loss statement and balance sheet.
	Where the business is operating at a loss and strong justification is evident, refer to Business Income (Non-PAYG): Business Adjustments (Addbacks).

Income Type	Requirements
Trust (company as a trustee) A trust is a relationship, not a separate legal entity. The trustee is the legal owner of the property or assets which are held in trust for the beneficiary. Profits from the trust go to the beneficiaries.	**Definition requirements** Has been self-employed over the last 18 months determined by: • valid ABN / ACN registration (as verified by ABN / ACN / ASIC search); **and** • one year's financial documents for income verification. Borrower(s) on the application cover the roles of director(s) and shareholder(s) of the company, determined by ASIC search. Medical practitioners who are doctors, specialists or dentists (as verified under their AHPRA registration) are exempt from this requirement of 18 months' ABN / ACN registration, for non-LMI loans only. Standard income verification will still be required. Refer to Medical Professional Package (Medico Package) for LMI waiver requirements. For document requirements, refer Business Income (Non- PAYG): Income Verification Documents. • Tax returns and financials may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and are required to be related to the same financial year. **Evidence requirements** There are two options. **Option 1 – Trust distribution only** No minimum shareholding applies. • Use income solely from the individual tax return (distribution paid from trust); **and** • Do not apply addbacks; **and** • Do not expense business liabilities. OR
	Option 2 – Trust distribution and business addbacks Minimum 50% combined shareholding requirement applies and must be verified by ASIC search. • Use income from the individual tax return (distribution paid from trust); **and** • Apply all relevant addbacks (in line with borrower's shareholding); **and** • Expense all business liabilities (in line with borrower's shareholding). **Note:** If the company is a trustee for a trust, use the distribution paid in their individual tax return, not the profit from the trust. **For both options** Verify income using: 1. Individual tax return; **and**: • ATO Notice of Assessment (NOA); **or** • ATO lodgement receipt, as well as written confirmation from accountant (dated within 90 days from the SP) stating that the tax return provided is final and the one that has been lodged; **or** • the previous year's NOA, as well as written confirmation from accountant (dated within 90 days from the SP) stating that the tax return provided is final and has been lodged or will be lodged to ATO. AND 2. Business tax return, profit and loss statement and balance sheet. Where the business is operating at a loss and strong justification is evident, refer to Business Income (Non-PAYG): Business Adjustments (Addbacks).

Income Type	Requirements
Discretionary trust distributions Discretionary trust distributions that have been distributed to other beneficiaries.	**Evidence requirements** Discretionary trust distributions can be accepted, where the trustee or director of the company, in their capacity as trustee of the trust, provides an undertaking to make arrangements for income that is currently distributed to the beneficiaries of the trust, to be made available to the trustee. When discretionary trust distribution is used, additional information is required to support the loan application, while still meeting the evidence / document requirements that apply to trust income verification. 1. Record of discussion advising that the borrower: • is the trustee of the discretionary trust; **and** • has the required discretion under the trust to direct distributions to themselves. <u>AND</u> 2. **Declaration letter** signed by the trustee or director must support the record of discussion. <u>AND</u> 3. Written confirmation from accountant / solicitor that the borrower / trustee has the discretion to direct any income distribution to themselves: • worded, "As the accountant / solicitor for [name of borrower / trustee], I confirm that they are the trustee for [name of the discretionary trust] and have the relevant discretion under the trust to direct income distributions to themselves"; **and** • printed on accountant / solicitor business letterhead; **and** • dated and signed by the accountant / solicitor within 90 days from the SP. **Note:** If there is more than one director or trustee, in order to use the discretionary trust distribution: • the borrower(s) must have minimum 50% combined shareholding; **and** • all the directors or trustees must sign the declaration.
Personal Services Income (PSI) Income produced mainly from an individual's personal skills or efforts e.g. actor, IT consultant, sports person.	**Definition requirements** An individual can receive PSI through any business structure – sole trader, partnership, company or trust. When PSI is used, the borrower still needs to meet the evidence requirements that apply to the relevant business structure.
Where income changes from one business structure to another in the same financial year E.g. from sole trader to company. Applications with appropriate justification should be submitted to Credit Assessment for consideration.	**Definition requirements** Change of business structure can be considered as long as the borrower continues to work in same industry and meets the evidence requirements that apply to each relevant business structure.

Business Income (Non-PAYG): Income Verification (LMI only)

Applications that have Lenders Mortgage Insurance (LMI) applied will require 2 years of financials (where available) to verify Business Income (Non-PAYG). There may be circumstances where only one year can be provided, therefore two options are available to verify LMI self-employed income. Net Profit Before Tax (NPBT) may be shaded depending on the selected option.

Note: ABN/ACN requirements remain unchanged. Refer to Business Income (Non-PAYG).

<table>
<tr><td>Option 1:
1 year financials</td><td>• 20% shading to apply on NPBT.</td></tr>
<tr><td>Option 2:
2 year financials</td><td>• Variance testing will be completed on NPBT by comparing figures from most recent year against prior year. NPBT may be shaded depending on the year-on-year variance.
<table><tr><th></th><th>Current year NPBT decreases</th><th>Current year NPBT increases by up to 20%</th><th>Current year NPBT increases by more than 20%</th></tr><tr><td>Shading treatment</td><td>Shading not applicable.</td><td>Shading not applicable.</td><td>20% shading will be applied to the NPBT amount that exceeds the 20% growth.</td></tr></table>Note:
1. Further enquiry is required for applications where a reduction in NPBT is greater than 50% or where the business has not made profit in the last 2 years.
2. Where prior year NPBT is a loss or breakeven ($0); and current year NPBT is a profit, then 20% shading will be applied to current year NPBT.
3. Where prior year NPBT is a loss or breakeven ($0); and current year NPBT is a loss or breakeven ($0), then ANZ will use the most recent year figure.
4. Where prior year is not available; and current year NPBT is a loss or breakeven ($0), then ANZ will use the most recent year figure.</td></tr>
</table>

Documentation requirement

	Option 1 (1 year financials)	Option 2 (2 year financials)
Sole Trader	• Latest personal tax return • Latest ATO Notice of Assessment (NOA)[2] **Note**: Financial statements are not mandatory.	• Last 2 years personal tax returns • Last 2 years ATO NOA[2, 3] **Note**: Financial statements are not mandatory.
Partnership	• Latest personal tax return • Latest ATO NOA[2] • Latest Partnership Tax Return **Note**: Financial statements are not mandatory.	• Last 2 years personal tax returns • Last 2 years ATO NOA[2, 3] • Last 2 years Partnership Tax Returns **Note**: Financial statements are not mandatory.
Company/Trust	• Latest personal tax return • Latest ATO NOA[2] • Latest Company/Trust Tax Return • Latest financial statements (Profit & Loss and Balance Sheet)	• Last 2 years personal tax returns • Last 2 years ATO NOA[2, 3] • Last 2 years Company/Trust tax returns • Last 2 years financial statements (Profit & Loss and Balance Sheet) OR latest financial statements showing last 2 years figures

[1] Most recent year income documents may be up to 22½ months old [valid until 15th May] based on the date of the application being submitted.

[2] Alternative options to NOA is: ATO lodgement receipt, as well as written confirmation from accountant (within 90 days from the SP) stating that the tax return provided is final and the one that has been lodged; OR the previous year's NOA, as well as written confirmation from accountant (within 90 days from the SP) stating that the tax return provided is final and has been lodged or will be lodged to ATO.

[3] Letter from accountant in-lieu of NOA can only be applied to current year personal tax return. NOA for prior year is required.

Business Income (Non-PAYG): Business Adjustments (Addbacks)

Sole Trader, Partnership and Trust (Individual as Trustee)

Note:

Business credit cards with defined limits are expensed as per Sensitivity Margins and Floor Rate. Charge cards with no defined limit are not expensed as credit commitments, as any amount outstanding is already factored into the expenses of the business.

Definition requirements

Where applicable business liabilities must be expensed at 100%.

What can I use	How can I use that	Treatment of business debts on Statement of Financial Position
Depreciation	Untaxed addback Note: Depreciation in the form of an **instant asset write off** is a once-off expense and must be treated as a taxable addback.	All business debts to be expensed
Interest / HP – Ongoing Debt	Untaxed addback	All business debts to be expensed
Interest / HP – Cleared Debt[1] (evidence to be held on file)	Taxed addback	NA
Business owner's voluntary superannuation (in excess of any statutory requirements)	Added to borrower's taxable income and taxed at individual tax rate: • if required for serviceability of loan, borrower can commit to ending the voluntary arrangement; **and** • submitter has confirmed in writing that borrower is aware this income is being used for serviceability and – if required – will be cancelled to ensure ongoing loan serviceability. Only applies to superannuation the borrower pays to themselves and not for superannuation paid to employees.	NA
Once-off income	Deduct from borrower's taxable income Exception: • Government (federal) initiatives introduced during 2020 as a response to COVD-19 (i.e. JobKeeper and Cash Flow Boost payments) do not need to be deducted from the borrowers' taxable income. • Where it has been established that a payment or grant is sustainable and ongoing (e.g. Fuel tax credits for industries with high consumption such as transport, mining and farming) these do not need to be deducted.	All business debts to be expensed
Loss – Less than $10,000	Deduct from borrower's taxable income	All business debts to be expensed
Loss – More than $10,000 Losses greater than $10,000 will require Credit Assessment acceptance. However, only in cases where there is strong justification should the submitter seek an exception	Deduct from borrower's taxable income	All business debts to be expensed

[1] If item is labelled 'Operating Lease', this will not have a corresponding debt and must not be added back.

Company and Trust (Company as Trustee)

Definition requirements

These adjustments apply when the borrower(s) on the application:

- cover the roles of director(s) and shareholder(s) of the company; and
- have a minimum of 50% combined shareholding. For RM-managed borrowers, refer Relationship-Managed Borrowers (Private & Business Banking).

Note:

- Include allowable company addbacks as income, in line with the borrowers' percentage ownership / shareholding in the company.
- Where adjustments are applied, servicing must be assessed on an overall group perspective. As such, all company liabilities must be expensed (with loan repayments sensitised) and all relevant addbacks applied in the Statement of Financial Position (SP), relative to percentage ownership.
- Business credit cards with defined limits are expensed as per Sensitivity Margins and Floor Rate. Charge cards with no defined limit are not expensed as credit commitments, as any amount outstanding is already factored into the expenses of the business.

What can I use	How can I use that	Treatment of business debts on Statement of Financial Position
Depreciation	Untaxed addback Note: Depreciation in the form of an **instant asset write off** is a once-off expense and must be treated as a taxable addback.	All business debts to be expensed
Interest / HP – Ongoing Debt	Untaxed addback	All business debts to be expensed
Interest / HP – Cleared Debt[1] (evidence to be held on file)	Taxed addback	NA
Business owner's voluntary superannuation (in excess of any statutory requirements)	Added to borrower's taxable income and taxed at individual tax rate: • if required for serviceability of loan, borrower can commit to ending the voluntary arrangement; **and** • submitter has confirmed in writing that borrower is aware this income is being used for serviceability and – if required – will be cancelled to ensure ongoing loan serviceability. Only applies to superannuation the borrower pays to themselves and not for superannuation paid to employees.	NA
Profit[2]	Added to borrower's taxable income and taxed at individual tax rate	All business debts to be expensed
Once-off income	Deduct from company profit Exception: • Government (federal) initiatives introduced during 2020 as a response to COVD-19 (i.e. JobKeeper and Cash Flow Boost payments) do not need to be deducted from the borrowers' taxable income. • Where it has been established that a payment or grant is sustainable and ongoing (e.g. Fuel tax credits for industries with high consumption such as transport, mining and farming) these do not need to be deducted.	NA
Loss – Less than $10,000	Loss has to be applied regardless of shareholding. Deduct any company loss in line with the percentage ownership / shareholding the borrowers' have in the company.	NA

What can I use	How can I use that	Treatment of business debts on Statement of Financial Position
Loss – More than $10,000 Losses greater than $10,000 will require Credit Assessment acceptance. However, only in cases where there is strong justification should the submitter seek an exception.	Loss has to be applied regardless of shareholding. Deduct any company loss in line with the percentage ownership / shareholding the borrowers' have in the company.	NA

[1] If item is labelled 'Operating Lease', this will not have a corresponding debt and must not be added back.

[2] If you use the profit addback, do not use dividend payments from the same company. If the company is a trustee for a trust, use the distribution paid in their individual tax return, not the profit from the trust.

Small Business Banking (SBB) Dual Applications

Borrowers with both commercial and mortgage applications have access to a dual application process with a single decision point. This provides them with a simplified banking process and consistent outcomes.

Dual applications are processed by SBB.

Relationship-Managed Borrowers (Australia Commercial)

Relationship Managers (RMs) are to verify income for all borrowers and guarantors that sit within their Customer Lending Group (CLG).

Evidence requirements

RMs are to verify income according to criteria set out in Mortgage Credit Requirements with the exception of the additional verification options listed below.

The Surplus Business Income (SBI) is the income generated from a commercial business or group after all contractual obligations are met, including contractual sensitised Principal and Interest repayments, which is then used in the assessment of the home loan application.

Where the borrower has 25% or greater ownership / control / influence of a business and is linked to a commercial CLG, the RM may allocate the SBI in line with percentage of ownership / control / influence provided security arrangements are in place to capture this income.

The financial liabilities of each business entity must be expensed and amortised in line with business bank requirements.

Additional income verification options for relationship-managed borrowers

For related entities, in addition to the treatment detailed in Rental Income under Commercial Property, 100% of gross rental is used for servicing (i.e. no shading is required). No rental yield or property expense cap is to apply with serviceability based on actual expenses excluding depreciation or any non-taxed addbacks as per residential investment property costs.

Recent vendor financials may be used to verify income for mortgage lending where the customer:

- is purchasing an entire business, which has been operating for more than two years, as a going concern; **and**
- intends to continue the same enterprise in the role of owner / manager.

Accountant prepared interim financial data covering a period of 6 months may be used to support income at a level consistent with previous years' trading, where full financials are held for the previous years.

There is tolerance for an increase in income from the previous year's full financials if there is:

- organic business growth in line with a trend across several years; **or**
- acquisition of another existing business (generally a competitor) where vendor financials are available to verify the income being used; **or**
- non-recurring expenses that are clearly outside the norm – with detailed explanatory commentary recorded on the diary note.

Note:

- A dramatic increase in revenue and / or profitability is not acceptable.
- For property developers, an average of the last three years tax returns and financial statements may be used for SBI calculation purposes.

5.4 INVESTMENT INCOME

You must ensure that:

1. All documents / evidence supplied to ANZ for income verification **must be dated within 60 days of the Statement of Financial Position** unless specified otherwise.
2. All documents are reviewed for **Fraud Indicators**.
3. Sanity checks are undertaken for inconsistent financial information.

Investment income includes:

- Rental income
- Interest income
- Dividend income
- Superannuation / allocated pension / annuity income.

Rental Income: Income Verification

Income Type	Requirements
Residential Income earned through renting separate residential premises through a legally binding contract. Rent from individual rooms or boarders is not accepted as income.	Definition requirements For servicing: • 90% of gross rental is used (to allow for periods of vacancy); **and** • rental income should be in line with the borrower's percentage of ownership in the property. Note: • Annual gross residential rental income is capped at a 7% return on property value. • Property related expenses are captured within **Residential investment property running costs**, refer to Expenditure for details.
	Evidence requirements Property currently rented • A formal signed lease (either current or new); **or** • Rental statement with the rental agent's name clearly identified; **or** • Last 3 months' transaction history displaying rental credits. In the event of fluctuating rental credits, use the highest amount over the previous 3 months; **or** • Latest tax return and corresponding Notice of Assessment (if applicable) up to 22½ months old [valid until 15th May]. Note: A private residential lease agreement and / or rental credits from private arrangements are not acceptable for income verification. Rental income from a privately leased residential property can only be accepted if the income is evidenced on the latest tax return and corresponding Notice of Assessment (if applicable). Prospective rental income Prospective rental income is future rental income from a property that is either new or not yet rented and cannot be verified by any means other than a valuation or a rental estimate. If an existing investment property is not currently rented, the reason for the vacancy and period of vacancy need to be investigated before using the options below for verification. Lenders are required to record the borrower-stated prospective rental amount on file. The lower of the borrower-stated or the bank verified amount is to be used for servicing purposes. Prospective rent is determined through one of the following options.

<table>
<tr><th>Income Type</th><th>Requirements</th></tr>
<tr><td></td><td>
Option 1: Valuation available
Prospective rental is indicated in:

an existing valuation held (irrespective of age); or
a valuation ordered as part of the application process.

Note:
A valuation should not be ordered solely to verify rental income

Option 2: Valuation not available
<u>2(A): For purchase of investment property</u>
When CoS is the acceptable valuation type (refer to <u>Valuation Types</u>), purchase price can be used as FMV for rental estimate.
<u>2(B): For an existing property that is mortgaged to ANZ or CoS is acceptable to confirm FMV</u>

The Automated Rental Estimate from the Online Valuation System can be used to determine the prospective rental income; and
Apply the FMV from the security value on system (or from ANZ Scenarios) to determine the rental estimate amount.

<u>2(C): For an existing owner-occupied property that is held with an OFI</u>
Prospective rental income can only be used if:

borrower is purchasing an owner-occupied property through ANZ; and
the existing owner-occupied property held with OFI will convert to an investment property; and
a current annual property rates notice can be provided to confirm property address, ownership and capital improved value.

Prospective rental is verified by:

ANZ modelled estimate valuation (where the Online Valuation System recommends a modelled estimate); or
the Automated Rental Estimate from the Online Valuation System, where the FMV is obtained from the current annual property rates notice. If the rates notice does not show the capital improved value (only land value), then as a last resort, a letter from a local real estate agent showing the market value of the property is acceptable to determine the FMV for the Online Valuation System.

Note:

The Automated Rental Estimate tool can be used to verify prospective rental income where a desktop valuation held does not include a rental estimate, where the FMV is obtained from the valuation.

</td></tr>
<tr><td>Short stay property
Income earned through renting of a residential property and serviced apartments on a short term basis (holiday letting), e.g. properties listed on Airbnb, Stayz, Quest, Oaks, Mantra and Adina.

Rent from individual rooms or boarders is not accepted as income.</td><td>
Definition requirements
For servicing:

80% of gross rental is used (to allow for periods of vacancy); and
Rental income should be in line with the borrower's percentage of ownership in the property.

Note:

Annual gross residential rental income is capped at a 7% return on property value.
Property related expenses are captured within Residential investment property running costs, refer to <u>Expenditure</u> for details.

Evidence requirements

Rental statements for the last 12 months (or recent annual summary) with the rental agent / service provider details clearly identified; or
Latest tax return and corresponding Notice of Assessment (if applicable) up to 22½ months old [valid until 15th May].

Note:
Actual income earned in the last 12 months is to be used for servicing. Less than 12 months' income is acceptable but annualisation / prospective rental income cannot be considered.
</td></tr>
</table>

Income Type	Requirements
Commercial property Income earned through renting commercial premises through a legally binding contract.	Definition requirements • 65% of gross rental (excluding GST) is used for servicing. • Rental income should be in line with the borrower's percentage of ownership in the property
	Evidence requirements • A formal lease contract drawn up by a managing agent, an accountant, solicitor or other legal representative; **or** • For Commercial Australia RM managed connections only, a 'formal executed' agreement to lease can be accepted. Note: Where the commercial premises are leased to a related entity within a corporate structure it is common for no formal lease to exist. If this is the case, the income is to be evidenced through financials with corresponding values.

Rental Gearing

A borrower can claim tax deductions for rental-related expenses during the period their property is rented or available for rent. A property is said to be positively geared if deductible expenses are less than the income earned from the property i.e. profit is made from the property. A property is said to be negatively geared if deductible expenses are more than the income earned from the property i.e. loss is made from the property.

ANZ will only consider gearing when the property is held directly in an individual's name; it will not be considered for properties held in the name of a company, or in the name of a trust (regardless of if the trustee is an individual or a company), or for any other asset class of investment. Gearing applies to both residential and commercial properties and must be calculated in all instances where rental income exists on a borrower's SP.

The subsequent interest rate is to be used for ANZ loans and for OFI loans where available. For OFI loans, the interest rate evident on the statements held is to be used. If the interest rate is not evident on the OFI statements held, the ANZRIL P&I Standard Variable Rate must be applied.

Other Investment Income: Income Verification

Income Type	Requirements
Interest income Ongoing income earned from cash that is liquid and can be used for debt servicing.	Definition requirements • Actual income earned in the financial year is to be verified. Less than 12 months' income is acceptable but annualisation / projected interest cannot be considered. • The lower of actual income earned or 3% return on current asset value is used for servicing. • Marginal tax rate is applicable and income is sensitised i.e. 80% is used for servicing. Note: Income is automatic ally capped at 3% return on asset value.
	Evidence requirements Confirmation of both balance and income is required. It is acceptable for one document to confirm both, however confirmation of balance must be within 60 days of the Statement of Financial Position in all instances. • Deposit certificate. • Account summary. • Individual tax return and ATO Notice of Assessment up to 22½ months old [valid until 15th May].
Dividend income Ongoing income earned from shareholdings that is liquid and can be used for debt servicing.	Definition requirements • Actual income earned in the financial year is to be used for servicing. Less than 12 months' income is acceptable but annualisation / projected dividend income cannot be considered. • The lower of actual income earned or 6% return on current asset value is used for servicing. • Franking credits can be included. • Marginal tax rate is applicable and income is sensitised i.e. 80% is used for servicing. Note: Income is automatic ally capped at 6% return on asset value.
	Evidence requirements Confirmation of both balance and income is required. It is acceptable for one document to confirm both, however confirmation of balance must be within 60 days of the Statement of Financial Position in all instances. • Statement of Shareholdings. • Account summary. • Dividend summary (no older than 18 months). • Individual tax return and ATO Notice of Assessment up to 22½ months old [valid until 15th May].
Superannuation / allocated pension / annuity income Annuity income derived from superannuation funds. This income is typically received in a way that is similar to a salary, therefore, verification is similar to employment income verification.	Evidence requirements • Annual investment statement; **or** • 3 months' bank statement / transaction history (ANZ or OFI) displaying credits, within 60 days of the SP. As most superannuation / allocated pension / annuity income is either not subject to tax or already taxed, tax requirements must be confirmed with the borrower and recorded in the submission / system notes. Note: • Income derived from a Self-Managed Super Fund (SMSF) is not acceptable. • For self-funded retirees, income must be verified via relevant source (i.e. investment income) and ABN is not applicable for these borrowers.

5.5 OTHER INCOME SOURCES

Centrelink, Child Support and Other Income

Centrelink, child support and other types of payments may be used in serviceability assessment. However, care should be taken to verify the reliability, consistency and the ongoing nature of these payments.

Centrelink, Child Support and Other Income: Income Verification

You must ensure that:

1. All documents / evidence supplied to ANZ for income verification **must be dated within 60 days of the Statement of Financial Position** unless specified otherwise.
2. All documents are reviewed for **Fraud Indicators**.
3. Sanity checks are undertaken for inconsistent financial information.

For purposes of ANZ's assessment, this income falls into four categories:

- The income types can be the borrower's total income (i.e. can be the sole source or part of the borrower's income).
- The income type is less than 50% of the borrower's total net income (i.e. the borrower must have other income, aside from the payments).
- The income types are unacceptable but can be considered if specific criteria is met.
- The income types are unacceptable.

For full details on each category, refer to the tables below.

Income types can be the borrower's total income (i.e. can be the sole source or part of the borrower's income)

Income Type	Requirements
Family Tax Benefits A and B	Verify by: • A letter from Centrelink confirming ongoing payments. Centrelink statements are generally over 2 pages. The first page details current payments and the second page details future / ongoing payments. However, 1 page is acceptable if both current and future / ongoing payments are displayed. <u>OR</u> • Last 3 months' transaction history displaying income credits, where the: - amount received was consistent over the 3-month period (if amounts are inconsistent, use the lower amount); **and** - payment type is able to be determined from the transaction description. **Note:** The child / children must be listed as dependant(s) on the application.
Partnered parenting payment	Verify by: • A letter from Centrelink confirming ongoing payments. Centrelink statements are generally over 2 pages. The first page details current payments and the second page details future / ongoing payments. However, 1 page is acceptable if both current and future / ongoing payments are displayed. **Note:** The child / children must be listed as dependant(s) on the application.
All forms of pensions (Including Aged, Veterans Affairs, Totally & Permanently Incapacitated Ex Servicemen, and Disability)	Verify by: • A letter from Centrelink (or relevant government department) confirming ongoing payments. Centrelink statements are generally over 2 pages. The first page details current payments and the second page details future / ongoing payments. However, 1 page is acceptable if both current and future / ongoing payments are displayed. <u>OR</u> • Last 3 months' transaction history displaying income credits, where the: - amount received was consistent over the 3-month period (if amounts are inconsistent, use the lower amount); **and** - payment type is able to be determined from the transaction description.

Income Type	Requirements
Carer's Payment **Note:** This is different to Carer's Allowance, which is not acceptable	Verify by: • A letter from Centrelink confirming ongoing payments. Centrelink statements are generally over 2 pages. The first page details current payments and the second page details future / ongoing payments. However, 1 page is acceptable if both current and future / ongoing payments are displayed. <u>OR</u> • Last 3 months' transaction history displaying income credits, where the: - amount received was consistent over the 3-month period (if amounts are inconsistent, use the lower amount); **and** - payment type is able to be determined from the transaction description.

Income type is less than 50% of the borrower's total income

The borrower must have other income, aside from the payments.

Income Type	Requirements
Child Support payments	Child Support payments can only be included if the amount is less than **all other income** combined, excluding Centrelink income. Verified by: • Obtaining a letter from Family and Community Services or Child Support Agency (CSA) to confirm the ongoing payment; **or** • Copy of Family Court Order confirming the payment arrangement. <u>AND</u> • Last 3 months' transaction history displaying income credits, where the: - amount received was consistent over the 3-month period (if amounts are inconsistent, use the lower amount); **and** - payment type is able to be determined from the transaction description. **Note:** • The child / children must be listed as dependant(s) on the application. • The letter and/or court order do not need to be within 60 days of the Statement of Position to be acceptable.

Income types are unacceptable but can be considered if specific criteria is met

Income Type	Requirements
Income protection insurance payments	Income protection insurance payments are generally short- term and only paid when the recipient has completed the mandatory medic al assessment, usually on a monthly basis. As an exception, income protection insurance payments can only be referred to Credit Assessment for consideration when: • the payments are not subject to ongoing medic al review; **and** • paid until retirement age (generally 65 years); **and** • the loan term does not exceed the total period the borrower is entitled to the payments, unless the borrower can provide evidence of serviceability (including all expenses and loan repayments) after the insurance payments cease. **Evidence requirements** • Documents from the relevant insurer confirming the payment amount and the total period over which the entitlement will be paid, together with clarification as to whether the insurer has deducted the required tax from the payment. <u>AND</u> • Last 3 months' transaction history displaying credits, which show the amount received was consistent. If amounts are inconsistent, further enquiry is required to determine the appropriate amount that can be considered.

Total and permanent disability payments	Total and permanent disability payments are usually a lump sum payment, which cannot be considered. As an exception, total and permanent disability payments can only be referred to Credit Assessment for consideration when paid: • as an ongoing annuity for a fixed amount; **and** • on a regular basis; **and** • the loan term does not exceed the total period the borrower is entitled to the payments, unless the borrower can provide evidence of serviceability (including all expenses and loan repayments) after the insurance payments cease.
	Evidence requirements • Documents from the relevant insurer confirming the: - lump sum is being paid as an annuity; **and** - ongoing payment amount**; and** - annuity payment period (rest of life or a specified period); **and** - permanency of the disability. Payments of this nature may be subject to tax and tax requirements must be confirmed with the borrower. <u>AND</u> • Last 3 months' transaction history displaying credits, which show the annuity payment amount received was consistent. If amounts are inconsistent, further enquiry is required to determine the appropriate amount that can be considered.

Unacceptable income types

- JobSeeker Payments (previously known as Newstart Allowance)
- Single Parent Payment
- Austudy
- Carer's Allowance
- Rent Assistance
- Foster Care
- WorkCover (or equivalent non-permanent payment)
- Energy or pharmaceutical benefit
- Annual government benefit
- Any Centrelink supplement payment
- Any government benefit not stated as acceptable

5.6 FOREIGN INCOME ASSESSMENT

There are two acceptable scenarios involving foreign income:

- Onshore – Australian and New Zealand citizens, Australian Permanent Residents and specific Non-Permanent Residents living and working in Australia earning foreign income. Refer to Acceptable Borrower Types for more detail on specific Non-Permanent residents.
- Offshore (Expats) – Australian and New Zealand citizens living and working overseas receiving foreign income. This includes borrowers who work overseas on a fly in fly out (FIFO) basis.

Income Restrictions

Scenario	Requirements
Onshore	• Foreign income is restricted to a maximum 30% of the total income for servicing i.e. amount of foreign income used for servicing cannot exceed 30% of the borrower's total expenditure including repayments for the proposed loan. • If reliance on foreign income for servicing exceeds 30%, the application cannot proceed as submitted. • LMI is not available when income from a temporary resident is being used for serviceability. Note: • There is no restriction on the amount of foreign income earned, only a restriction on the amount they can rely on for servicing. • Income earned through an Australian-based managed fund that has overseas elements within the overall investment portfolio, or income earned by an Australian-based business that sells products or services overseas (without having an offshore base of operations), does not constitute foreign income for the purposes of the above requirements.
Offshore (Expats)	• An expat must be earning employment income (PAYG). Contractors will only be considered if they are on a single employment contract. • All other foreign income sources, including business income (non-PAYG) are unacceptable. • Up to 100% of acceptable foreign income is allowed for servicing.

Foreign Currency Conversion

All income earned in a foreign currency needs to be converted to Australian dollars by applying **Base Rate Conversion Factor (BRCF)**. To account for currency exchange rate fluctuations, it is a requirement to sensitise foreign income to cover the Exchange Rate Movement Risk (ERMR).

Once the foreign currency income has been converted to Australian dollars (AUD), the net income used for servicing must be discounted to 80%.

Note:
The BRCF is reviewed and updated periodically.

Income Verification

Income Type	Requirements
Onshore – Overseas pension	Definition requirements • Overseas pension income is only acceptable from UK, USA, Canada or New Zealand, subject to BRCF, ERMR and local tax obligations being met. Evidence requirements • Verification of pension payment from the respective country's pension office and evidenced in the borrower's Australian bank statement; **or** • Borrower's Australian bank statement only, if the description clearly identifies that the payment is from one of the acceptable countries' pensions office.

Onshore – all other income	For document requirements, refer Employment (PAYG) Income: Income Verification Documents. All documents provided must be no older than 18 months. Evidence requirements • 12 months' statements from an onshore bank showing verifiable source of foreign income; **and** • Individual tax return and ATO Notice Of Assessment (NOA) stating foreign income. Note: • New Zealand income is acceptable in line with Australian income (i.e. it is not considered foreign income for the purposes of determining borrower eligibility), however the income is still subject to BRCF and ERMR.
Offshore (Expats)	For document requirements, refer Employment (PAYG) Income: Income Verification Documents. Evidence requirements • Current passport evidencing Australian or New Zealand citizenship i.e. to confirm borrower is an expat; **and** • Work rights documentation evidencing borrower is entitled to work in the relevant country e.g. passport (for dual citizenships), work visa or permit, work ID card; **and** • 3 months' payslips; **and** • 3 months' salary credits verified via recent bank statements; **and** • Employment contract; **and** • Employer details – employer, contact name, address, phone number and website (where available). Note: If the required documents are issued in a foreign language i.e. not in English, copies of the untranslated documents must be provided. All documentation provided by the borrower is to be translated into English by an approved accredited external translation provider engaged via ANZ.

5.7 EXPENDITURE

As part of understanding a borrower's overall financial position, information about their ongoing expenses and commitments must be collected and reviewed. This should include expense items that relate to a borrower's Dependants.

For Charge cards please refer to the relevant section on KnowHow or for Broker applications in the Broker Operations Manual.

Any documents provided (whether for income verification, expenditure verification or other purpose) must be reviewed by Lenders / Assessors for inconsistent financial information.

Joint and several liability

ANZ consumer credit documentation contains appropriate clauses which have the effect of making all borrowers jointly and severally liable for the debt.

Expenditure Items

Expenditure Item	Details
Credit commitments Refers to loan repayments or other continuing commitments. A credit commitment arises for mortgage loans once the Letter of Offer has been signed or accepted by the borrower. Credit limit includes the maximum amount of credit accepted and approved (drawn and undrawn).	For the facility being applied for Include in the appropriate section of the SP as this will be taken into account as part of the assessment. For other ANZ facilities Refers to any payments being made to existing ANZ home loans, lines of credit, personal loans, car loans and overdrafts. For OFI loans / hire purchases / overdrafts Refers to any payments that are being made on OFI loans, overdrafts or hire purchase facilities. Credit / store cards Refers to the monthly repayment amount for the credit card based on the total credit card limits. Note: Refer Sensitivity Margins and Floor Rate for more detail. Charge cards with no limit are not expensed as credit commitments.
Living expenses Refers to general living expenses, relating to the borrower's primary place of residence. The borrower's declared living expenses are compared against ANZ's minimum living expense default with the higher amount to be used when assessing serviceability. Include amounts spent on Charge cards that fall into living expenses or other commitment categories.	Primary residence ongoing running costs Including but not limited to: • rates • body corporate and strata fees • utilities • repairs and maintenance • furniture and homewares • home and contents insurance. Note: Excludes Land Tax.
	Telephone, internet, pay TV and media streaming subscriptions Including but not limited to: • internet • home and mobile phones • streaming services (e.g. Netflix, Spotify).
	Groceries Including but not limited to: • food • non-alcoholic beverages • toiletries • cleaning products.
	Clothing and personal care Including but not limited to: • clothing and footwear • personal care products and services • accessories (e.g. handbags, umbrellas) • baby goods.

Expenditure Item	Details
	Recreation and entertainment Including but not limited to: • dining out and take-away meals • alcohol and tobacco • gambling • electronic devices (e.g. computers, game consoles, cameras) • sports and fitness • movies and event tickets • toys and hobbies • newspapers and magazines • domestic holidays. **Note:** Travel insurance is required to be captured under General Basic Insurance.
	Pet care Including but not limited to: • food • grooming • minding services • care and health products • vet fees. **Note:** Pet insurance is required to be captured under Other.
	Transport Including but not limited to: • public transport • taxis and ride-sharing services • running costs for vehicles including fuel, servicing, registration, parking and tolls. **Note:** • Vehicle insurance is required to be captured under General Basic Insurance. • Recreational vehicle costs are required to be captured under Other.
	Childcare Including but not limited to: • childcare • nannies • pre-school.
	Public or government primary and secondary education Including but not limited to: • tuition • school and sports fees • kindergarten and prep.
	Higher education, vocational training and professional fees Including but not limited to: • TAFE, university, performing arts fees • professional fees (e.g. union dues, professional associations, legal, accountant, tax agent fees).
	Medical and health Including but not limited to: • GPs, specialists, physio, chiro and opticians • medicines and pharmaceuticals • prescription glasses and therapeutic equipment • hospital and nursing home charges.

<table>
<tr><th>Expenditure Item</th><th>Details</th></tr>
<tr><td></td><td>General basic insurances
Including but not limited to:
• ambulance cover
• vehicle insurance (excludes recreational vehicles)
• travel and personal belongings insurance.</td></tr>
<tr><td>Other commitments
Refers to additional payments that are not included in the general living expenses.</td><td>Child / spousal maintenance
Including formal and informal payment arrangements for:
• dependent or non-dependent children
• spousal or de facto partner.</td></tr>
<tr><td></td><td>Private schooling and tuition
Including but not limited to:
• school and sports fees for private or independent schools (e.g. Catholic & Non-Catholic).</td></tr>
<tr><td></td><td>Sickness and personal insurance, accident insurance, life insurance</td></tr>
<tr><td></td><td>Health insurance
Including but not limited to:
• hospital, medical and dental insurance.</td></tr>
<tr><td></td><td>Land tax on owner occupied principle place of residence
• Excludes investment properties and secondary / holiday residences and those maintained for parents or children.
(captured under below running costs categories)</td></tr>
<tr><td></td><td>Secondary residence running costs
Including but not limited to:
• body corporate fees
• land tax and property management fees
• rates
• utilities
• repairs and maintenance
• furniture and homewares
• home and contents insurance.</td></tr>
<tr><td></td><td>Residential investment property running costs
Including but not limited to:
• body corporate fees
• land tax and property management fees
• rates
• utilities
• repairs and maintenance
• furniture and homewares
• home and contents insurance
• landlords insurance.
Note:
The higher of the customer stated expenses or the floor rate of 10% of the gross rental income used for servicing, will apply.</td></tr>
<tr><td></td><td>Other
Other ongoing or recurring items not included within the other categories, like insurance not elsewhere classified.
Including but not limited to:
• registration and insurance of recreational vehicles
• pet insurance
• overseas holidays
• gifts
• jewellery
• household services-(e.g. cleaning, gardening).</td></tr>
</table>

Expenditure Item	Details
Rent / board Refers to personal housing costs.	If the rental / boarding expense will be ongoing after loan drawdown, borrower stated rental / boarding expenses must be captured in the SP. **Note:** The borrower's stated and verified rental / boarding expense is compared against ANZ's minimum rental expense ($590 per month) with the higher amount to be used when assessing serviceability.

Expense Verification

You must ensure that:

1. All documents / evidence supplied to ANZ for expense verification **must be dated within 60 days of the Statement of Financial Position** unless specified otherwise.
2. All documents are reviewed for **Fraud Indicators**.
3. Sanity checks are undertaken for inconsistent financial information.

OFI mortgages verification

Expenditure Item	Requirements
OFI Mortgages	**Definition requirements** When assessing a borrower's ability to repay, ANZ must verify the borrower's OFI mortgage debts against their Statement of Financial Position (SP). **Note:** Obtaining confirmation of OFI mortgage debts is only required where: • the mortgage debt is in a company name or a trust; **and/or** • the OFI is not a full participant of CCR (refer to OFI Mortgages – Full Comprehensive Credit Reporting Participant).
	Evidence requirements ANZ requires 3 months of OFI loan statements for: • home loans • investment home loans • lines of credit. Statements for business related debts are not required. Acceptable OFI loan statements / transaction history must show: • bank / financial institution stationery (logo / ABN) • account number and account name (ownership of debt). Verify: • balance (where redraw is evident, this is to be included in the loan balance); **and** • repayments; **and** • loan repayment history. **Note:** Where statements are required and the loan account is less than 3 months old, a copy of the Letter of Offer (LoO) or the loan transaction history (showing balance AND at least one repayment) is considered acceptable.

Rental Expense Verification

Borrowers who will continue to pay rent / board after drawdown of the loan must provide the following documents for verification. The borrower's stated and verified rental / boarding expense is compared against ANZ's minimum rental expense ($590 per month) with the higher amount to be used when assessing serviceability.

Expenditure Item	Requirements
Formal lease Renting with a formal residential tenancy lease agreement.	• Most recent rental payment from an ANZ or OFI account (filtered bank statements are acceptable for expense verification purposes); or • Payment receipt from internet banking or real estate agent confirming rental amount and date of payment; or • Written confirmation (including email) from real estate agent or landlord confirming rental amount; or • Formal lease agreement
	If there is only one tenant on the lease, account for the entire contractual obligation (rent payable per calendar month). Where there are multiple tenants and the formal lease agreement does not show rent payable by each tenant, each tenant's share can be determined by the total rent payment divided by the number of tenants on the lease. Note: Where bank statements provided show a discrepancy between the borrower's stated rental expense and rent payment, Lenders / Assessors are to make further inquiries with the applicant to confirm the number of tenants on the lease agreement. The outcome of these further inquiries needs to be recorded in the submission / system notes.
Private lease / boarding Renting without a formal residential tenancy lease agreement.	• Most recent rental payment from an ANZ or OFI account (filtered bank statements are acceptable for expense verification purposes); or • Payment receipt from internet banking confirming rental amount and date of payment; or • Written confirmation (including email) from landlord confirming rental amount; or • Private lease agreement Note: Where the borrower cannot provide rental expense evidence, including borrowers not living in their own home (renter / boarder / living with family / other), the borrower's stated rental expense is compared against the minimum rental / board expense with the higher amount to be used when assessing serviceability.

Sensitivity Margins and Floor Rate

To ensure the borrower can continue to meet their repayment obligations if interest rates rise, a servicing sensitivity margin and / or a floor rate is applied to all ANZ and OFI existing and proposed credit facilities to calculate loan repayments for serviceability assessment.

The calculation is based on the actual loan or credit limit (e.g. overdrafts, revolving lines of credit etc.). The borrower's declared loan repayments are compared against the below repayment calculations and the higher amount should be used in assessing serviceability, unless the borrower is reverting to a lower repayment (including sensitivity margin) as part of this application (reason for using a lower amount must be documented on system).

Product	Base and applicable sensitivity margin	Term
ANZ Variable Home Loan (HL) Mortgage Facilities (including home loans in a company name) AND ANZ Variable Residential Investment Loan (RIL) Facilities (including home loans in a company name)	ANZ HL Standard Variable rate + 3%. ANZ RIL Standard Variable rate + 3%. Where there is a discount for the life of the loan, the actual ongoing rate + 3% can be used. Note: ANZ credit decision systems will calculate repayments at the higher of this rate or the floor rate which is currently 5.1%.	Proposed or remaining term. (If Interest Only term exists, use term after Interest Only period expires). Max 30 years.
ANZ Fixed Home Loan (HL) Mortgage Facilities (including home loans in a company name) AND ANZ Fixed Residential Investment loan (RIL) Facilities (including home loans in a company name)	ANZ HL Standard Variable rate + 3%, or the actual borrower rate, if it is higher than this figure. ANZ RIL Standard Variable rate + 3%, or the actual borrower rate, if it is higher than this figure. If a discount for the life of the loan will apply at expiry of the fixed rate term, the actual ongoing variable rate + 3% can be used. Note: ANZ credit decision systems will calculate repayments at the higher of this rate or the floor rate which is currently 5.1%.	Proposed or remaining term. (If Interest Only term exists, use term after Interest Only period expires). Max 30 years.
Non-ANZ Mortgage Facilities	ANZ Residential Investment loan (RIL) Standard Variable + 3%. OR • actual borrower rate + 3%. If using actual borrower rate, **one** of the following supporting documents is required: • OFI LoO; **or** • loan statement; **or** • internet or mobile banking screenshot showing BSB, account number and interest rate. The sensitised rate that is used cannot be lower than the floor rate of 5.1%. If it is lower, the floor rate is to be applied.	Proposed or remaining term. (If Interest Only term exists, use term after Interest Only period expires). Max 30 years. Where remaining amortisation term is not known, take the higher of either the sensitised repayments assuming 25-year term or the actual borrower repayment.
Revolving mortgage lines of credit	ANZ Revolving Mortgage Line of Credit standard rate + 3%. The sensitised rate used cannot be lower than the floor rate of 5.1%. If it is lower, the floor rate is to be applied.	Assumed repayment term of 30 years.

Product	Base and applicable sensitivity margin	Term
Non-mortgage term loans (Secured) i.e. linked to a property asset	For ANZ facilities: • actual borrower rate + 3% pa. For non-ANZ facilities: • Retail Index rate + 3% pa. OR • actual borrower rate + 3% pa. If using actual borrower rate, one of the following supporting documents is required: • OFI LoO; **or** • loan statement; **or** • internet or mobile banking screenshot showing BSB, account number and interest rate.	Proposed or remaining term. (If Interest Only term exists, use term after Interest Only period expires). Max 30 years. For non-ANZ facilities, where remaining amortisation term is not known, take the higher of either the sensitised repayments assuming 25-year term or the actual borrower repayment.
Non-mortgage term loans (Unsecured)	For ANZ facilities: • actual borrower rate + 3% pa. For non-ANZ facilities: • Retail Index rate + 3% pa. OR • actual borrower rate + 3% pa. If using actual borrower rate, one of the following supporting documents is required: • OFI LoO; **or** • loan statement; **or** • internet or mobile banking screenshot showing BSB, account number and interest rate.	Proposed or remaining term. (If Interest Only term exists, use term after Interest Only period expires). For non-ANZ facilities, use the lower of either customer stated or 10 years. Where remaining amortisation term is not known, take the higher of either the sensitised repayments assuming 7-year term or the actual borrower repayment.
Personal loans / Leases / Hire purchase	For ANZ facilities: • actual borrower rate + 3% pa. For non-ANZ facilities: • Retail Index rate + 3% pa. OR • actual borrower rate + 3% pa. If using actual borrower rate, one of the following supporting documents is required: • OFI LoO; **or** • loan statement; **or** • internet or mobile banking screenshot showing BSB, account number and interest rate.	Proposed or remaining term. (If Interest Only term exists, use term after Interest Only period expires). Max 7 years. For non-ANZ facilities, where remaining amortisation term is not known, take the higher of either the sensitised repayments assuming 7-year term or the actual borrower repayment.
Overdrafts	For ANZ facilities: • actual borrower rate + 3% pa. For non-ANZ facilities: • Retail Index rate + 3% pa. OR • actual borrower rate + 3% pa. If using actual borrower rate, one of the following supporting documents is required: • OFI LoO; **or** • loan statement; **or** • internet or mobile banking screenshot showing BSB, account number and interest rate.	Assumed repayment term of 7 years.

Product	Base and applicable sensitivity margin	Term
Non-loan facilities (including indemnity guarantee / performance bonds)	The actual borrower rate + 3%.	Assumed repayment term of 7 years. **Exception:** Expense is not required if indemnity guarantee is secured by charge over term deposit.
Buy Now Pay Later facilities	Fixed ongoing limits: • To be treated as a credit card debt Term loan facilities: • To be treated as a personal loan • Higher of the customer stated or the sensitised amount is to be applied **Note:** Goods and services that are purchased under an instalment plan over a short term period (generally repaid within two months from date of purchase) with non-fixed limits are treated as an expense item in the SP under the relevant category.	Proposed or remaining term (where applicable).
Margin lending	Business Mortgage Index rate (BMI) + 3% for ANZ and OFI loans. Monthly expense = [limit x (BMI + 3%)] divided by 12	As these facilities are Interest Only, no loan term applies.
Credit cards	The monthly credit card expenses are calculated as 3.8% of the total credit card limit or the borrower-stated expense, whichever is the highest. Charge cards with no limit are not expensed as credit commitments.	
STSL / HECS-HELP	The monthly STSL / HECS-HELP minimum required repayment as determined by the ATO tax calculator to be used when assessing serviceability. Repayments do not need to be captured where these repayments are deducted from gross pay and net income has been used for serviceability. There is no sensitivity margin or floor applied.	

Retail Index rate and Business Mortgage Index rate can be retrieved from anz.com

PART VI

CREDIT HISTORY

6 CREDIT HISTORY

6.1 CREDIT REPORTING AGENCIES

Introduction to Credit Reports

As part of the credit assessment process a credit check must be performed. This is a check on the borrower and / or guarantor's credit history as advised by financial institutions and businesses to a central agency. It captures details of credit enquiries, defaults and other general information used in the credit assessment process to help assess the credit worthiness of the borrower(s) and / or guarantor(s). From September 2018 additional information is available with the introduction of Comprehensive Credit Reporting, which includes current financial liabilities and account history.

The credit bureau report includes:

- consumer and commercial lending enquiries
- type of account(s)
- current limit(s)
- date the account(s) were opened or closed
- repayment history information (RHI)
- financial hardship information (FHI)
- loan defaults
- default judgments and writs
- bankruptcies

Customer Consent

For ANZ to be able to legally obtain a credit bureau report, consent must be provided by the borrower and / or guarantor. It is a breach of Privacy Laws if a credit check is performed prior to gaining consent. Lenders must therefore ensure that an Applicant and Guarantor Declaration (AGD) is signed and dated by all customers before the application is submitted.

Note:
Phone and internet banking teams are to follow scripting procedures in order to obtain the necessary consent.

Using Credit Bureau Reports

ANZ has access to information recorded in the customer's credit bureau report which can cover a period of generally up to 5 years from the time the report is purchased. How ANZ uses this information may vary from time to time. Refer to Account Conduct and Refinance for current policy requirements.

If an application is restarted due to a Credit Critical event or other updates, such as changes to the applicant's name, residential address or adding / amending date of birth and driver's licence, a new credit bureau report will be generated.

Declined Applications

If an application for credit is declined (either wholly or partially) based on the credit bureau report from a credit reporting agency (including adverse RHI and FHI), ANZ must notify the applicant in writing.

6.2 ACCOUNT CONDUCT AND REFINANCE

ANZ has an obligation to lend responsibly. To achieve this ANZ must ensure that customers' existing account conduct is satisfactory as part of the assessment process.

In addition to the account conduct checks performed by ANZ credit decision systems, Lenders / Assessors are required to review any documents provided for account conduct when assessing a customer's willingness and ability to repay.

Account Conduct Checks

Account conduct checks must be completed for all applications, including Credit Critical and Non-Credit Critical events. Satisfactory account conduct must be evident on all opened and closed accounts (business and personal). Only in cases with strong justification should applications with unsatisfactory account conduct be referred to Credit Assessment for consideration.

<table>
<thead>
<tr><th>Account Type</th><th>Requirements</th></tr>
</thead>
<tbody>
<tr>
<td>ANZ accounts</td>
<td>
Unsatisfactory conduct / financial difficulty indicators

Credit card has defaulted as evidenced by the following block codes:

A – Agent Collections
B – Bankrupt
G – Revoked
H – Suspended by Collections
I – Moratorium (Under Hardship)
Q – Account with Collections
W – Default
Y – Sold account
Z – Charged off

ILS account has been in arrears for 30 days or more.
DDA account has one or more returned items / dishonours in the last 6 months and / or in excess of 30 consecutive days over the last 6 months.
any account under hardship arrangement within the last 3 months.

For ANZ customers who have held accounts for more than 6 months
In addition to the indicators listed above, Customer Lending Group (CLG) Customer Credit Rating (CCR) should be reviewed via CUGS screen. An adverse CLG CCR is greater than 6 (i.e. CCR 7 to 10).

For Non-Credit Critical events
Check that satisfactory account conduct is evident via the following:

CLG credit rating is not greater than 06.
No adverse block codes evident on credit cards.
Loan account being renewed is not greater than 15 days delinquent.

If account conduct is unsatisfactory, a full Credit Critical application is required.
</td>
</tr>
<tr>
<td>OFI mortgage loans</td>
<td>
Manual account conduct checks are not required where the OFI is a full participant of Comprehensive Credit Reporting (CCR). Account conduct checks are automatically completed by ANZ systems. A full list of CCR participants are found here.

Note:
Home loans in a company name or a trust are excluded from CCR and will require manual checks to be completed.
Where the OFI is not a full participant of CCR or where the home loan is in a company name or trust, we require:

3 months' consecutive statements dated within 60 days of the signed Statement of Financial Position; or
6 months' consecutive statements dated within 60 days of the signed Statement of Financial Position where arrears exist in the most recent 3 months for loans with LMI.

Unsatisfactory conduct / financial difficulty indicators:

Account under hardship arrangement within the last 3 months; or
Account is currently in arrears or in excess; or
Account was in arrears or excess for 30 days or more; or
Two or more instances of: late payments / overdrawn / over limit / dishonours; or
Regular or significant gambling transactions that result in excesses.

Document requirements
Acceptable OFI loan statements must include:

bank / financial institution stationery (logo / ABN)
account number and account name (ownership of debt).

Lender / Assessor to verify:

for loans, the loan balance (where redraw is evident, this is to be included in the loan balance); and
repayments; and
loan repayment history.

</td>
</tr>
</tbody>
</table>

Account Type	Requirements
	Note: • Where statements are required and the loan account is less than 3 months old, a copy of the Letter of Offer (LoO) or the loan transaction history (showing balance AND at least one repayment) is considered acceptable. • Where statements are not required and the OFI mortgage is being refinanced to ANZ, the BSB, account number and outstanding balance needs to be collected at application stage. This information is required as part of the application and settlement process. These details do NOT need to be verified by documentary evidence.
OFI non-mortgage loans / credit card / transaction accounts	• 3 months' consecutive statements dated within 60 days of the signed Statement of Financial Position; **or** • 6 months' consecutive statements dated within 60 days of the signed Statement of Financial Position where arrears exist in the most recent 3 months for loans with LMI. **Unsatisfactory conduct / financial difficulty indicators** • Account under hardship arrangement within the last 3 months; **or** • Account is currently in arrears or in excess; **or** • Account was in arrears or excess for 30 days or more; **or** • Two or more instances of: late payments / overdrawn / over limit / dishonours; **or** • Regular or significant gambling transactions that result in excesses; **or** • Pay-day lender transactions, e.g. Nimble, Cash Converters, etc (for transaction accounts only). **Note:** • OFI statements for other liabilities (e.g. personal loan, credit card and HP lease including Esanda statement) are only required when the debt is being refinanced to ANZ. • ANZ credit decision systems will review the Comprehensive Credit Report (CCR) for the last 6 months' account conduct. Any unsatisfactory conduct reported through CCR during this period will be referred to Credit Assessment. **Document requirements** Acceptable OFI loan statements / transaction history must include: • bank / financial institution stationery (logo / ABN) • account number and account name (ownership of debt). Lender / Assessor to verify: • for credit cards, the credit card limit; **and** • for loans, the loan balance (where redraw is evident, this is to be included in the loan balance); **and** • repayments; **and** • loan repayment history. **Note:** Where the loan account is less than 3 months old, a copy of the Letter of Offer (LoO) or the loan transaction history (showing balance AND at least one repayment) is considered acceptable.

OFI Mortgages – Full Comprehensive Credit Reporting Participants

Adelaide Bank	BankSA	ING Bank	Qudos Bank
Advantedge	Bankwest	Keystart (incl. Western Homebuyers)	RAMS
AFG Securities	Bendigo Bank	Loans.com.au	RESI Mortgage Corporations
AMP	Beyond Bank Australia	Macquarie Bank	St George
Athena Home Loans	Citibank (incl. MyCard)	Members Equity Bank	Suncorp Metway
Australian Military Bank	Commonwealth Bank	Mystate	Teachers Mutual Bank
Auswide Bank	CUA	NAB	Think Tank
Bank Australia	Firstmac	Newcastle Permanent	Westpac
Bank First	Greater Building Society	P&N Bank	86 400 LTD
Bank Of China	HSBC	People's Choice Credit Union	
Bank Of Melbourne	Illawarra Credit Union	Pepper Finance	

PART VII

SECURITY

7 SECURITY

7.1 PROPERTY TYPES AND LVR THRESHOLDS

To ensure ANZ has an adequate collateral position for the purpose of mortgage lending, security must be of an acceptable nature. As such, there are certain security types that ANZ will not consider. There are also maximum lending thresholds on the types of security that can be considered. These limitations are set based on the risk of each property type. Not adhering to these parameters may result in losses to ANZ if the borrower defaults and may compromise cover under Lenders Mortgage Insurance.

Acceptable Properties

Only properties in Australia are acceptable. There are two types of acceptable properties:

- Standard Residential Property
- Non-Standard Residential Property

Standard Residential Property (RSTD)

'Standard' includes all residential property that do not have specialist or restricted uses and features that may limit the property's demand.

The property should:

- be used exclusively for the purpose of private housing which is either owner- occupied or tenanted; and
- have an internal area (excluding balconies and car space) not less than 50 square metres.

Note:
Properties zoned industrial / commercial are acceptable as residential security as long as the current / permitted use is residential.

<table>
<tr><th rowspan="3">Standard Residential Property Types</th><th rowspan="3">Type of Property</th><th rowspan="3">Max LVR without LMI</th><th colspan="4">Max LVR with LMI
Refer to Lenders Mortgage Insurance for maximum lending caps that apply.</th></tr>
<tr><th colspan="2">Eligible existing borrowers</th><th colspan="2">All other borrowers</th></tr>
<tr><th>Owner-occupied</th><th>Investment</th><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>Single residential homes (inclusive of auxiliary improvements e.g. shed, teenager’s retreat) or Duplex properties (i.e. up to two standard dwellings on a single title)</td><td>RSTD</td><td>80%</td><td>95%[1,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">• Land and dwellings which are free standing, semi-detached or attached; and
• All facilities are connected (road access, power, phone, water, etc) with an appropriate Occupancy Permit issued for the property.</td></tr>
<tr><td>Residential townhouses</td><td>RSTD</td><td>80%</td><td>95%[1,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">• Freestanding, attached houses or semi-attached houses.</td></tr>
<tr><td>Residential units</td><td>RSTD</td><td>80%</td><td>95%[1,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">• Units and apartments within a subdivided / strata titled building containing a number of dwellings.</td></tr>
<tr><td>Rural residential housing up to 10 hectares</td><td>RSTD</td><td>80%</td><td>95%[1,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">• Land with a residence.
• Zoned residential, rural residential or any other equivalent zoning for residential use. Must not be commercial, industrial, etc.
• Hobby farming is allowed, provided that the debt servicing can be met from off- farm income only i.e. no farm income can be used in the servicing equation.

Note:
Must not be used for commercial farming / commercial income producing purposes or as a speculative investment or development.</td></tr>
<tr><td>ACT leasehold</td><td>RSTD</td><td>80%</td><td>95%[1,3,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">Any of the standard residential property types (vacant land, homes, units and townhouses) that are perpetual leaseholds over land owned by government (state / federal) in the ACT.</td></tr>
<tr><td>Vacant residential land – fully serviced, smaller than 2 hectares</td><td>RSTD</td><td>80%</td><td>95%[1,3,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">• Unimproved allotments:
- subdivided into individual blocks; and
- smaller than 2 hectares; and
- zoned for residential, rural residential or rural residential housing use; and
- ready for the immediate commencement of building; and
- must not be used to derive income (e.g. farming, hobby farm, vineyards, hydroponics, etc.).
• The individual blocks must be fully serviced (i.e. have kerbed and sealed road access, water, sewerage and power connected – or running immediately up to the property boundary allowing connection at minimum cost). Where the land is not serviced, refer to Non-Standard Residential Property.

Note:
Construction must commence within 12 months of the land settlement date and must be completed within 24 months of commencement (construction period). Vacant land is not acceptable security for equity manager products.</td></tr>
</table>

Non-Standard Residential Property

Properties with specialist or restricted uses, demand and features that carry increased risk and require different lending thresholds.

<table>
<tr><th rowspan="3">Non-Standard Residential Property Type</th><th rowspan="3">Type of Property</th><th rowspan="3">Max LVR without LMI</th><th colspan="4">Max LVR with LMI</th></tr>
<tr><th colspan="2">Eligible existing borrowers</th><th colspan="2">All other borrowers</th></tr>
<tr><th>Owner-occupied</th><th>Investment</th><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>Luxury residential</td><td>RLUH</td><td>75%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Houses, duplexes and townhouses valued over $5 million.
All other standard property types (i.e. land- fully serviced, apartments and units greater than 40 square meters) valued over $4 million.
All luxury residential valuations must be reviewed by ANZ Valuations and / or Property Risk who may apply a lower LVR. This will be determined by ANZ and a notification will be issued to the lender.
Exception:
A maximum LVR of 80% is acceptable without requiring approval, for the categories noted below:
• Houses, duplexes and townhouses valued up to $6 million for postcodes 2024, 2025, 2026, 2063, 2090, 2095, 2110 and 3186
• Houses, duplexes and townhouses valued up to $8 million for postcodes 2023, 2027, 2028, 2029, 2030, 2088, 2108 and 3142.
Note:
If the fair market value of a property is less than or equal to the threshold indicated in the exception postcodes above, the property will be deemed Standard Residential Property (RSTD) for lending purposes.
If the fair market value of a property is greater than the threshold indicated in the exception postcodes above, the property will be deemed luxury residential (RLUH) for lending purposes.</td></tr>
<tr><td>Residential property –up to $4 million, between 40–50 square metres</td><td>RLUO</td><td>80%</td><td colspan="4">90%[4]</td></tr>
<tr><td colspan="7">Any small residential property where the internal area (excluding balconies and car spaces) of the property is between 40–50 square metres and there is a separate bedroom.</td></tr>
<tr><td>Residential property smaller than 40 square metres</td><td>RSBR</td><td>60%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Any small residential property where the internal area (excluding balconies and car spaces) of the property is smaller than 40 square metres, regardless of the number of bedrooms.</td></tr>
<tr><td>Warehouse units and apartments</td><td>RSWH</td><td>60%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Units / apartments characterised by a bedroom that is not separate from the living area or kitchen / kitchenette. Alternatively, the property may have a loft style bedroom.</td></tr>
<tr><td>Bedsitter / studio apartments</td><td>RSBS</td><td>60%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Units / apartments characterised by a bedroom that is not separate from the living area or kitchen / kitchenette. Alternatively, the property may have a loft style bedroom.</td></tr>
<tr><td>Hotel / motel redevelopment – residential strata title</td><td>RHMO</td><td>60%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">The conversion of a former hotel / motel to a residential strata unit complex, which is usually characterised by single room units (sometimes multiple room units, which are former hotel suites), containing a bed, sitting room and kitchenette.</td></tr>
</table>

<table>
<tr><th rowspan="3">Non-Standard Residential Property Type</th><th rowspan="3">Type of Property</th><th rowspan="3">Max LVR without LMI</th><th colspan="4">Max LVR with LMI</th></tr>
<tr><th colspan="2">Eligible existing borrowers</th><th colspan="2">All other borrowers</th></tr>
<tr><th>Owner-occupied</th><th>Investment</th><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>Company titled units</td><td>RCOT</td><td>70%</td><td colspan="4">85%[5]</td></tr>
<tr><td colspan="7">The ownership of shares in a company set up exclusively for the purpose of owning a specified property, where the owner of shares in the company has a right to occupy (or lease to a tenant) a specified unit or allotment within the overall property (associated with some residential units usually in Sydney and Melbourne).
Holders of company title shares do not have absolute right to ownership of a particular lot within the overall property. Their lot is assigned as an entitlement due to ownership of a specific parcel of shares.
Note:
Company must have been established prior to 1999, as evidenced by a company search. If established after this date, it is unacceptable as security.</td></tr>
<tr><td>Multi- dwellings on a single title</td><td>RMDS</td><td>70%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">3 or 4 standard dwellings on a single title (i.e. not subdivided / strata title).
Note:
Purchase / refinance of established multi-dwellings is limited to 4 dwellings on a single title.</td></tr>
<tr><td>Multiple strata titled properties within the same body corporate</td><td>Refer note</td><td>Refer note</td><td colspan="4">Refer note</td></tr>
<tr><td colspan="7">Purchase / refinance of established properties is limited to 4 properties within the same body corporate.
Note:
• The attributes of the properties will determine the property type (e.g. RSTD, RLUH, RLUO, RSBR) and applicable LVR.
• Loans with LMI will also be limited by the maximum borrower exposure limits, category limits and individual loan limit requirements. Refer to Lenders Mortgage Insurance.</td></tr>
<tr><td>Construction of 3 or 4 dwellings</td><td>Refer note</td><td>70%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Where 3 or 4 dwellings are being constructed on a single title (i.e. not subdivided / strata title).
For construction of more than 4 dwellings, refer to a Relationship Manager (Basel Corporate segment) for consideration as a commercial facility under commercial terms and conditions.
Note:
The nature of the construction and the number of property titles at time of application will determine the property type e.g. RSTD, RMDS, RLUH.</td></tr>
<tr><td>Rural residential housing larger than 10 hectares, up to 50 hectares</td><td>RRUL</td><td>70%</td><td colspan="4">90%</td></tr>
<tr><td colspan="7">• Land with a residence.
• Zoned residential, rural residential or any other equivalent zoning for residential use. Must not be commercial, industrial, etc.
• The property should be used exclusively for the purpose of private housing which is either owner-occupied or tenanted.
• Hobby farming is allowed, provided that the debt servicing can be met from off- farm income only i.e. no farm income can be used in the servicing equation. Must not be used for commercial farming / commercial income producing purposes.
• Must not be used as a speculative investment or development.
Where LMI applies, a full valuation is required in all instances where the following additional criteria must also be met:
• improvements must represent a minimum of 50% of the total property value; and
• valuation must not have any 4 or 5 adverse property and / or market risk ratings. Adverse risk ratings of 3 may be considered with strong justification.
Note:
Properties larger than 50 hectares are generally unacceptable security for mortgage lending purposes. Only cases with strong justification should be submitted to Credit Assessment for consideration.</td></tr>
</table>

<table>
<tr><th rowspan="3">Non-Standard Residential Property Type</th><th rowspan="3">Type of Property</th><th rowspan="3">Max LVR without LMI</th><th colspan="4">Max LVR with LMI</th></tr>
<tr><th colspan="2">Eligible existing borrowers</th><th colspan="2">All other borrowers</th></tr>
<tr><th>Owner-occupied</th><th>Investment</th><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>Vacant land – fully serviced, between 2 to 10 hectares</td><td>RRUL</td><td>70%</td><td colspan="4">90%[3]</td></tr>
<tr><td colspan="7">

- Unimproved allotments:
  - subdivided into individual blocks; and
  - zoned for residential or rural residential housing use; and
  - ready for the immediate commencement of building; and
  - must not be used to derive income (e.g. farming, hobby farm, vineyards, hydroponics, etc.).
- The individual blocks must be fully serviced (i.e. have kerbed and sealed road access, water, sewerage and power connected – or running immediately up to the property boundary allowing connection at minimum cost).

Where LMI applies, a full valuation is required in all instances where the following additional criteria must also be met:

- valuation must not have any 4 or 5 adverse property and / or market risk ratings. Adverse risk ratings of 3 may be considered with strong justification.

Only in cases where there is strong justification should the submitter seek an exception to the applicable LVR restriction.

Note:
Construction must commence within 12 months of the land settlement date and must be completed within 24 months of commencement (construction period).

</td></tr>
<tr><td>Vacant land – not fully serviced, up to 10 hectares</td><td>RRUL</td><td>70%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">

Unimproved allotments:

- subdivided into individual blocks; and
- zoned for residential or rural residential housing use; and
- ready for the immediate commencement of building; and
- must not be used to derive income (e.g. farming, hobby farm, vineyards, hydroponics, etc.).

Only in cases where there is strong justification should the submitter seek an exception to the applicable LVR restriction.

Note:
Construction must commence within 12 months of the land settlement date and must be completed within 24 months of commencement (construction period).

</td></tr>
<tr><td>Off-the-plan purchase – less than 6 months to completion</td><td>RPDV</td><td>80%</td><td>95%[1,5]</td><td>95%[5,6]</td><td>95%[2,5,6]</td><td>95%[5,6]</td></tr>
<tr><td colspan="7">

Where a borrower signs a contract with a developer to buy a property that has not yet been built, ANZ will only approve the loan when construction has been completed or will be completed within 6 months. A full valuation must be held for a completed property.

Note:
Off-the-plan purchase where time to completion is more than 6 months, the LVR is reduced to maximum of 70%. LMI is not available.

</td></tr>
</table>

Property is unacceptable but can be considered if specific criteria is met

<table>
<tr><th rowspan="3">Non- Standard Residential Property Type</th><th rowspan="3">Type of Property</th><th rowspan="3">Max LVR without LMI</th><th colspan="4">Max LVR with LMI</th></tr>
<tr><th colspan="2">Eligible existing borrowers</th><th colspan="2">All other borrowers</th></tr>
<tr><th>Owner-occupied</th><th>Investment</th><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>Student accommodation</td><td>RUSA</td><td>60%</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Where a whole unit complex is marketed as a university apartment or student accommodation and:
• the unit is set up as a standard residential; and
• there is no operating lease or management agreement governing the use, occupation, management and sale of the unit. If there is such an operating agreement in place, the property is unacceptable security for mortgage lending purposes.
Note:
• This description does not capture a standard house / townhouse / unit / etc, which is coincidentally occupied by a student.
• Where the borrower owns more than 10% of the units (up to a maximum of 4 units) within a subdivided / strata titled building, the LVR is reduced to a maximum 50%.</td></tr>
<tr><td>Leasehold property (except ACT)</td><td>LHOR</td><td>NIL</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">Leasehold meaning the right to use and have exclusive possession (but not ownership) of real estate for a specified period and subject to the fulfilment of certain conditions as recorded in a lease agreement. This definition applies to perpetual leaseholds over land owned by government (state / federal) and does not include an investment property that is being leased.
Leasehold property (except ACT) is generally considered unacceptable security for mortgage lending purposes.
Only cases with strong justification should be submitted to Credit Assessment for consideration. The LVR will be restricted to a maximum of 50% in most cases. This will be determined by an appropriate CAD holder based on full valuation.</td></tr>
<tr><td>Housing for the aged (freehold title)</td><td>RAGE</td><td>NIL</td><td colspan="4">NA</td></tr>
<tr><td colspan="7">A number of local councils or planning authorities allow residential properties to be constructed (or redeveloped) for the purposes of housing for the aged.
The council or planning authority approval allows certain planning law exemptions to be granted (e.g. easing of parking requirements) in exchange for added restrictions which limit the property's occupation or use to the aged (e.g. residents must be over 55 years of age).
Housing for aged (freehold title) is generally considered unacceptable security for mortgage lending purposes.
Only cases with strong justification should be submitted to Credit Assessment for consideration. The LVR will be restricted to a maximum of 50% in most cases. This will be determined by an appropriate CAD holder based on full valuation. Group Legal Services can provide assistance with the interpretation of planning restrictions if needed.</td></tr>
</table>

<table>
<tr><th rowspan="3">Non- Standard Residential Property Type</th><th rowspan="3">Type of Property</th><th rowspan="3">Max LVR without LMI</th><th colspan="4">Max LVR with LMI</th></tr>
<tr><th colspan="2">Eligible existing borrowers</th><th colspan="2">All other borrowers</th></tr>
<tr><th>Owner-occupied</th><th>Investment</th><th>Owner-occupied</th><th>Investment</th></tr>
<tr><td>Serviced apartment</td><td>NA</td><td>NIL</td><td colspan="4">NA</td></tr>
</table>

Serviced apartments are commercial properties which are operated similar to a hotel.

Although these properties are usually residential strata title, these properties will generally carry strict local council planning or body corporate restrictions that prevent the property from being occupied as a traditional residence (i.e. restricting use to a serviced apartment only – short-term accommodation).

There may be instances where zoning allows for permanent occupation however, serviced apartments are generally accompanied by a complex operating lease / management agreement, which dictates the terms of the relationship between the property manager and the owner and the conditions under which the property is to be occupied. It is common practice for serviced apartments to be restricted to long notice periods or to carry financial penalties if the property owner decides to exit the management agreement.

The Contract of Sale will usually have reference to the management agreement outlining the owner's rights and the managing agent's obligations.

Serviced apartments can only be considered as security for a home loan when all of the following criteria is met:

- it is a strata titled security; **and**
- no council restrictions to long-term occupancy; **and**
- apartment is suitable for long-term occupation (i.e. standard apartment layout with a kitchen, laundry, etc. not just a hotel room); **and**
- no restrictions on resale; **and**
- management agreement exit notice period is less than 30 days; **and**
- penalty to exit management agreement less than $1,000.

Only cases with strong justification should be submitted to Credit Assessment for consideration. As an exception, when all of the above conditions are satisfied, an appropriate CAD holder may approve subject to standard LVR thresholds for property type based on full valuation.

Unacceptable Properties

- Income-producing rural properties
- Properties designed, zoned or used for commercial purpose (including a residential dwelling being used as a display home, medical practice etc.)
- Specialised or purpose built properties where the design / construction limits its use and conversion to another use is difficult and costly (e.g. places of worship, accommodation for the aged, nursing homes and NDIS properties)
- Properties with management rights e.g. caretaker's unit within a property complex
- Mobile (transportable / relocatable) or temporary homes
- Boarding house / hostel
- Contaminated land / improvements
- Time-share properties
- Assignment of interest in Contract of Sale
- Sheds converted into dwellings (where LMI applies)

LVR Thresholds Based On Loan Features

Loan Feature	Max LVR without LMI	Max LVR with LMI			
		Eligible existing borrowers		All other borrowers	
		Owner-occupied	Investment	Owner-occupied	Investment
Owner builder (based on land value only for property being constructed)	80% of land value	NA			
Bridging	80%	85%			
Construction of 3 or 4 dwellings on a single title	70%	NA			
Mining town properties (for new lending)	70%	NA			

[1] Up to 95% LVR (97% with capitalised LMI premium) for eligible existing borrowers (owner-occupied only). Additional restrictions apply for Interest Only lending. Refer Lenders Mortgage Insurance for detail including the definition of eligible existing borrowers.

[2] Up to 90% LVR (92% with capitalised LMI premium) for all other borrowers (owner- occupied only). Additional restrictions apply for Interest Only lending. Refer Lenders Mortgage Insurance for detail including the definition of eligible existing borrowers.

[3] Vacant land must have a residence constructed within 12 months.

[4] Maximum LVR of 90% and maximum loan amount of $1,000,000 applies to small residential property located in Metro Region (LMI Category 1). Other LMI lending restrictions also apply (refer Lenders Mortgage Insurance).

[5] LMI lending restrictions apply. Refer Lenders Mortgage Insurance for full lending criteria including maximum loan and LVR thresholds.

[6] Maximum LVR of 95% applies for all borrowers with a DTI of less than 6 only. Maximum LVR of 90% applies for all other borrowers (refer to Lenders Mortgage Insurance).

7.2 MINING TOWN REQUIREMENTS

Mining region economies are vulnerable to fluctuations in mining investment and activity, adding unique risks to mortgage lending in these areas.

To mitigate the risk for properties located in the restricted postcodes or towns (listed below):

- LVR is capped at 70% for new lending on owner occupier, investment loans and lines of credit.
- LMI is not available to support the application.

Restricted Postcodes

All towns within the postcodes listed below are restricted.

State	Restricted postcodes		
Western Australia	• 6415 • 6426 • 6429 • 6432 • 6437 • 6438 • 6440 • 6479 • 6620	• 6623 • 6639 • 6642 • 6646 • 6710 • 6714 • 6716 • 6718 • 6720	• 6721 • 6722 • 6728 • 6751 • 6753 • 6758 • 6760
Queensland	• 4420 • 4709 • 4717 • 4719	• 4722 • 4743 • 4744 • 4745	• 4746 • 4804
New South Wales	• 2835		

Restricted Towns

Only towns listed below within the postcodes 4702 and 4671 are restricted. Standard LVR thresholds apply to other towns within these postcodes.

Postcode	Restricted towns
4702	• Baralaba • Rolleston • Bluff • Goovigen • Dingo • The Gemfields
4671	• Mount Perry • Booyal • Wonbah

7.3 PROPERTY PURCHASE (COS)

A Contract of Sale (or Offer & Acceptance in Western Australia), is an agreement that sets out the terms and conditions agreed upon between the vendor and the purchaser to facilitate the sale and purchase of a property. A signed / fully executed document is required to validate the ownership and purchase price of the property.

Requirements

- A copy of the Contract of Sale (CoS) / Offer & Acceptance (O&A), including any special conditions, is required prior to settlement in all states and must be held on file.
- Ensure that the CoS / O&A:
  - is fully executed (both vendor and purchaser must sign the contract however both signatures do not have to be within the same copy of the contract); **and**
  - is dated and covering all terms and conditions of the contract (refer **Guide to reviewing CoS** on KnowHow or for Broker applications in the Broker Operations Manual); **and**
  - contains the correct legal names.
- Details of the CoS / O&A must be recorded in the system, including names, address and purchase price. If the property is known by more than one address (e.g. lot number on CoS now has a street number), this has to be reflected in the submission notes.
- For valuations requirements, refer to Valuation Types.

Note:
In NSW / ACT, a fully executed copy of the CoS is still preferred for formal approval, however where this is unavailable, it is acceptable to have:

- signed and dated copy of the CoS from either the vendor or the purchaser only; or
- 'sales advice' from the real estate agent selling the property.
- It remains a mandatory requirement to obtain a fully executed CoS prior to settlement.

Special Conditions

Some contracts may contain special conditions agreed upon between the vendor and the purchaser, which are specific to that agreement. While ANZ is not bound by the terms and conditions of the contract, the special conditions should be reviewed. Ensure no conditions exist that may impact the value or transfer of ownership of the security, or the registration of ANZ's interest following the release of the loan funds. For some examples on special conditions, please refer to the relevant section on KnowHow or for Broker applications in the Broker Operations Manual.

7.4 VALUATIONS

As part of the lending application process, a credit facility cannot be formally approved until a suitable valuation has been obtained in accordance with the requirements outlined below. For all home loan applications, the ANZ credit decision systems must be used to determine the type of valuation required.

Note:
A valuation of a security property must not be considered as a source of repayment, ANZ is not permitted to rely on the valuation of security property in lieu of an applicant's capacity to service.

Residential Valuations

Retail Credit Requirements are embedded within ANZ decision systems and considers the user's input to determine the type of acceptable valuation. The application systems also identifies adverse valuations (based on the risk ratings attached to a physical valuation) and will require the loan application and valuation to be referred to Credit Assessment for review by an appropriate CAD holder.

ANZ may engage an independent expert valuer to provide an assessment of a property's Fair Market Value (FMV) and any associated property risk. Appointed ANZ valuers may only be directly instructed via ANZ valuation systems and all valuations must be addressed solely to ANZ and its mortgage insurers.

Valuation Types

When assessing the Fair Market Value (FMV) of a property, ANZ adopts a risk-based approach to determine the most appropriate valuation type. In general, as the associated risk, complexity and / or exposure of the property increases, so does the requirement for more specialised valuation methods.

ANZ systems should be relied upon to determine the appropriate valuation type that will be required.

Automated, Desktop and Restricted Access (Kerbside) Valuations

The allocation of these valuation types is determined by data driven strategy. Some of the factors that ANZ systems will consider when determining if an automated valuation is suitable includes:

- Standard properties (duplex properties, i.e. two dwellings on a single title, are classified as standard residential property (RSTD) however a full valuation (long form) is required in all instances)
- Existing dwellings (i.e. where a property is already established)
- Low risk property locations
- Property value is consistent with similar properties within the local area
- A maximum LVR of 85% applies.

The below valuation types are valid for a period of 60 days from the date of completion (i.e. the valuation report must be used in the assessment of the application within 60 days to be acceptable), unless stated otherwise.

Valuation Type	Requirements
Contract of Sale (or Offer & Acceptance in Western Australia)	A Contract of Sale can be relied upon under limited circumstances which includes where the value can be validated by an alternative valuation method (which is performed automatically by ANZ systems). The Contract of Sale must be dated within 6 months and only applies to 'on market' transactions.
Customer Stated Value (CSV)	A Customer Stated Value is the borrower's estimate of the subject property value. In certain situations, this will be used as the FMV where the value can be validated by an alternative valuation method (which is performed automatically by ANZ systems).
Automated Valuation Models (AVMs)	AVMs, also known as modelled estimates, are statistical models used to generate estimates of the FMV of a property at an 'address specific' level, typically based on property attributes.
Desktop and Remote valuations	A Desktop and Remote valuation refers to an ANZ selected valuer to complete a remote assessment of the property FMV using various property and market data sources available (valid for 90 days).
Restricted Access (or Kerbside) valuations	A Restricted Access (or Kerbside) valuation is the physical external assessment of the property. The property FMV cannot exceed $3 million (valid for 90 days).

Physical Valuations

A physical valuation is required where the property is considered to be higher risk, in which case additional checks will need to be carried out via a visual inspection by a professional valuer. An automated, desktop or restricted valuation type is therefore not deemed suitable.

Some of the factors that ANZ determines when a physical valuation is required includes:

- Non-standard properties (including duplex / multi dwelling)
- First occupancy or to be constructed properties (including 'off the plan')
- High risk locations (including environmental hazard risks, e.g. mining towns, flood and bushfire prone areas)
- High value property or properties that are outliers compared to the local market for similar property types
- Other factors such as 'off market' transactions (purchases without the intervention of a real estate agent and / or between related parties) and where the LVR >85%.

The below valuation types are valid for a period of 90 days from the date of completion (i.e. the valuation report must be used in the assessment of the application within the 90 days to be acceptable).

Valuation Type	Requirements
Full valuations (short form)	Full valuations are based on internal and external inspection of the property and include comparable sales for the area. Full valuations are conducted by ANZ selected valuers who are required to provide 'Property PRO' standard reports which adhere to API industry standards. The property FMV cannot exceed $5 million.
Tentative-On-Completion (TOC)	A TOC provides the proposed value of the construction of a dwelling(s) or structural renovations to an existing dwelling, upon its completion. It is required for all construction lending. When recording the TOC valuation for construction loans (i.e. houses being built or renovated) take the lower amount of the: • TOC valuation amount; **or** • purchase price of the land (if purchased within 6 months, or from the TOC valuation if older than 6 months) plus the construction contract costs (inclusive of quotes / invoices outside the fixed price builders contract). **Note:** If construction costs are more than $2,000,000 a Quantity Surveyor (QS) report is required.

Valuation Type	Requirements
Full valuations (long form)	Long form valuations (also known as a professional valuation) is a more comprehensive version of a standard full valuation. Full valuations (long form) are required for non-standard or complex properties. This including properties valued over $5 million, highest and best use (i.e. development potential), properties with two or more dwellings and where the property is determined as out of scope according to API standards for a short form assessment. Note: LMI valuations must be completed on a single residential basis. Commercial or Development potential valuations assessed on a "highest and best use" basis are unacceptable.

Use of an existing valuation

An existing valuation may be deemed accepted by ANZ systems up to a maximum of 12 months for physical valuations or up to 3 months for desktops and kerbsides.

This valuation type only applies where a valuation has been completed by an ANZ approved panel valuer. An existing physical valuation will not be acceptable where a TOC valuation is greater than 3 months old.

Note: An existing valuation may be deemed acceptable irrespective of the customer applying for the loan. The retrieval of this valuation is based solely on the property address. This is limited to applications submitted by ANZ staff due to privacy requirements where the valuation report may reference third party customer details to an external loan submitter.

High Value Property

Residential properties will require a professional valuation when the property value is greater than $5 million. In addition, Property Risk Technical Services must review and sign off all valuation reports where the property value exceeds:

- $5 million for houses, duplexes and townhouses;
- $4 million for all other property types.

Property Risk Technical Services may impose a lower LVR where appropriate. Certain exceptions (to the review and LVR review process) exist for given postcodes, refer to Property Types and LVR Thresholds for details. This does not affect the threshold for a professional valuation to be conducted.

Two-Tier Marketing

Two-tier marketing typically involves a prospective purchaser who is unfamiliar with the local market paying a price in excess of its fair market value. Where ANZ holds a valuation that suggests the purchase price is above current market value by an amount greater than 10%, Lender / Assessor must:

- Issue the Valuation Variance Letter to the borrower alerting them to the price variance and recommending the borrower obtain an independent valuation of the property. A copy of the letter must be placed in the lending file.
- Contact the borrower 3–4 days following the issuance of the letter to confirm its receipt.
- Continue to process the application unless otherwise notified in writing by the borrower.

Adverse Valuations

Full valuations contain four property risk categories and four market risk categories. Each risk category ranges from 1 to 5 (from lowest risk to highest risk).

ANZ systems will display a message advising where the valuation assessment is adverse. Lenders should be guided by system messages.

Risk category	Risk rating
Location and neighbourhood	Recent market direction
Land	Market volatility
Environmental issues	Local economy impact
Improvements	Market segment conditions

LMI applications for home loans in a company name require manual assessment when any one of the following risk categories **and** risk rating criteria are displayed:

Risk category	Risk rating
Property risk: Land or Improvements – excluding TOC valuations Market risk: Market segment conditions AND property is located in a regional or rural postcode	3
Property risk: Land or Improvements Market risk: Market segment conditions	4
Any property or market risk category	5

Non LMI applications for home loans in a company name require manual assessment when any one of the following risk categories and risk rating criteria are displayed:

Risk category	Risk rating
Property risk: Land or Improvements Market risk: Market segment conditions	4
Any property or market risk category	5

7.5 GUARANTEES

A guarantor promises to repay a loan if the borrower defaults on a loan obligation. A guarantee can be given by individuals and corporate entities (companies).

ANZ has obligations under the Banking Code of Practice when taking a guarantee from an individual in support of a home loan. This includes ensuring the guarantor understands that they have an obligation to repay the loan if the borrower defaults. Failure to address this will impact the enforceability of the guarantee if called on.

Additional care needs to be taken with guarantors who may be vulnerable and / or have difficulty understanding their rights and obligations as guarantors e.g. non- English speaking guarantors or guarantors who show signs of being under duress from the borrower. Refer to **Servicing Vulnerable Customers** on KnowHow or for Broker applications in the Broker Operations Manual.

For individuals, ANZ places guarantees into two categories:

1. security guarantees
2. servicing guarantees

It is possible that a guarantee could be both a security and servicing guarantee, in which case, the requirements of **both** types of guarantees are to be met. All spousal guarantees should be treated as both a security and servicing guarantee, irrespective of whether the spousal guarantor is a party to the lending primarily to support from either a security or servicing perspective.

Applications that include a guarantee are referred to Credit Assessment for verification.

Note:
Partner / Family (subclass 820/309/461) visa holders are not acceptable as guarantors.

Security Guarantee

A security guarantee is provided when the borrower can demonstrate that they can service the proposed loans and:

- the borrower wants to alleviate the requirement for Lenders Mortgage Insurance (LMI), by bringing the LVR to 80% or below (guarantee should be limited to the lowest amount that eliminates the requirement for LMI to be taken). This is also known as a family guarantee. The guarantor's security can involve taking a second registered mortgage behind an OFI.

OR

- the borrower and guarantor have shared ownership of the security property (guarantee to be limited to the full amount of the loan);

OR

- the guarantor owns the property solely and is in a spousal / de facto relationship with the borrower (guarantee to be limited to the full amount of the loan).

Note:
A Statement of Financial Position is always required from a spousal guarantor irrespective of the type of Guarantee.

Family Guarantees

When entering into a family guarantee arrangement, ANZ will not assess the guarantor's capacity to service the borrower's loan. If future lending is sought by the guarantor, ANZ may consider this obligation in their servicing assessment.

For family guarantees, **all** of the following conditions must be met.

Condition	Requirements
Guarantors are limited to immediate family	• Parents / stepparents • Grandparents • Siblings (brothers and sisters) • Children
Restriction on loan purpose	One security guarantee per borrower to assist with the purchase of a single property, including purchase of vacant land and construction (under Fixed Price Building Contract arrangements only) of a single dwelling. This can be either for owner occupation or investment but is limited to one property. OFI refinance is acceptable, provided it is a dollar- for-dollar refinance of a loan for the purchase of a single property. There can be no cash out or any additional / increase in lending.
Restriction on loan amount	Loan amount cannot exceed 107% of the purchase price. This is to cover 100% of purchase price plus stamp duty and transaction costs. For refinance, 107% is based on current Fair Market Value (FMV).
Maximum LVR cap on guarantor	Total lending against the guarantor's property cannot exceed 70%. Total lending means the total lending of the guarantor + the amount pledged under the family guarantee + any other guarantee secured by the guarantor's property. If the guarantor already has a mortgage with an OFI, 1 year's interest on that OFI debt must be included in the LVR calculations. Use the ANZ RIL Standard Variable Home Loan rate +3% as the interest rate. The sensitised rate that is used cannot be lower than the floor rate of 5.1%. If it is lower, the floor rate is to be applied. Refer to ANZ as Second Mortgage for more information.
Maximum guarantee amount	Limited guarantee amounts cannot exceed 50% of the FMV of the guarantor's security property.
Restriction on loan type	Interest Only (including Equity Manager Accounts) is not available. This requirement extends to all loans part of a split loan arrangement when any individual loan within arrangement is supported by a family guarantee. Existing Interest Only loans that are supported by a family guarantee must revert to Principal and Interest repayments: • upon expiry of the Interest Only term; **or** • if any credit critical change is sought.

Servicing Guarantees

Under responsible lending laws, ANZ is not permitted to enter into loans where the borrower does not have the capacity to meet repayments (or if they could only do so with substantial hardship). Borrowers must show capacity to service in their own right, however, there are limited circumstances where a servicing guarantee may be taken.

In these cases, the borrower's capacity to meet repayments is dependent upon using the income of a third party (indirect income) to meet the loan commitment. Where ANZ takes a servicing guarantee from that third party, ANZ must be satisfied that the income of the guarantor is reasonably available to the borrower to meet repayments having regard to the:

- history / nature of the relationship between the borrower and the guarantor; and
- expressed willingness of the guarantor to meet the repayments for the borrower.

Therefore, subject to certain requirements being met, a servicing guarantee is restricted to the borrower's:

- spouse / de facto partner; or
- parents / stepparents.

Note:
The guarantee to be limited to the full amount of the loan.

Type of Servicing Guarantee	Requirements
All servicing guarantees	• The guarantor must confirm they understand that even though they are not the borrower: - they are required to meet repayments on behalf of the borrower; and - they are liable for the guaranteed amount. • The guarantor must expressly indicate that they are willing to meet the repayment obligations of the borrower. • The borrower and the guarantor must be aware that if the financial circumstances of either the borrower or the guarantor change, the parties will need to consider alternative ways to meet their debt obligations. • The guarantor must be interviewed separately to the borrower and the Lender must be satisfied that both parties understand the implic ations of the arrangement and are willing to proceed. • The Guarantor Assessment Checklist must be completed for all guarantors and submitted with the borrower application. • While it is not mandatory under the Banking Code of Practice that the guarantor seek independent legal and / or financial advice, the guarantor must be advised that they are strongly recommended to do so. ANZ may also require the guarantor to seek independent advice, as guided by the Guarantor's Assessment Checklist.
Spouse / de facto partner	• Up to 100% of the borrower's income used in the serviceability assessment can be indirect income from the guarantor spouse / de facto partner. • A joint Statement of Financial Position (SP) must be completed. It must be verified that the guarantor and / or borrower have the capacity to meet repayments without substantial hardship. Standard income verification requirements apply. • The guarantor's income must be 'reasonably available' to the borrower in order for ANZ to treat it as indirect income in assessing serviceability. It may be reasonable to assume that income of a spouse / de facto partner guarantor will be reasonably available to the borrower where there is a legitimate purpose for the proposed arrangement (i.e. asset shielding, tax effectiveness, financial planning). Note: Spousal / de facto servicing and security guarantees for loans with LMI are only acceptable where the borrower and guarantor jointly share ownership of the security property.

<table>
<tr><th>Type of Servicing Guarantee</th><th>Requirements</th></tr>
<tr><td>Parent / stepparent</td><td>

The borrower must be in a position to meet at least 60% of the loan repayments from income that does not include indirect income from the guarantor.
The guarantor must complete a Statement of Financial Position (SP). It must be determined that the guarantor has the capacity to meet the loan repayments without substantial hardship and this must be verified.
The parent / stepparent guarantor must be wealthy and sophisticated. Credit Assessment may accept guarantors as being wealthy and sophisticated if they:

have a gross annual income of at least $250,000; or
have net tangible assets of at least $2.5 million; or
are Private Bank customers.

Credit Assessment may consider exceptions for guarantors that fall just short of the wealthy and sophisticated criteria, having regard to:

occupation (e.g. lawyers, accountants); or
current or previous positions held (e.g. membership on the board of a public listed company).

The guarantor's income must be 'reasonably available' to the borrower for ANZ to treat it as indirect income in assessing serviceability. Income of a parental guarantor may be 'reasonably available' where the purpose of the arrangement is to provide some benefit to the guarantor and their family (i.e. to enable the borrower to leave the family home or to assist them to become more financially independent).

Note:
Family Guarantees are not available for loans with LMI.</td></tr>
<tr><td>Home loans in a company name</td><td>

Director guarantees are mandatory (i.e. all directors must provide unconditional joint and several personal guarantees).
Servicing guarantee document requirements apply except the following, which are not applicable:

Guarantor Assessment Checklist
Guarantor Self-Declaration form
Letter of Confirmation from Guarantor
Letter of Confirmation from Borrower

</td></tr>
</table>

Unacceptable Guarantors

Guarantees are not to be accepted in the following circumstances (but not limited to):

- Where there is reason to suspect that the proposed guarantor has intellectual disabilities that would make it difficult for them to understand a guarantor's obligation.
- Where individuals or companies are acting under a Power of Attorney for the guarantor (where the guarantor is an individual).
- Where there is reason to suspect that the proposed guarantor is incapacitated at the time of executing the guarantee (e.g. under the influence of alcohol or drugs).
- Where there is reason to suspect that the guarantor did not understand the effect of the guarantee at the time it was executed.
- Where it is suspected that the proposed guarantor is under duress from the borrower or another guarantor or is under the influence of the borrower or another guarantor (e.g. where it is suspected that the guarantor may be experiencing financial abuse).
- Where individuals are independent to the borrower group and:
  - do not have the financial resources to repay or service the guarantee obligations; **and**
  - would encounter undue hardship if required to pay under the guarantee.
- Where the proposed guarantor is a minor.
- Where the proposed guarantor is a Partner / Family (subclass 820/309/461) visa holder.

Note:

Refer to **Guarantor Assessment Checklis**t for further guidance.

Documents Required for Assessment

Document	Requirements
Guarantor Assessment Checklist	The Guarantor Assessment Checklist must be completed for all guarantors and submitted with the borrower application. This document assists in determining the suitability of the guarantor. A separate interview must be conducted with each guarantor (ensure that no other parties to the loan are present at this interview). Independent advice While it is not mandatory under the Banking Code of Practice that the guarantor seek independent legal and / or financial advice, the guarantor must be advised that they are strongly recommended to do so. ANZ may also require the guarantor to seek independent advice. In such circumstances, ANZ will not proceed with loan drawdown unless there is confirmation that this advice has been undertaken by a suitably qualified legal practitioner and / or accountant. Note: Legal and financial advice are different. If independent legal advice is obtained, then the 3-day Banking Code of Practice requirement will not apply. The 3-day requirement will still apply if independent financial advice is obtained.
Guarantor Self- Declaration form	The Guarantor Self-Declaration form must be completed for all security guarantees that are classed as a family guarantee and submitted with the borrower application. The Guarantor Self-Declaration is not required for a spousal guarantee or where the borrower and guarantor have shared ownership of the property.
Guarantor Email Consent form	If email is the preferred method of delivery, ensure the guarantor completes the Guarantor Email Consent form at the time of guarantor interview (if not before) and this is to be held in the lending file, along with the Guarantor Assessment Checklist.

Disclosure Obligations to Guarantors

To protect ANZ's legal right to enforce guarantee security and to comply with the Banking Code of Practice, ANZ is required to provide certain information and disclosures to guarantors.

Information Type	Requirements
Guarantee terms and conditions	The terms and conditions of the guarantee must contain a prominent notice that: • the guarantor should seek independent legal and financial advice; and • the guarantor can refuse to provide their guarantee; and • there are financial risks involved in providing their guarantee; and • the guarantor has a right to limit their liability, in accordance with the Banking Code of Practice and as allowed by law; and • the guarantor can request information about the transaction or loan; and • if applicable, the guarantee may cover future credit facilities and variations of the existing loan. The guarantee must also include a warning notice directly above the place where the guarantor signs the guarantee. This warning notice must be substantially in the form of National Consumer Credit Protection Act requirements. This information must be provided to guarantors at least 3 days before they are asked to sign the guarantee.
Other relevant information	With the exception of sole director guarantors, commercial asset financing guarantors or trustee guarantors, guarantors must also be told: • about any notice of demand made on the borrower for the guaranteed loan, or any loan the borrower has (or has had) with ANZ, within the previous two years (refer Disclosure Obligations – Definitions) • if any existing loan ANZ has given the borrower will be cancelled if the guarantee is not provided. This information must be provided to guarantors at least 3 days before they are asked to sign the guarantee.

Information Type	Requirements
Information about the borrower	With the exception of commercial asset financing guarantors, sole director guarantors or trustee guarantors, guarantors who are individuals are to be provided with the following information at least 3 days prior to being asked to sign the guarantee: • copy of the proposed loan contract; **and** • a list of any related security documents; **and** • any related credit report from a credit reporting body; **and** • any current credit-related insurance contract that is in ANZ's possession; **and** • any financial accounts or Statement of Financial Position the borrower has given ANZ in the previous two years for the purposes of the guaranteed loan; **and** • the latest statement of account relating to the loan for a period in which a notice of demand was made by ANZ; **and** • other information ANZ has about the guaranteed loan that the guarantor reasonably requests – however, ANZ doesn't have to give the guarantor its internal opinion.
	With the exception of commercial asset financing guarantors, sole director guarantors or trustee guarantors, ANZ will provide the guarantee documents directly to the guarantor or their representative and not to the borrower or to someone acting on behalf of the borrower. During the guarantee, all types of guarantors are to be provided with the following information within 14 days of the relevant event: • a copy of any formal demand or default notice ANZ send to the borrower. • a written notice if the borrower has advised us that they are experiencing financial difficulty which has resulted in a change of their loan. • a written notice if the borrower is in continuing default for more than 2 months after the issuance of the default notice referred to above. Note: Where the statements relate to accounts held jointly by the borrower and another person or entity, copies of statements are not to be provided to the guarantor unless that other person or entity has provided written authority to do so. The borrower must provide a prior written authority to ANZ to disclose or provide the above information to the guarantor (unless the guarantor is a director). After the guarantee has been taken, the above information is to be provided to any guarantor upon request. The guarantor is also to be provided with the following information, upon request, subject to the written authority of the borrower: • statement of account relating to the credit facilities guaranteed; **and** • any notices previously given to the borrower.

Information Type	Requirements
Director guarantors (other than sole directors)	Director guarantors (other than sole directors) must be provided with the following information prior to being asked to sign the guarantee: • the guarantor has the right to receive the information listed above; **and** • this information may be important to the guarantor's decision to provide the guarantee; **and** • the guarantor may choose not to receive any or all of this information; **and** • where a director guarantor chooses not to receive any or all of this information the director must confirm this in writing. Where however it is inconvenient to obtain the directors confirmation in writing, the director's verbal confirmation may be accepted provided this is subsequently confirmed in writing to the director and an appropriate record confirming this discussion with the director is made. A director guarantor can also choose to sign and return the guarantee to ANZ without waiting for the 3-day period under the Banking Code of Practice. ANZ staff and lenders must: • ensure that each director guarantor making these decisions does so independently of any other director; **and** • not attempt to influence the decision.

Document Requirements

Only accredited ANZ staff can complete a guarantor application.

Requirement	Security guarantee	Servicing guarantee
Signed Statement of Financial Position from guarantor	NA[1]	●
Guarantor's income verification documents	NA	●
Signed Applicant and Guarantor Declaration form	●	●
Guarantor Assessment Checklist	●	●
Guarantor Self-Declaration	Only required for family guarantees	NA
Letter of Confirmation from Guarantor	NA	Only where a wealthy and sophisticated parent / stepparent is providing a servicing guarantee
Letter of Confirmation from Borrower	NA	Only where a wealthy and sophisticated parent / stepparent is providing a servicing guarantee
The Guarantor Email Consent form (if preferred)[1]	●	●

[1] A Statement of Financial Position is always required from a spousal guarantor irrespective of the type of Guarantee.

Documents to be held in lending file

Completed and signed:

- Applicant and Guarantor Declaration form
- Guarantor Statement of Financial Position (for servicing guarantees)
- Guarantor Assessment Checklist and Guarantor Self Declaration for each guarantor
- Letter of Independent Legal Advice or Letter of Independent Financial Advice (if required)
- Letter of Confirmation from Guarantor (for servicing guarantees)

- Letter of Confirmation from Borrower (for servicing guarantees)
- Guarantor Acknowledgment form (received with standard documentation from Fulfilment when SDR is requested)

Note:
The Letter of Offer and the Guarantor's Acknowledgment (together with the relevant lending terms and conditions) form the loan contract. This contract is between ANZ, the borrower and the guarantor. As a consequence, the Guarantor's Acknowledgment signed by the guarantor must be attached to the Letter of Offer that is signed by the borrower.

7.6 ANZ AS FIRST MORTGAGEE

Where ANZ holds a first mortgage and receives a request from another lender to register a second mortgage, a priority agreement must be entered with the subsequent mortgagee. The second or subsequent mortgage must be limited to a specific value aligned to the amount being advanced by the other lender and cannot be unlimited.

The amount of ANZ's priority must be equivalent to the amount of ANZ's outstanding balance, including any undrawn limits and redraw.

If the borrower seeks further lending against a property where ANZ has an existing priority agreement with a subsequent mortgagee, a new priority agreement will need to be prepared and executed to cover ANZ's increased lending.

7.7 ANZ AS SECOND MORTGAGEE

The expectation is that ANZ holds a first registered mortgage as primary security.

ANZ prefers to be the only lender to have a mortgage over a particular property. In order to avoid Lenders Mortgage Insurance (LMI), there may be situations where a second residential mortgage is accepted as supporting security behind the existing first mortgagee. This is most common with family guarantees where the guarantor already has their mortgage with an OFI.

Where ANZ is to hold a second mortgage, details of the term, repayment arrangements and amount outstanding, including undrawn limits, under prior mortgages must be obtained from prior mortgagees.

A formal priority agreement must be entered with the prior mortgagees to limit the amount of their priority to the outstanding amount.

The priority agreement will also include interest, fees and enforcement expenses although a specific amount for this will not be noted in the document.

Ascertaining the OFI Amount

As with any ANZ loan where other loans exist against a property, the OFI debt (priority) must be taken into account when calculating the correct LVR.

To obtain formal confirmation of the amount of the OFI debt, and priority required, ANZ must write to the OFI, to request the information. The borrower must authorise ANZ to receive this information, by completing and signing an authority.

A priority agreement has the effect that the OFI will have first priority for the priority amount. ANZ will rank second and should the property be sold we would only receive residual funds after the first mortgagee's debt has been discharged.

To commence the application process, the outstanding amount, or balance / limit details from loan statements may be used indicatively for the application. When the priority amount required by the OFI is confirmed, the application must be reassessed in line with the priority amount before a final approval can be provided.

When determining the first mortgage priority for an OFI debt, 1 year's interest on that debt must be included in the priority amount. This is to account for the situation where it may take up to 12 months for ANZ to be informed of any default, by which time interest may have capitalised on the OFI debt.

Use the ANZ RIL Standard Variable Home Loan rate +3% as the interest rate when calculating the 1-year interest figure. The sensitised rate that is used cannot be lower than the floor rate of 5.1%. If it is lower, the floor rate is to be applied.

7.8 BUILDING INSURANCE

ANZ requires that all properties (other than vacant land) held as security are adequately insured. Evidence of building insurance needs to be held prior to drawdown for established properties and prior to the payment of the completion stage for construction loans.

Lenders Requirements

- Advise borrowers it is their responsibility to adequately insure the property; **and**
- Obtain evidence of current insurance and place in lending file.

Insurance Evidence Requirements

Insurance Type	Evidence Requirements
General building insurance	• Building insurance policy; **or** • Certificate of Currency; **or** • Cover note; **or** • Written confirmation from the insurer / broker / agent.
Strata title building insurance	• Body corporate / owner's corporation / strata title insurance policy; **or** • Certificate of Currency; **or** • Written confirmation from the insurer / broker / agent; **or** • Contract of Sale (inclusive of body corporate insurance policy details). If unavailable a copy of the body corporate meeting minutes will be acceptable to confirm building insurance has been renewed and is current. Note: Documentary evidence for strata title purchases will not specify individual flat / unit numbers or their owners.

Minimum Building Insurance Requirements

Insurance Document Requirements

Requirement	General building insurance	Strata title building insurance
Insurer / broker / agent details	●	●
Security property address	●	●
Insurance cover is current (up-to-date renewal letter or proof of payment acceptable)	●	●
Policy holders correspond with at least one of the security owners	●	NA
Name of body corporate and its registered number	NA	●
Policy number	●	●

It is recommended evidence of insurance includes:

- notification of ANZ's interest in the policy (generally not applicable to strata title building insurance)
- policy expiry date
- sum insured and / or replacement value

7.9 LOW RISK LMI WAIVER ELIGIBLE POSTCODES

Standard Residential (RSTD) properties, excluding vacant land, within the postcodes listed below are eligible for Low Risk LMI Waiver.

		NSW		
2000	2037	2072	2104	2138
2009	2038	2073	2105	2140
2010	2039	2074	2106	2154
2011	2040	2075	2107	2156
2015	2041	2076	2108[2]	2157
2016	2045	2084	2110[1]	2158
2018	2046	2085	2111	2159
2021	2047	2086	2112	2178
2022	2048	2087	2113	2193
2023[2]	2049	2088[2]	2114	2203
2024[1]	2050	2089	2119	2219
2025[1]	2060	2090[1]	2121	2221
2026[1]	2061	2092	2122	2224
2027[2]	2062	2093	2125	2229
2028[2]	2063[1]	2094	2126	2230
2029[2]	2064	2095[1]	2130	2481
2030[2]	2065	2096	2131	2515
2031	2066	2097	2132	2600
2032	2067	2099	2133	2603
2033	2068	2100	2134	2612
2034	2069	2101	2135	2748
2035	2070	2102	2136	
2036	2071	2103	2137	

	VIC		QLD	WA
3002	3127	3186[1]	4005	6009
3008	3141	3187	4007	6011
3040	3142[2]	3188	4155	6012
3052	3143	3191	4171	6015
3068	3144	3193		
3101	3145	3204		
3102	3146	3206		
3103	3147	3232		
3104	3161	3916		
3122	3162	3929		
3123	3181	3933		
3124	3184	3943		
3126	3185	3944		

1. Individual security value up to $6m. Refer Low Risk LMI Waiver.
2. Individual security value up to $8m. Refer Low Risk LMI Waiver.

PART VIII

ABOUT MORTGAGE CREDIT REQUIREMENTS

8 ABOUT MORTGAGE CREDIT REQUIREMENTS

8.1 ABOUT - MORTGAGE CREDIT REQUIREMENTS

Purpose

The purpose of the Mortgage Credit Requirements - Australia (MCR) is to set out what ANZ expects staff to do when making credit decisions relating to Mortgage (residential lending) exposures.

Document classification and distribution

The MCR is classified "internal" and is subject to ANZ's Information Security Policy and standards for internal documents. Provision of any part of the MCR to an external audience must have the written permission of the General Manager Retail Risk (or an authorised delegate).

Application and audience

The MCR applies to all divisions responsible for originating mortgage products.

Scope

The MCR covers all mortgage credit related activities, specifically:

- the requirements for originating a mortgage product
- the key roles and responsibilities for carrying out related credit requirements
- the key responsibilities for the preparation of relevant procedures

Regulatory Compliance

The MCR is intended to comply with the following:

- ANZ Credit Principles
- ANZ Global Retail Credit Policy
- APRA Prudential Standards
- The Basel II Accord
- Code of Banking Practice
- National Consumer Credit Protection Act
- Privacy Act and any other relevant regulations e.g. Personal Properties Securities Act 2009 (PPSA).

Other related documents and framework reviews:

- Income Shading Policy Review Framework
- Retail Property Valuation Framework
- Private Bank (PB) Addendum

Approval

The MCR, and material changes to it, are controlled by the Retail Risk Australia Change Governance Framework.

Maintenance

The MCR will be maintained and distributed by the Retail Risk Australia or an authorised delegate.

8.2 RULES - MORTGAGE CREDIT REQUIREMENTS

Purpose

To set the rules for the use, application and maintenance of the MCR.

Subordinate procedures and credit related tools

Subordinate procedures and credit related tools (that specify additional requirements and provide procedures for particular products, business units or situations) may be prepared but will need to comply with the MCR.

Subordinate procedures and credit related tools must comply with the requirements of APRA Prudential Standards, the Basel II Accord, Banking Code of Practice, National Consumer Credit Protection Act 2009, Privacy Act and any other relevant regulations e.g. Personal Property Securities Act 2009 (PPSA).

In the event of any conflict between subordinate procedures and credit related tools, the provisions of the MCR will apply, unless the Head of Risk Secured Lending (or an authorised delegate) has provided approval via exemption.

Breaches of MCR

Material breaches of the MCR, when discovered, will be reported and recorded for any necessary action.

Changes to MCR

Change requests are completed by authorised credit risk staff and lodged with the administrator.

Printed MCR copies

Printed copies of MCR should not be referred to as it becomes redundant when updates occur, exposing the bank and employees to unnecessary risk. Always refer to the online MCR. Print out is not encouraged, however if required for training and audit purposes it should be disposed of as soon as it is no longer required.

If the entire MCR is required you can contact the administrator of the Global Retail Credit Policy Team; who will validate your request.

Currency

All figures within the MCR are in Australian Dollars (AUD) - unless expressly stated otherwise.

Records management

Officers will apply ANZ's records management policy, standards and procedures to create and maintain reliable and accurate records of business activity, regardless of record location, type, size or medium.

Conflicts of interest

Officers will apply ANZ's conflicts of interest policy to avoid, identify and report any actual, apparent or potential conflicts of interest.

8.3 DOCUMENT - MORTGAGE CREDIT REQUIREMENTS

ANZ expects all documents / evidence provided for income and employment verification to meet basic standards that ensure their authenticity. The following information has been provided to guide expectations for the types of documents / evidence currently accepted within policy. Any other documents / evidence should meet similar expectations to ensure the legitimacy of the information they are provided to support and the connection to the borrower / guarantor. Where certain aspects of documents / evidence are not in line with the below (e.g. Pay Date missing on Government payslips) greater care should be taken with ensuring their validity and authenticity, however they may still be considered within policy.

Employment Income (PAYG)

Evidence	Requirements
Payslips	An acceptable payslip must include: • Employee's name; **and** • Employer's name and/or ABN; **and** • Pay period; **and** • Date of payment; **and** • Gross and Net Pay.

Bank Statements / Transaction History	An acceptable bank statement must include: • A statement period; **and** • Be on formal bank / financial institution stationery (with logo and/or ABN); **and** • Account number; **and** • Account name. An acceptable transaction history must include: • Transaction dates; **and** • Account number; **and** • Account name; **and** • Complete and unfiltered transaction history (i.e. showing all credits to and debits from the account) covering the required period for verification.
Salary Credits	Salary credits in the form of 'bank transfers' from personal bank accounts (e.g. manual bank transfers by small business employer) can be accepted, providing: • Payment shows the words 'wages' or 'pay' or 'salary' in bank statement; **and** • Payer details consistent across the pay period. Discrepancies between employer details and payer information requires further enquiry and additional verification material (e.g. payslip, tax return, employer letter) to be obtained and commentary to be recorded that reasonably explains the discrepancy.
ATO information	An individual tax return supplied for verification may be up to 22½ months old [valid until 15th May] based on the date of the application being submitted and must be supported by the ATO Notice of Assessment. Tax agent or accountant prepared tax returns must include: • Tax agent reference number; **and** • Name of tax agent or accountant; **and** • ATO Notice of Assessment. Self-completed individual tax returns (i.e. submitted via eTax etc) must include: • ATO Notice of Assessment. ATO income statements may be either 'Year to date' or 'Tax ready'. Both types are acceptable where they can act to verify the financial information presented in the application.
Employer Information (including contracts, remuneration schedules, letters and emails)	When accepting Employer Information the nature of the document/evidence should be considered when determining if it represents acceptable verification of information. Where it is a formal document (e.g. employment contract, remuneration schedule) the document must: • Be printed on business stationery or show a business header and/or footer); **and** • Include the employer's name and/or ABN; **and** • Confirm the income and details of the position held; **and** • For employment contracts, they must be dated and signed by a representative from the business (who is not the borrower). **Note:** The contract can be considered signed by having a handwritten signature, a printed signature, or simply a reference to the company, person or department issuing the contract (e.g. ANZ, General Manager, HR/Payroll). No evidence of the borrower signing/accepting the contract is required. Where it is a standard employer template or employer letter (e.g. advice of parental leave period, confirmation of entitlements or tenure) the document must: • Be printed on business stationery or show a business header and/or footer); **and** • Include the employer's name and/or ABN. Where it is an email containing information or supporting an attached document, the email must: • Show indicators that support it originated from the person providing the information (e.g. borrower, employer, accountant) based on business domain names, email signatures or email addresses that are readily identifiable.

Business Income (Non-PAYG)

Return to Business Income (Non-PAYG)

Evidence	Requirements
Individual Tax Return	A tax return supplied for verification may be up to 22½ months old [valid until 15th May] based on the date of the application being submitted and must be supported by the ATO Notice of Assessment. Tax agent prepared tax returns must include: • tax agent reference number; **and** • name of tax agent or accountant. Self-prepared individual tax returns are acceptable only if the corresponding ATO Notice of Assessment is held.
ATO Notice of Assessment	An acceptable ATO Notice of Assessment (NOA) may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted). If ATO NOA is not available, provide: • ATO lodgement receipt, as well as written confirmation from accountant (dated within 90 days from the SP) stating that the tax return provided is final and the one that has been lodged; **or** • the previous year's NOA, as well as written confirmation from accountant (dated within 90 days from the SP)stating that the tax return provided is final and has been lodged or will be lodged to ATO. **Note:** Self-prepared individual tax returns are acceptable only if the corresponding ATO Notice of Assessment is held.
Business Tax Return	A business tax return refers to a partnership, company or trust tax return and must be prepared by either a tax agent or accountant. A tax return supplied for verification may be up to 22½ months old [valid until 15th May] based on the date of the application being submitted and must include: • tax agent reference number; **and** • name of tax agent or accountant.
Profit-and-loss / income statement	An acceptable profit-and-loss / income statement must be prepared by either a tax agent or accountant. Any profit-and-loss / income statement supplied for verification may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and must include: • detailed income and expenditure; **and** • other income (if applicable).
Balance sheet	An acceptable balance sheet must be prepared by either a tax agent or accountant. Any balance sheet supplied for verification may be up to 22½ months old [valid until 15th May] (based on the date of the application being submitted) and must include the business': • assets; **and** • liabilities / equity.

Accountant letter	When accepting a letter (or any written correspondence) from an accountant it must: • be printed on business letterhead; and • not be handwritten; and • include the ABN / ACN of the accountant; and • be signed and dated (within 90 days from the SP) by a representative from the firm. Note: • An email from the accountant can be accepted if details provided confirm the accountant's identity. • The letter can be from the borrower's own firm, but cannot be signed by the borrower themselves.

INDEX

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