

Lenders Mortgage Insurance (LMI)

The following outlines the minimum requirements for applications that are subject to LMI and is to be used as a guide only.

Definitions

- LMI protects the Bank (not the borrower) against loss in the event that the borrower defaults.
- LMI is applicable for loans to borrowers with a smaller than normal deposit and is loan and borrower specific.

Exclusions

- Business loans
- Display homes where the property is subject to a lease back to the builder.
- Owner Builder
- Non Resident Borrowers
- Borrowed equity to meet the deposit requirements (i.e. personal loan or other personal lending).
- Properties located within 50m of high - tension power lines.
- Collection and Recoveries processes associated with arrears.
- Construction of multiple dwellings on one title where the subdivision of the land is to occur post the Bank funding the construction.

Business rules

- Colleagues can make LMI a condition of approving a loan where the LVR exceeds the base LVR. Refer Maximum loan to value ratios (LVR's).
- Colleagues cannot suggest to the customer that it delivers them a benefit.
- The Bank has a Delegated Underwriting Authority (DUA) with QBE LMI. This means that in some instances, the Bank can approve applications subject to LMI without further referral to QBE LMI.

Key considerations	Requirement
Cash out	Refer Housing (Retail) loans secured by residential property.
Loan amounts	Refer to Maximum loan amounts.

Key considerations	Requirement
LVR > 90%	Where the LVR > 90% (excluding the capitalised LMI premium), the customer must evidence at least 5% of the total property purchase price as already being held through either genuine savings or saved equity.
Maximum LVRs	Refer Maximum loan to value ratios (LVR's).
Maximum Security Value	\$3,000,000
Ongoing requirements	<p>The Bank must obtain approval from the insurer whenever:</p> <ul style="list-style-type: none"> The insured debt is increased. Priority is granted to another lender. A variation to the insured loan will result in an increased term to run (this does not include redraw of surplus). Parties to the loan change. The property offered as security changes. <p>Strict reporting and actioning of arrears is also required, however this is centrally managed and falls outside the scope of this policy.</p>
Valuations	<p>Valuation reports must be addressed to both the Bank and its mortgage insurer.</p> <p>The valuation report must be less than three months old.</p>
Waiver of LMI	LMI approval may only be waived by the holder of an appropriate delegation.

Genuine savings & saved equity

Originators must evidence genuine savings through:

Acceptable sources	Requirement	Verification
Savings already held with a financial institution	Held for a minimum of three months in the name of at least one borrower prior to the loan application being received.	Bank statements ^{1,2} , for the most recent three months, prior to the application being received.
Savings accumulated (either fully or partly) over a three month period with a financial institution	A demonstrated savings or repayment pattern established over a minimum period of 3 months in the name of at least one borrower prior to the loan application being received.	<ul style="list-style-type: none"> Bank statements^{1,2}, for the most recent three consecutive months, prior to the application being received. Any deposits that are > 20% of the genuine savings amount must be fully evidenced, explained and documented by the originator. <ul style="list-style-type: none"> The evidence provided must confirm these funds as being from either savings already held, or being the proceeds received from the sale of existing investments. Gifts, or proceeds from the sale of non-investment assets (e.g. cars, furniture etc.), are not acceptable.
Shares already held in an ASX listed company	Held for a minimum of three months in the name of at least one borrower prior to the loan application being received.	<ul style="list-style-type: none"> Fund / investment statements, share certificates / Chess statements etc.

Acceptable sources	Requirement	Verification
Gifts from: <ul style="list-style-type: none"> • parents / parents in law spouse / de facto spouse • children • siblings Π brother, sister / brother in law, sister in law; or • grandparents / grandchildren 	<ul style="list-style-type: none"> • The gift is nonrepayable; and • Held for a minimum of three months in the name of at least one borrower prior to the loan application being received. 	<ul style="list-style-type: none"> • Gifted Funds Declaration (CS-817) form from the person providing the gift stating: <ul style="list-style-type: none"> ○ the amount of the gift, ○ the grantor's relationship to the borrower(s) AND, ○ that it will not be repayable at any time in the future. • Bank statements showing the funds already being held, for the most recent three consecutive months, prior to the application being received.¹

<p>Deposit already paid as noted within the Contract of Sale / Offer and Acceptance</p>	<ul style="list-style-type: none"> The funds, noted as already being paid as a deposit, are required to have been held for, or accumulated over, a minimum of three months in the name of at least one borrower, prior to the date that the deposit was paid, as noted within Contract of Sale / Offer and Acceptance. 	<ol style="list-style-type: none"> Where the funds were already held with a financial institution, the customer is to provide Bank statements^{1, 2}, for the most recent three consecutive months, prior to the deposit being paid. Where the funds were accumulated (either fully or partly) over a three month period with a financial institution, the customer is to provide Bank statements^{1, 2}, for the most recent three consecutive months, prior to the deposit being paid. <ul style="list-style-type: none"> Any deposits that are > 20% of the genuine savings amount must be fully evidenced, explained and
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Acceptable sources	Requirement	Verification
		<p>documented by the originator.</p> <ul style="list-style-type: none"> • Vendor incentives or rebates are not acceptable as evidence of Genuine Savings. • The evidence provided must confirm these funds as being from either savings already held, accumulated over a three month period, or being the proceeds received from the sale of existing investments. • Gifts, or proceeds from the sale of non-investment assets (e.g. cars, furniture etc.), are not acceptable.
Funds from the Australian Government's First Home Super Saver Scheme (FHSS)³	<ul style="list-style-type: none"> • Funds from the FHSS have been credited to an account in the name of at least one borrower prior to the application being received. 	<ul style="list-style-type: none"> • Bank statements^{1,2} showing the funds from the FHSS have been credited to an account in the name of at least one borrower prior to the application being received. • A copy of the payment summary, in the name of a borrower, issued by the Australian Taxation Office (ATO), which shows the amount of FHSS released.

Acceptable sources	Requirement	Verification
Rental Payments	<p>Where three months savings account history is not available, a borrower's rental history for the previous 6 consecutive months is acceptable.</p> <p>Source of funds to complete the transaction must be disclosed and acceptable.</p> <ul style="list-style-type: none"> • Note: Borrowed equity and vendor incentives are not acceptable. 	<p>One of the following options must be provided along with the savings account history that is available:</p> <ul style="list-style-type: none"> • The past 6 consecutive months rental statements, from the real estate agent managing the property, evidencing rent paid in the name of at least one borrower: or • The past 6 consecutive months transaction account statements, of an account in the name of at least one of the borrowers, showing clearly identified rental payments being paid. <p>Rental history must show consistent and timely payments.</p> <p>Any payment overdue by 7 days or more is unacceptable.</p> <p>The latest rental statement must be less than 45 days at the time of the home loan application.</p>

Originators must evidence saved equity through:

Acceptable sources	Requirement	Verification
Equity from an existing property being cross collateralised	<ul style="list-style-type: none"> • The property to be cross collateralised must be held for a minimum of three months in the name of at least one borrower. 	<ul style="list-style-type: none"> • Valuation(s) of the security to be taken as security.

Equity from an existing property that is not being cross collateralised	<ul style="list-style-type: none"> The property must be held for a minimum of three months in the name of at least one borrower. 	<ul style="list-style-type: none"> Proceeds to be made available from sale of this property; OR Additional home loan borrowings utilising this property (with the corresponding liability disclosed within the applicant's liabilities).
Acceptable sources	Requirement	Verification
Surplus funds available for redraw in an existing Housing Loan	<ul style="list-style-type: none"> The property must be held for a minimum of three months in the name of at least one borrower. 	<ul style="list-style-type: none"> Bank statements^{1,2}, for the most recent three consecutive months, prior to the application being received, evidencing that surplus funds are able to be redrawn from the applicant's existing home loan.

Note:

¹ Internet statements are acceptable but must contain the applicant's name, account number and balance of the account. The most recent statement must be dated no more than 45 days old at the time the application is submitted for full approval.

² Any lump sums, or large deposits outside of the applicant's normal savings pattern that are evident in the bank statements provided within the three month period must be fully evidenced, explained and documented by the originator.

These amounts must be confirmed as being savings or proceeds from sale of investments and not gifts or proceeds from the sale of non-investment assets (e.g. cars, furniture etc.). See verification requirements above.

³ Originators are to note that the applicant is required to be purchasing, or constructing, their first residential property, and are;

- to either live, or intend to live in the premises they are purchasing or constructing as soon as practical.

- Intending to live in the property, for at least six months of the first 12 months after they own it, after it is practical to move in,
- Not purchasing any property that cannot be occupied as a residence, a houseboat, a motor home, or vacant land.

They must not have previously owned a property in Australia This includes investment property, vacant land, commercial property, a lease of land in Australia, or a company title interest in land in Australia.

Maximum loan amounts

QBE LMI also set maximum loan amounts based upon a matrix of LVR and property location.

Maximum aggregate: loan amount and loan amount per security

Product	Maximum Aggregate Loan Amount
Full documentation loans	\$3M

The table below outlines the maximum LVR and loan amount for each security property based upon the loan account type applied for:

Retail home loans (both Fixed and Variable)

Security Type	Maximum LVR	Location Category							
		Metropolitan A		Metropolitan		Regional		National	
		95%	90%	95%	90%	95%	90%	95%	90%
Residential Property	Maximum Loan Amount	\$2.5m	\$2.5m	\$1.5m	\$1.5m	\$1.0m	\$1.0m	\$650k	\$650k
Vacant Land		\$900k	\$900k	\$800k	\$800k	N/A	\$650k	N/A	\$350k

The maximum individual security value for applications involving LMI is \$3,000,000.

Effective: 1st March 2024