

Home Lending Policy

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About this policy

Background

HomeStart Finance is a State Government organisation that is 100% focused on providing home loans for South Australians. Our reason for being is to make home ownership a reality for more people in more ways.

Our loans are designed to reduce a borrower's upfront costs and increase their borrowing power, and include loans with no Lender's Mortgage Insurance, low-deposit loans and borrowing boost loans.

Objective

The aim of this policy is to ensure that HomeStart Finance complies with various legislative, regulatory, and internal requirements when lending to a borrower.

This policy defines HomeStart's approach to lending in detail and defines the requirements all HomeStart loan consultants and brokers must follow when identifying and assessing the financial situation of a HomeStart borrower.

Scope

This policy applies to any relevant HomeStart employees, internal loan consultants or external brokers who are assisting a borrower to:

- apply for a particular credit contract
- apply to increase the credit limit on an existing credit contract
- stay in an existing credit contract.

In this document 'we' refers to HomeStart.

Roles & Responsibilities

| Position Title | Responsibility |
|--|---|
| Chief Risk Officer | monitoring this policy to maintain its accuracy, and review it on an ad hoc basis |
| Brokers and relevant HomeStart employees | following the policy |
| Credit Advisory Group | recommending amendments |
| Executive Committee | approving amendments |
| Board Committee | approving any proposed change to the policy that materially affects HomeStart's credit risk appetite. |

Definitions

| This term... | means... |
|--|--|
| Borrower | Each of the applicants (a person or persons applying for a loan with Home Start) who subsequently enter into a HomeStart loan. For the purpose of this policy a borrower is a consumer under the National Consumer Credit Protection Act 2009 (Cth). |
| Current | No more than one month from the date of the application. |
| Delegated Lending Authority (DLA) | HomeStart Employee with authority to decision lending applications. |
| Dependant | Is a person who relies on someone else for financial support and can include children or other relatives |
| Direct relative | A mother, father, son, daughter, brother, sister, or grandparent. |
| ESL | English as a second language. |
| Hammerhead Block | Any block without a street frontage (excluding access roads and easements). |
| HomeStart | HomeStart Finance (HSF). |
| HIA | Housing Institute of Australia |
| Housing-related debt | A debt which requires payout of an existing mortgage under finance. Marital/de facto property settlements and associated costs may be regarded as a housing-related debt. |
| Immediate | No greater than 30 days. |
| Land use code | The code defined by the South Australian Land Services Group used to classify a property within a zone. |
| Loan Consultant | A person accredited by HomeStart to write HomeStart home loans. |
| Loan to Value Ratio (LVR) | The value, as a percentage, of the loan amount against the security valuation, as determined by either a licensed valuation from a panel valuer, valuer general's assessment or purchase price, whichever is the lesser amount. |
| Security Value | The determined monetary value placed upon the property that is held as security. |
| Township Boundary | The perimeter of a township that has been defined by the local council or municipality. |
| Transportable | Dwellings that are transported (partly or wholly pre-assembled) to a site then installed. |
| Zoning | The code used to establish the use/s of a given property within a township boundary (i.e. residential, commercial, etc.). |

Related policies

We conduct all our lending operations according to strict guidelines governing personal conduct, gifts, privacy, money laundering and more. We expect all employees applying this lending policy to understand and follow all of the related policies defined in these policy documents:

- Behaviour and Conduct Policy
- Gifts & Benefits Policy
- Compliance Policy
- Credit Management Policy
- Customer Identification Policy
- Privacy Compliance Policy
- Complaints Management Policy
- Data Breach Response Plan Policy
- Product Information Policy.

We must also comply with the requirements of these Acts, and associated regulations, including but not limited to;

- National Consumer Credit Protection Act 2009
- Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act).
- Privacy Act 1988
- ASIC Act 2001
- Australia Credit Licence #388466.

Who can borrow from us

We only lend to people who meet both our **personal criteria** and our **suitability criteria**.

Personal criteria

| Borrowers and third parties must be... | who can prove residency status... |
|---|--|
| <ul style="list-style-type: none">• a natural person i.e. a human not another legal entity such as a company or association (if in doubt, refer the application to the Chief Risk Officer), and• at least 18 years old, and• buying an owner-occupied home in South Australia, and• either an Australian citizen, a permanent resident or have skilled migrant status in Australia, and• able to prove their identity under our Customer Identification Policy. | <p>Permanent residents must either:</p> <ul style="list-style-type: none">• show us their original Permanent Residency Visa and give us a copy, or• give us a full copy of their Visa Entitlement Verification Online (VEVO) report, or• provide evidence they're receiving an Australian Age Pension or Disability Support Pension.• New Zealand residents can provide a current passport. <p>Skilled migrants must hold a Visa that enables them to stay and work in Australia permanently if they hold one of the following Visa classes, they must have a minimum 12 months remaining on their Visa:</p> <ul style="list-style-type: none">• 489 or 491 |

Bankrupts

If a borrower has previously gone bankrupt, they must have been discharged from bankruptcy for at least three years to be eligible for a loan

Non-resident co-borrowers

We'll consider adding a non-resident as a co-borrower if they have a Partner Subclass 820 Visa. We won't include any income from this co-borrower when assessing the borrower's living expenses, ongoing liabilities or ability to repay.

Borrowers over 50

Borrowers who are over 50 must explain how they plan to repay the loan when they retire (their exit strategy). See *Appendix A – specific suitability criteria*.

Suitability criteria

General criteria

We only lend if:

- we can meet the borrower's requirements and objectives, and

- we're confident that the borrower can understand all the requirements and responsibilities of the loan, and
- the loan won't put them under substantial hardship (i.e. the loan is "not unsuitable").

To determine whether a loan is not unsuitable, we:

- make reasonable inquiries about the borrower (*Customer Fact Find*)
- verify their information
- assess whether the loan is not unsuitable for them.

Specific criteria

There are some specific situations in which other criteria apply, such as:

- borrowers over 50
- income with a future expiry date
- bankrupts
- people with disabilities or impaired comprehension
- joint applications
- third-party representations (e.g. power of attorney).

See *Appendix A – specific suitability criteria* for details.

Who we don't lend to

We don't lend to:

- owner-builders
- body corporates, companies or trusts
- undischarged bankrupts or bankrupts discharged within the last three years
- borrowers who need a guarantor
- anyone who doesn't meet the personal criteria and suitability criteria defined above.

What they can borrow for

What we lend for

We only offer loans for:

- buying an established home
- buying residential land
- building a home
- home improvements for existing HomeStart borrowers
- refinancing an existing mortgage.
- Seniors Equity (refer to Product Information Policy)

Loans to consolidate debts

We offer loans to refinance consolidated debts if:

- the borrower is refinancing a housing loan, and
- the amount of non-housing debt refinance is within \$20,000, and
- if consolidating business debts, the business has ceased trading.

Transportable and kit homes

We'll consider lending for transportable and kit homes under Delegated Lending Approvals.

What we don't lend for

We don't offer loans:

- to buy a business
- for investment purposes
- for portability (keeping the same loan but changing the security property)
- as bridging finance (short-term loan to buy a new property while selling the current property)
- to refinance vacant land with no construction contract in place.

How much they can borrow

When considering offering a loan, we first verify all acceptable incomes, essential expenses, and debt commitments. To ensure that we only offer loans that are 'not unsuitable', borrowers:

- can only apply for loan amounts within the parameters of our Loan Calculator
- must meet our requirements for net surplus income

Borrowing capacity

We assess the borrowing capacity of each borrower. Our standard criteria are based on the percentage of net household income (joint or single) which the borrower can commit to the loan.

Home Loan calculator

We use our Loan calculator to calculate the maximum borrowing capacity for each of the HomeStart home loan options. This calculation forms the basis of a quote only, and the borrower must demonstrate a net surplus income.

Maximum loan amounts

We won't lend more than the maximum our Home Loan Calculator allows, based on a percentage of debt to net income and our own product restrictions.

Net Surplus Income (NSI)

Borrowers should have at least a 5% net surplus on their net monthly income to cover non-essential expenses. NSI is determined after verification of income, debts and expenses (refer annexure B Verifying expenses for more detail). Expenses utilise the greater of customer declared (captured as part of application) or aggregated statements (Illion etc) or the HEM benchmark.

Where NSI is less than 5% a documented conversation with the customer should be completed to understand if there is capacity to reduce any discretionary expenditure to support their request – any changes are required to be included as part of submission notes and NSI calculation updated to reflect these changes.

Any request will require review and consideration by delegated authority.

Verifying their income

See *Appendix B – Verification tables* for the specific documents we need to verify a borrower's income.

Contacting employers

Sometimes we need to contact a PAYG employee's employer if further information is required to ascertain income to service.

If we need to confirm a borrower's income details, we contact employers by either:

- finding the employer's phone number independently (e.g. Google search, White Pages) and calling them, or
- sending an email to the employer's business/corporate email address.

Maternity/paternity leave

If a borrower is planning to take maternity or paternity leave, they must return to work before the first loan instalment is due.

The borrower must provide a letter from the employee stating:

- that they intend to return to work
- the date they plan to return to work
- that they expect be returning under the same conditions and pay.

We also need a letter from their employer confirming (as far as they can):

- that there is a position to which the borrower likely be able to return
- that the position will likely be available around the intended date of return
- that on the borrower's return the pay and conditions will likely be at least equal to those before taking leave.

If they're receiving a reduced salary while on maternity or paternity leave (from their employer or Centrelink), we'll consider this income if they give us evidence that they'll continue to receive this until they return to work.

If they're a casual employee, they must be back at work for at least six months after stopping work for maternity or paternity reasons before we'll consider their income.

Second jobs

If a borrower has more than one job, all their jobs must meet the relevant eligibility criteria, (three months continuous service for permanent, six months for casual).

We'll only consider income earned from working up to 50 hours per week. For income earned from working 38-50 hours per week we ask for details of the income and record the borrower's response on the loan application.

Calculating Self-employed/Non-PAYG income for serviceability

We consider the average of the last two financial years (excluding any Government support their income for servicing purposes).

Interest add-backs

We'll only consider interest as a defined add-back if all the associated debt is listed in the liabilities section of the application.

Income and expense variations

If there are variations in income or expenditure levels from one year to the next, or any uncertainty about solvency or negative equity, we add notes to the application to support our assessment.

Income with a future expiry date

If a borrower's servicing of the loan depends on receiving income from a source that has a set expiry date, we ask about the impact that future income changes might have on repaying the loan, and whether there are associated changes in related expenses.

Verifying their credit history and savings

Credit history and credit reports

We obtain a report from a credit reporting agency for all loan applications.

All financial enquiries within the last 3 months must be confirmed as either 'not proceeded' or 'proceeded' and entered into liabilities.

All borrowers should have a clear credit history. Where a clear credit history is not evident, we will consider these applications per below. These are required to be referred to delegated authority for consideration.

Paid defaults

We'll consider lending to borrowers who have a combined total of paid defaults equal to or less than \$1,000. If the borrower has paid defaults of more than \$1,000, we ask them for a statement explaining the circumstances of the defaults.

Adverse conduct in the credit report

We make further enquiries if the credit report shows any adverse conduct, such as:

- delinquent behaviour
- pending court proceedings
- outstanding defaults.

We won't provide approval-in-principle until any pending court proceedings are completed and the borrower has paid any outstanding defaults. We then request a new credit report confirming this.

Bankruptcy and Party IX Debt Agreements

If a borrower has previously been bankrupt, they must have been discharged from bankruptcy for at least three years to be eligible for a loan.

Bankrupts discharged for 3 to 5 years

Bankrupts who have been discharged for three-to-five years must provide evidence of:

- satisfactory conduct of any scheme of arrangement and all debts committed to after discharge
- their discharge from bankruptcy, noted on the Credit Report, and
- an extra 10% deposit.

Part IX Debt Agreements

Borrowers who have finished their Part IX Debt Agreement within the last five years must:

- pay an additional 10% deposit, and
- have evidence of the finished Part IX Debt Agreement on their Credit Report.

Savings pattern

We can also ask discharged bankrupts and borrowers who have finished their Part IX Debt Agreement within the last 5 years, to show 12 months of a regular savings pattern in a transaction account before

applying for a loan. If the amount withdrawn exceeds the amount deposited within a month on a transactional account, we don't accept this as a savings pattern of regular deposits.

Senior Equity Loans

For Senior Equity Loan applications we only need proof of debt commitments if the borrower is repaying the debt from loan proceeds.

Borrower's deposit (refer appendix B for verification requirements)

We encourage borrowers who have a substantial deposit to contribute the maximum amount they can to buy the property.

After paying the initial land and builder deposits, construction loan borrowers must pay their remaining contribution to the conveyancer before the land settlement.

The security property

See *Appendix B – Verification tables* for a list of the acceptable and unacceptable types of security properties.

Mortgage, title and ownership

Mortgage

We require security in the form of a registered mortgage over the property that the loan is used to purchase.

All borrowers are jointly and severally liable for the whole of the mortgaged loan.

We must be the first mortgagee on all properties used as security. We'll consider requests to execute and register subsequent mortgages over the security property. If we agree to the request, we prepare and execute a "Deed of Priority" to protect our priority and interest.

Title to property

We accept these titles:

- Fee Simple (Torrens title)
- Strata or Community title
- Government or Perpetual Leasehold, as long as the remaining lease term is more than 40 years.

Ownership

The borrower's full legal name must be:

- identical on the loan application form, credit contract, mortgage documents and property title, and
- shown on the home purchase contract ('and/or nominee' is acceptable).

If there's more than one owner, the property may be owned either as:

- joint tenants, or
- tenants in common (not applicable for Seniors Equity loans).

We don't advise borrowers about how to structure the ownership of the property, they must get independent advice.

Valuation

Property valuation is the method we use to manage the risk of real property security supporting loans.

Except as outlined below, we need a valuation report from an approved panel valuer or the most recent Valuer-General's assessment to determine the acceptable loan-to-valuation ratio (LVR). LVR is the loan amount divided by the valuation, expressed as a percentage.

Accepting contract price

In some cases we'll accept the contract price for an established property in the metropolitan area without needing a full independent valuation.

If there's enough market data to support the contract price, we can forego a full valuation if:

- the property is in the Adelaide metropolitan area (not rural)
- the property is an established property (not construction or off-the-plan)
- the loan is not for refinance, a Seniors Equity Loan or Shared Equity Option
- the loan is at Arm's Length (sold in an informed market, the vendor and buyer do not have a pre-existing relationship e.g. family, friends, or landlord/tenant).

We have full discretion to decide whether or not we need a full valuation.

Valuations for new loans

We accept a Valuer-General's assessment for these maximum LVRs:

- category 1 - 65% or less
- category 2 - 60% or less
- category 3 - 55% or less
- category 4 - 45% or less.

See our online Location Searches for details of the maximum LVR.

When we must have a valuation

We always need a valuation report for:

- construction loans and off the plan purchase
- loans for newly-constructed properties involving hammerhead blocks
- refinance, a Seniors Equity Loans or Shared Equity Option
- the loan is not at arm's length (i.e. the vendor and the buyers have a pre-existing relationship, such as family, friends or landlord/tenant).

Property insurance

Before settlement, the borrower must provide a Certificate of Currency from an APRA-regulated insurer of a current and satisfactory building insurance policy.

The policy must:

- note HomeStart as an interested party (finance or mortgagee)
- cover the value of any proposed improvements and land clearance.

We don't accept cover notes.

Strata/community-titled properties

We don't need separate insurance for properties under strata/community title if the borrower provides evidence that the dwelling is covered under the strata/community corporate insurance.

Transportable and kit homes

For transportable or kit homes, as well as the standard insurance described above, the borrower or builder must be fully insured for both the transportation and the set-down of the transportable home.

The building contract must stipulate the insurance provider, and as soon as the transportable home is on the site, the borrower must provide a copy of their own building insurance policy.

We won't provide any money until:

- the home is fixed to the land, and
- the borrower shows evidence of formal council approval.

Once the transportable home is fixed to the land or construction has started, payment and site inspections will proceed as per the standard construction loan.

Land loans

We don't need insurance for land loans.

Construction applications

All builders must be licensed and adequately covered with Building Indemnity Insurance. The builder must provide a copy of their insurance cover before we'll make any payments to them.

*** If the build contract notes a build time frame of 10 months or greater, a conversation and file note is required on how the customer will meet their repayments post the 12-month repayment free period.**

Approval/pre-approval conditions

Before we issue a pre-approval letter (approval-in-principle) or formal loan approval, we need the approval of the Delegated Lending Authority. Approvals are valid for 120 days from approval date.

We only issue a formal approval letter if we have evidence of acceptable security property.

Before settlement we need:

- valid building insurance policy noting HomeStart as an interested party
- council and development approval for construction
- any other relevant documents (e.g. a First Home Owner's Grant application).

Expired pre-approvals

Expired more than four months (short-form acknowledgements)

If a pre-approval letter is more than 120 days old, the customer can apply for a short-form acknowledgement to extend it by 120 days. To do this they must provide their two most recent payslips to confirm their employment status.

We only offer a short-form acknowledgement if we can confirm that:

- we've received a new credit report and investigated any new credit enquiries
- we've checked the fees quoted for accuracy
- there's been no adverse change in the customer's financial position since we completed the application used to assess the pre-approval that could affect their ability to repay the loan
- there has been no change to the customer's requirements or objectives in obtaining a loan
- the customer is not aware of any foreseeable change in circumstances which would affect their ability to repay the loan, and
- the customer can meet the proposed extension without substantial hardship.

Approval-in-principle limits

We only ever grant approval-in-principle twice, and we only ever grant one short-form acknowledgement.

Our credit assessor has full discretion to ask for more information or require a full reassessment. If the borrower can't or won't meet the requirements for a short-form acknowledgement, they must go through a full application.

Relationship breakdowns and separations

We won't pre-approve a loan to be refinanced because of a relationship breakdown or divorce, but we will proceed to full approval if we receive:

- a draft copy of the Minutes of Order from the Federal Circuit Court of Australia or the Family Court of Australia, or
- a copy of a Binding Financial Agreement/Consent Order, or a Statutory Declaration from the non-purchasing party, stating how much they will accept and acknowledging that they are entirely relinquishing their interest in the property.

Appendix A – specific suitability criteria

Borrowers over 50

Borrowers who are over 50 must explain how they plan to repay the loan when they retire (their exit strategy).

We discuss the borrower's exit strategy for the loan and record submission notes. For example, a borrower may plan to repay the loan by:

- downsizing to a smaller home when they retire
- selling assets such as shares
- using lump sum payments or income from superannuation
- converting to a Seniors Equity product (or similar).

If a borrower plans to use superannuation or sell assets to repay the loan, we must verify the source of this money.

Capacity to understand requirements and obligations

We ensure that the borrower can comprehend all the requirements and responsibilities to fulfil the minimum loan assessment criteria.

Physical disability

If a borrower has a physical disability, such as a vision or hearing impairment, the loan consultant determines whether we need external assistance from 'Deaf Can Do' or the 'Royal Society for the Blind' to help explain the loan and supporting documentation.

We'll provide external assistance for the customer interview if it's needed.

The Loan Consultant may determine that the borrower needs external assistance after we deliver the loan documents to the borrower. This should be communicated to the borrower and will be for the borrower to arrange.

If other significant conversations are to be held with the borrower then we should organise external assistance for those conversations too.

The Loan Consultant must obtain written evidence from the assisting body confirming that they provided this assistance (on each occasion).

The borrower's friends, relatives and joint borrowers are not appropriate people to deliver external assistance.

English as a second language

If a borrower has difficulty speaking and/or understanding English, we ask an independent interpreter from the Interpreting and Translating Centre or the Department of Immigration Multicultural Affairs Translating Service for assistance.

Interpreters must remain independent from the loan process at all times.

In these circumstances we exercise caution and contact all parties individually to ask them to attend an interview or, if they prefer, to supply medical information showing their capacity to comprehend all the requirements and responsibilities of the loan.

Disabilities or impaired comprehension

If we're not certain that the borrower understands or comprehends the requirements, we should not proceed with the application

Joint applications

We allow up to four borrowers on a single loan application. If two or more borrowers jointly apply, we can assess each borrower's capacity to repay individually, or make reasonable inquiries about their combined financial situation and take reasonable steps to verify that financial situation.

If our assessment shows that a borrower on a joint application can't service the loan, or that multiple individuals are on an application for their borrowing capacity only, we reserve the right to decline the application by deeming the contract as 'unsuitable'.

See *How much they can borrow* for details.

Third-party representation

Any third party can make written applications on behalf of a borrower if the borrower gives them written authorisation.

The Delegated Lending Authority must approve all requests from borrowers for a third party to represent them. If there is any uncertainty about issuing an authority, we refer the application to Legal.

Joint or individual

If a borrower wants to authorise more than one person, we determine whether the third parties are acting jointly or individually on behalf of the borrower.

Power of Attorney (POA)

A power of attorney is where a borrower gives written authorisation for one or more people to act on their behalf.

A borrower can define what the person who has their power of attorney can do on their behalf, which can include:

- applying for a loan
- enquiring about the loan
- requesting statements
- transacting on the loan.

A person can only offer power of attorney if they have the required mental capacity.

A person holding power of attorney has a legal obligation to act in the best interests of the borrower.

Types of power of attorney

There are two types of power of attorney:

- General power of attorney - this gives another person the power to act on the borrower's behalf (for example, to buy and sell things for them or operate their bank account). **We don't accept General powers of attorney.**

- Enduring power of attorney - this gives a person authority to act on the borrower's behalf if they lose the required mental capacity to act for themselves. These authorisations generally end when the borrower dies.

Registration number

When signing on behalf of a borrower, a person who is authorised by a power of attorney to deal with the property must include this wording under their signature:

"Signed on behalf of (borrower name) under Power of Attorney number (insert the registration number stamped on the document)".

If a power of attorney authorisation gives the person holding it the power to deal with land, then the authorisation must be stamped or registered with the Lands Services Group (formerly the Lands Titles Office).

The power of attorney must be registered and stamped before we execute any loan document.

Conflicting instructions

If a borrower and a person who has their power of attorney give us different or conflicting instructions, we follow the borrower's instructions if they have the required legal and mental capacity to act for themselves.

Guardianship

If a borrower can't make decisions about their loan because of mental or other incapacity, the South Australian Civil and Administrative Tribunal (SACAT) may make orders for a person to handle their legal and financial matters. We need written confirmation of the orders.

Further SACAT orders may be required to approve a contract for the purchase of land, and this may need to be a condition that is notified to the borrower/Guardian. Please refer to the Legal Counsel or the Chief Risk Officer before finalising applications involving Guardians.

Appendix B – Verification tables

Acceptable and unacceptable forms of income

We accept:

- **PAYG income from permanent, full-time or part-time work**
- **PAYG income from other types of work (casual, self-employed, family, etc)**
- **PAYG income from other sources (bonuses, allowances, etc)**
- **non-PAYG income (sole traders, directors, self-funded retirees, scholarships, rent, etc)**
- **income from Government benefits (e.g. Centrelink, Veterans' Affairs, pensions, etc).**

We don't accept:

- Rental Income
- Rent Assistance
- Leave Loading
- Mobility Allowance
- Meal Allowance
- Higher Duties Allowance
- Pharmaceutical Allowance
- Interest payments
- Dividends
- Self-Employment Assistance
- Scholarships for the purposes of covering educational expenses only
- Special Benefits (typically granted by Centrelink on a short-term basis)
- Work Cover Income. We can consider Work Cover income for people deemed "Seriously Injured Workers" if they provide a copy of the Work Cover agreement verifying the amounts and any termination dates.

PAYG income from permanent, full-time or part-time work (not casual)

| For this income type... | we need... | Notes |
|---|---|---|
| PAYG permanent, full-time, or part-time (not casual) | <ul style="list-style-type: none"> their two most recent consecutive payslips showing Gross Year to Date earnings, the most recent issued in the last month If their payslips don't show Gross Year to Date earnings, they must provide their two most recent payslips and the most recent Employment Contract or Letter from their employer stating length of employment, annual base salary and basis of employment. | <p>PAYG employees are people who are working for an employer who deducts income tax from their salary before paying them.</p> <p>Minimum work period</p> <p>To be eligible to apply for a loan, PAYG borrowers must have passed probation. If they're still on a probation we will accept applicants who have previously been employed in the same industry for greater than 2 years and there has been no more than 4 months break in employment. Prior employment will be confirmed.</p> |

PAYG income from other types of work (casual, self-employed, family, etc)

| For this income type... | we need... | Notes |
|--------------------------|---|--|
| Casual employment | <p>Both:</p> <ul style="list-style-type: none"> their two most recent consecutive payslips showing Gross Year to Date income, and an Income Statement (previously known as a Payment Summary) for the previous financial year. | <p>Casual employees are those who don't receive annual leave or sick pay. They must have been working for the same employer continuously for the last six months.</p> <p>If YTD showing on payslips and covers a minimum of 6 months duration, complete Homestart YTD calculator.</p> <p>If no YTD showing on payslips, or, YTD is for less than 6 months, then use the lower of YTD via Homestart calculator, or previous financial year income statement.</p> <p>Exceptions for using higher income would require detailed mitigating commentary for consideration. Assessment may request additional supporting information/documents if required.</p> |

| For this income type... | we need... | Notes |
|--|--|--|
| Employed in a family business | <p>Both:</p> <ul style="list-style-type: none"> their two most recent consecutive payslips showing Gross Year to Date earnings, the most recent issued in the last month and <p>PAYG Summary/Income Statement</p> | |
| Salaried contractors/recruitment agency contractors | <p>Both:</p> <ul style="list-style-type: none"> their two most recent consecutive payslips showing Gross Year to Date earnings, the most recent issued in the last month <p>and</p> <ul style="list-style-type: none"> an Income Statement (previously known as a Payment Summary) for the previous financial year confirming income is in line with current income and industry* <p>If their payslips don't show Gross Year to Date earnings, they must provide their two most recent payslips and the most recent Employment Contract or Letter from their employer stating length of employment, annual base salary and basis of employment.</p> <p>* where income utilised is >20% higher than prior year tax return this will require additional review by credit assessment.</p> | <p>Evidence of income for contractors depends on the length of their contract. If their current contract is:</p> <ul style="list-style-type: none"> for fewer than 12 months and it's the first one their employer has offered them, we need evidence from the employer that they've renewed or will renew the contract under the same or better terms for more than 12 months, we accept the income if they meet the other standard conditions for the type of employment status. If the end date of the contract is within one month of the application date, we need evidence that the employer will renew it under the same or better terms. |

| For this income type... | we need... | Notes |
|---|--|---|
| School SSO employees and relief teachers | <p>Both:</p> <ul style="list-style-type: none"> their two most recent consecutive payslips showing Gross Year to Date earnings, the most recent issued in the last month <p>and</p> <ul style="list-style-type: none"> the most recent Employment Contract or Letter from their employer stating length of employment, annual base salary and basis of employment. <p>If their payslips don't show Gross Year to Date earnings, they must provide their two most recent payslips and an Income Statement (previously known as a Payment Summary) for the previous financial year</p> | <p>School SSO employees</p> <p>Unless their contract stipulates that they are permanent full-time/part-time and will be paid on a regular 52-week year, we base their income on a 40-week year (only paid during school terms).</p> <p>Relief teachers</p> <p>We typically base their income on the average of the past two full financial years. If they can show they they've been employed in the education system for at least two recent years, and had transfers to the relief pool, we'll consider using the average income received over the latest six-month period, annualised over a 40-week year.</p> |
| Seasonal workers | <p>All of:</p> <ul style="list-style-type: none"> two most recent consecutive payslips, the most recent from the last month, showing Gross Year to Date earnings, and their ATO Tax Assessment Notices from the two most recent financial years, and their two most recent Full Tax Returns, and a signed letter from the employer on company letterhead (including the company ABN) confirming the amount of income and stating that it will be likely to continue at the same or higher rate. | <p>We calculate their average monthly income by dividing total of income for the past 24 months by 24.</p> |

PAYG income from other sources (bonuses, allowances, etc)

| For this income type... | we need... | Notes |
|--------------------------------------|---|-------|
| Car allowance | <p>Either:</p> <ul style="list-style-type: none">• two payslips showing that allowance is being paid or• a copy of the employment contract showing the allowance amount and how often it's paid, or• a signed letter from the employer on company letterhead (including the company ABN) confirming the allowance amount and stating that it will be likely to continue at the same or higher rate. | |
| Commission | <p>All of these:</p> <ul style="list-style-type: none">• two payslips showing that commission is being paid (regardless of regularity), and• a letter from the employer on company letterhead (including the company ABN) verifying that the borrower has received commission consistently over the previous 12 months, the amount received and stating that the commission is likely to continue at the same or higher rate. | |
| Other work-related allowances | <p>Either:</p> <ul style="list-style-type: none">• two payslips showing that allowance is being paid and• a copy of the employment contract showing the amount and frequency of the allowance, or• a signed letter from the employer on company letterhead (including the company ABN) confirming the allowance amount and stating that it will be likely to continue at the same or higher rate. | |

| For this income type... | we need... | Notes |
|-----------------------------------|--|--|
| Salary sacrifice | Consecutive statements for the last three months from the salary sacrifice provider. If the money is paid to a debit card, we also need consecutive statements for the preceding three months for that account. | |
| Shift, penalties, overtime | Their two most recent consecutive payslips showing Gross Year to Date earnings, the most recent issued in the last month If their payslips don't show Gross Year to Date earnings or where the assessment period is within the first 6 months of the financial year (July to December), they must provide their two most recent payslips and an Income Statement (previously known as a Payment Summary) for the previous financial year | They must have been receiving this income consistently for the previous six months. Note: if the total number of paid hours per week is 50 or more, ask the borrower for details and record this on the application. We only use up to 50 hours for our calculation. |
| Bonus payments | A signed letter from the employer on company letterhead (including the company ABN) confirming the amount of bonus payments and stating that they will be likely to continue at the same or higher rate. | For us to include these payments they must have been receiving them consistently for the previous 24 months. |

Non-PAYG income

| For this income type... | we need... | Notes |
|-------------------------|--|--|
| Sole traders | Both: <ul style="list-style-type: none"> their two most recent individual tax returns (no older than 18 months) showing profit and loss figures, and a letter from their accountant confirming their tax status, printed on letterhead or sent from the practice's official email. if they provide tax returns showing profit and loss figures that haven't been completed by an independent qualified | The business must have been trading for at least two full financial years. |

| For this income type... | we need... | Notes |
|---------------------------------------|--|--|
| | <p>accountant, we also require a copy of their ATO notice of assessment.</p> | |
| Partners, directors and trusts | <p>All of:</p> <ul style="list-style-type: none"> the two most recent tax returns and financial statements (no older than 18 months) for the business or trust, and their two most recent individual tax returns (no older than 18 months), and a letter from their accountant confirming their tax status, printed on letterhead or sent from the practice's official email. <p>If they provide financial statements that haven't been done by an independent qualified accountant, we also need a copy of their ATO Notice of Assessment.</p> | <p>The business must have been trading for at least two full financial years.</p> <p>For directors, we conduct an ACN search to confirm that they are a Director and Shareholder of the company.</p> |
| Scholarships | <p>Both:</p> <ul style="list-style-type: none"> the latest two consecutive payslips, and a copy of the contract between the student and the university showing the period for which the scholarship will be paid, the student's obligations, amount, frequency and method of payment. | <p>The scholarship term must have at least 12 months left to run when they apply, and must be for living expenses only.</p> |
| Self-funded retirees | <p>Both:</p> <ul style="list-style-type: none"> evidence of regular income over the previous six months from sources such as superannuation or annuities, and details of how this income will continue over the loan term. | <p>Borrowers over 50 must also provide an appropriate exit strategy (see <i>Borrowers over 50</i> in <i>Appendix A – specific suitability criteria</i>).</p> |

| For this income type... | we need... | Notes |
|-------------------------------|--|--|
| Child Support Payments | <p>Bank statements or Child Support Agency statements for the last three months showing the child support payments,</p> <p>and any one of:</p> <ul style="list-style-type: none"> an order issued by the Federal Circuit Court of Australia or the Family Court of Australia, or statements from the Child Support Agency, or a Binding Child Support Agreement, or a Limited Child Support Agreement. | <p>We'll only consider child support income for a child under 16 and can request an exit strategy for a child 10 or older. Please contact one of the Business Development Specialist for advice as we treat these matters a case-by-case basis.</p> |
| Foster care | <p>Evidence from the foster care service confirming the long-term sustainability of payment and placement of the child.</p> | <p>We'll only consider foster care income for a child under 16 and can request an exit strategy for a child 10 or older. Please contact one of the Business Development Specialist for advice as we treat these matters on a case-by-case basis.</p> |
| Other ongoing income | <p>For Income Protection Insurance payments or income from a trust we need:</p> <ul style="list-style-type: none"> a copy of the policy document, PDS or trust deed, <p>and either:</p> <ul style="list-style-type: none"> evidence of income for at least the past two years, or a letter from the borrower's accountant showing ongoing income at the same or similar level. | <p>Refer all cases to the Credit Assessment Team for consideration and include notes to explain the details if you have any doubt about to the sustainability of the income.</p> |
| | <ul style="list-style-type: none"> | <ul style="list-style-type: none"> |

Government income

For all Centrelink and government payments we need the latest Centrelink Income Statement showing the:

- amount

- payment type
- breakdown of payment
- the base gross benefit paid.

| For this income type... | we need... | |
|-------------------------|---|--|
| Veterans Affairs | Either: <ul style="list-style-type: none"> • Statement of benefits (note more than 3 months old) issued by Centrelink or The Department of Veteran affairs or • three months’ bank statements | |
| Pensions and allowances | The latest Centrelink Income Statement outlining the amount, type and breakdown of payment. | This applies to: <ul style="list-style-type: none"> • Age Pension • Carer’s Allowance (if the person being cared is not a co-borrower, include them as a dependent)* • Disability Pension • Widow Allowance • Youth Allowance • Multiple Birth Allowance. <p>* Where Carer’s allowance is to be utilised we need to understand if it is ongoing and how customer would meet their loan repayment if no longer in receipt</p> |

| For this income type... | we need... | |
|------------------------------------|--|--|
| Overseas pension | Both: <ul style="list-style-type: none"> the latest overseas pension Statement showing the amount, type and breakdown of payment, and three months' bank statements showing pension income. | We'll average the income over the previous three months. |
| Family Tax Benefit – Part A | Latest Centrelink Income Statement showing the amount, type and breakdown of payment. | We'll only consider the FTB A benefit for a child under 16, and can request an exit strategy for a child 10 or older. Please contact a Business Development Specialist for advice as we treat these matters on a case-by-case basis. |
| Family Tax Benefit – Part B | The latest Centrelink Income Statement showing the amount, type and breakdown of payment. | We only accept FTB Part B if the youngest child is 10 or younger on the application date. |
| Single Parent Payment | The latest Centrelink Income Statement showing the amount, type and breakdown of payment. | We'll only consider single parent payment for a child under 10 and will request an exit strategy. Please contact a Business Development Specialist for advice as we treat these matters on a case-by-case basis. |
| JobSeeker Payment | The latest Centrelink Income Statement showing the amount, type and breakdown of payment. | |
| Austudy/Abstudy | Both: <ul style="list-style-type: none"> the latest Centrelink Income Statement showing the amount, type and breakdown of payment. | The borrower must have a secondary income source. |

Verifying savings

We accept...

We accept evidence of savings in the following accounts, but the savings must be unencumbered and not used as collateral security for other debts:

- **bank/credit union/building society accounts**
- **term deposit accounts**
- **CHESS holding statements**
- **investment certificates.**

We don't accept...

These are examples of the types of sources of money that we don't accept as savings:

- loans or borrowed equity (excluding equity from existing real estate)
- unconfirmed deposits (no gift declaration provided)
- life endowment policies or unpreserved superannuation contributions
- insurance bonds
- community-held funds (for example, chit funds).

For this saving type...

we need...

Notes

| | | |
|---------------------------|---|--|
| Bank account | statements for the last three months | |
| Term deposit | a term deposit certificate showing ownership and that they've held the deposit for more than three months | |
| Real estate sale proceeds | a copy of the Contract of Sale confirming ownership of the property in the name of at least one of the borrowers | |
| Senior Equity Loans | we only need proof of debt commitments if the borrower is repaying the debt from loan proceeds. | |
| Gifts | We accept non-repayable gifts as savings/contribution unless they are from interested parties such as vendors, agents, or builders. | If the borrower has gifted money in their bank account when they apply, we include the gift as both an asset and as a contribution towards the purchase. |

| For this saving type... | we need... | Notes |
|-------------------------|---|--|
| | <p>Borrowers must:</p> <ul style="list-style-type: none"> • deposit all gifted funds into their bank account or their conveyancer's trust account before settlement • complete a gift declaration form • provide a copy of the bank statement confirming that they received the gift payment. | <p>Gifts not yet received</p> <p>If a borrower expects to use gifted funds that they haven't yet received, and/or gifts they've already used as a deposit to the agent or builder, we record these as contributions towards the purchase, we don't list them as an asset.</p> |
| Family sales | <p>Vendors who are a direct relative of the purchaser can help buy the property. In this situation, rather than reducing the contract price of the property, the purchase price must match the valuation.</p> | <p>If the direct relative pays the difference between the contract price and the amount they've agreed to receive from the purchasers, we consider this a gift. This means that we include the amount as part of the contract conditions, thus creating an 'arm's length' transaction so we can calculate stamp duty on the correct amount.</p> <p>A registered conveyancer or solicitor must handle the settlement.</p> |

Verifying expenses

Format and content of bank statements

Borrowers must provide bank statements for the **three** months immediately before the loan application for:

- any savings accounts that hold the customer's deposit
- any transaction accounts showing the history of the customer's regular income that they will use to service the loan, including evidence of living expenses.

Identification on statements

We only accept statements that have the borrower's initials and surname if we can verify them by cross-referencing supporting documents such as the Centrelink Income Statement (by reference number) and/or salary credits (in line with their payslips).

In addition to traditional bank statements, we will also accept statements from online digital providers (e.g.bankstatements.com, mogo, Illion). Identification of applicants is as above.

Transaction lists

We only accept interim statements or transactional statements if:

- we can clearly identify that the transaction record belongs to the borrower, and
- we can clearly identify the name of the financial institution, and
- the individual transactions include merchant descriptions.

Expense types

| This expense type... | cover these items... |
|--|--|
| Food and groceries | food, groceries, dining out and takeaway meals, including delivery services such as Uber eats and Deliveroo |
| Transport | vehicle registration, running costs, fuel, and public transport |
| Clothing | average family clothing costs |
| Insurance | Building and contents insurance for the security property and any other properties held (including holiday homes), motor vehicle insurance, personal insurance (Health, Life, Sickness and Accident) |
| Utilities | known or estimated electricity, gas, council, strata and water rates after settlement for the security property and any other properties held (holiday homes or vacant blocks) |
| Rent | actual rental paid, whether or not it is ongoing (this supports the borrower's ability to make the loan repayments) |
| School fees | public/government Primary & Secondary |
| Recreation & Entertainment | what do you spend on weekend activities, holidays, and concerts |
| Telephone/Mobile/Internet/Pay TV/Subscriptions | mobile phone plans, internet plans and subscriptions example Netflix, Stan |
| Medical and Health | Ongoing medical costs, medical contingency (excludes personal health insurance) |
| Other | any other items |

Validating expenses

| For this type... | we need... | |
|------------------------|--|--|
| Transaction statements | <p>Our responsible lending obligations require us to make reasonable enquiries and verify a borrower’s general living expenses.</p> <p>Review statements for each borrower’s transaction accounts to:</p> <ul style="list-style-type: none">• verify the borrower’s stated expenses,• review account conduct for overdrawings and• identify any liabilities they haven’t disclosed elsewhere in the application. | <p>These are the minimum requirements. If a Credit Assessor notices regular or larger transactions that they believe need more investigation, they can request more information or statements.</p> |

Debt and credit history evidence

| For this debt type... | we need... | and the repayment is... |
|-------------------------------|--|---|
| Credit store Cardor Zip Pay | <p>Both:</p> <ul style="list-style-type: none"> the most recent statement for the payment method, and the last three months of transactions in that payment method. <p>Note: If the borrower has to cancel or reduce the limit of their store or credit cards as a condition of the loan, they must provide documentary evidence showing they've done this.</p> | 3.82% of the limit per month |
| Overdrafts or Lines of Credit | The last three months of transactions for the account, showing the credit limit. | 3.00% of the limit per month |
| Centrelink Lump Sum Advances | The latest Centrelink Income Statement showing the amount, type and breakdown of payment. | Deduct the Lump Sum Advance repayment amount from the Centrelink income type. |
| Centrelink Debt | <p>Both:</p> <ul style="list-style-type: none"> the latest Centrelink Income Statement showing the amount, type and breakdown of payment, and evidence from Centrelink showing the current outstanding balance of the debt. <p>If they are paying off the debt, we need documentary evidence of this.</p> <p>Notes: For Centrelink debts over \$1,000 we need an explanation of how they incurred this debt.</p> | For All Centrelink Debts Use the monthly repayment amount on the statement. |
| Centrepay Deductions | Documented evidence from Centrelink explaining the nature of all deductions. | Include verified amounts as a living expense or Liability, if applicable. |
| Child Support | The Child Support Agency (CSA) statement or other evidence showing the payment amount and frequency. | Use the payment amount on the statement/ documentation. |

| For this debt type... | we need... | and the repayment is... |
|---------------------------|--|---|
| HECS or HELP | Where HELP/HECS are visible on payslips these must be included in as an expense item in the existing commitments section. If evidence is provided confirming the HELP/HECS debt has been paid out in full then the associated payments can be excluded. | Use the calculated repayment on the payslip |
| Investment property loan | <p>Both:</p> <ul style="list-style-type: none"> loan statements for the previous three months, and a copy of the loan repayment calculation. <p>Notes: If the investment loan is a line of credit with undrawn money, or there is significant redraw money available, ask the borrower if they plan to redraw it. If they plan to redraw the money, adjust the monthly commitment amount to allow for this increase in debt.</p> | For current loans , the remaining term at P & I at current SVR interest rate + 2%. |
| Car loan or Personal loan | <p>Either:</p> <ul style="list-style-type: none"> the last three months of loan statements showing the minimum monthly payment, <p>or both:</p> <ul style="list-style-type: none"> a copy of the loan contract showing the minimum monthly payment, and evidence of the last three months of loan repayments from the transaction account. | Current contracted monthly repayment amount |
| Margin loan | The last three months of loan statements. | Treat as a contingent liability and record the details in the notes |
| Lease | <p>Both:</p> <ul style="list-style-type: none"> the latest Loan statements, and evidence of the last three months of loan repayments from the transaction account | Current contracted monthly repayment amount |
| Rent (land-only loans) | <p>Either:</p> <ul style="list-style-type: none"> a copy of the Tenancy Agreement, or a letter from the real estate agent. | Current rent amount per month |

| For this debt type... | we need... | and the repayment is... |
|---------------------------------------|---|---|
| Hire Purchase or rental agreement | Both: <ul style="list-style-type: none"> a copy of the contract, and evidence of the last three months of loan repayments from the transaction account. | Current contracted monthly repayment amount |
| Child Care | Invoices or Transaction Statements covering the last three months. | List as monthly commitment for payments |
| Private school fees | Require Statements/Invoice issued by the school. If at end of year and the applicant has not received an invoice for the following year, a copy of the school's fee schedule is required. | List as monthly commitment for payments |
| Refinancing home loan | All of: <ul style="list-style-type: none"> the latest six months' Home Loan statements, and evidence of all debts to be repaid, and evidence that water and council rates are paid up. | New proposed loan payment amount |
| Hire Purchase or Rental Agreement | Both: <ul style="list-style-type: none"> a copy of the contract, and evidence of the last three months of loan repayments from the transaction account. | Current contracted monthly repayment amount |
| Other debt commitments or liabilities | A statement or other evidence showing the repayment amount and frequency. Note: refer to the Helpful Tips of the HomeStart Broker website. | Current repayment amount |

Security property

All our loans must be secured by a first registered mortgage over real property.

| To be an acceptable security the real property must: | We don't accept a property as security if it is: | Notes |
|--|---|---|
| <ul style="list-style-type: none"> • be within the State of South Australia • have a land use code of <ul style="list-style-type: none"> - residential - rural residential or - vacant land (for residential use only) • have a total land size of up to 2 hectares (5 acres/20,000 m²) • have a floor size of at least 45 square metres, excluding car parks and balconies • be owner-occupied (unless it has tenancy agreement, see below) • be located within an acceptable township boundary, and • be connected to electricity and water (or have a DLA approval). | <ul style="list-style-type: none"> • located outside of South Australia • a commercial or industrial property • a unit in strata hotel/motel • a leasehold property (unless it's Government or Perpetual Leasehold with a term greater than 40 years or the remaining term of the loan) • a rural property where the loan is supported by income derived from the property • a rural residential property producing income or that doesn't have water or power connected • a property with a total area of less than 45 m², excluding car parks and balconies • under a time-share arrangement • a dual-key apartment • a purchase of a License Agreement for a retirement village, unit or shares where the borrower doesn't have clear title to the property • a serviced apartment, studio apartment or an apartment subject to a Management Agreement, or any other form of planned unit which is to be acquired under a managed investment scheme • moiety title, company or other such title • being used as exhibition or display homes. | <p>Delegated Lending Authority approvals</p> <p>We need Delegated Lending Authority approval if the property:</p> <ul style="list-style-type: none"> • doesn't have existing connections to electricity and water • has a Housing Improvement Act order. <p>Tenancy agreements</p> <p>The property must be owner-occupied unless the purchase contract includes a Tenancy Agreement. We'll accept this if:</p> <ul style="list-style-type: none"> • the Tenancy Agreement expires within six months of the settlement date • the borrower agrees to occupy the property within a reasonable time after the Tenancy Agreement expires. <p>If there's a periodic tenancy, we need evidence that the property will be vacant on the settlement date.</p> <p>Right to decline property</p> <p>We reserve the right to decline any property as security to maintain and uphold sound risk management and lending practices.</p> |

Addendum – First Home Buyers and Stamp Duty Concessions

All FHB customers that are eligible for FHOG and Stamp Duty concessions are required at a minimum to meet the below requirements:

- Customer must have sufficient funds to pay required deposits and associated upfront costs to builder/vendor of land – customer to confirm these funds were held in savings or provide gift letter as required (refer lending policy for verifying savings for more detail).
- Where required deposits and associated fees paid to builder/vendor of land are less than \$3,000, customer must hold difference up to \$3,000 in their account.
- FHOG is to have 100% funds applied to loan.
- Starter Loan is available to support associated fees for the loan (this is not available to pay costs associated with the build/land loan)

Addendum – Home Equity Loans

This policy applies to all Home Equity Loan (HEL) requests. Utilisation of Home Equity Loan Calculator as a first action is required to determine acceptable request.

- Loan to Value Ratio – Refer Product Policy for acceptable LVR and Valuation/Valuer General Requirements
- Verify income according to lending policy.
- Credit check review per HomeStart Lending Policy
- All commitments are required to be declared and included within lending system – Verification of declared commitments is not required (loans, credit cards etc) unless request is for debt consolidation – in this instance liabilities are to be verified per lending policy.
- Verify recent conduct of current home loan – Borrower(s) require a minimum 12-month satisfactory repayment history. Any adverse conduct must have a satisfactory explanation to proceed.
- Verify council / water rates up to date with documents confirming held on file.
- Net Surplus Income >5%: use customer declared expenses – no further verification is required.

Internal Refinance

Where it is deemed that the customer is not eligible for a HEL through use of the calculator and the purpose of funds remains within the guidelines of the HEL product guide a customer may be considered for an internal refinance. This will only be considered where the calculated repayment is less than the current instalment and must be supported by clear notes of discussion with customer regarding any impacts to loan terms and ability to maintain current repayment amount. If the above items are met, then customer is eligible to utilise the HEL policy.